THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Chief Cable TV Group Limited (the "**Company**"), you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sales or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

CHINA CHIEF CABLE TV GROUP LIMITED
中國3C集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 8153)

VERY SUBSTANTIAL ACQUISITION

Financial Adviser to China Chief Cable TV Group Limited

粵海證券有限公司
GUANGDONG SECURITIES LIMITED

A notice convening the special general meeting (the "**SGM**") of the Company to be held on at Conference Room, 19th Floor, CMA Building, 64-66 Connaught Road Central, Hong Kong, on Friday, 15 January 2010, at 5:00 p.m. is set out from pages 196 and 197 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's share registrar in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM, or any adjournment thereof, should you so wish.

This circular will remain on the "Latest Listed Company Information" page of the GEM's website for 7 days from the date of its publication and on the Company's website at www.m21.com.hk from the date of its posting.

28 December 2009

* *For identification purposes only*

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

CONTENTS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

"Acquisition"	the proposed acquisition of the Sale Shares by the Company from the Vendor pursuant to the terms and conditions set out in the Sale and Purchase Agreement
"Announcement"	the announcement of the Company dated 8 December 2009 in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder
"associate(s)	has the meaning ascribed to it under the GEM Listing Rules
"Board"	the board of Directors
"Bondholder(s)"	holder(s) of the Convertible Bonds
"Business Day(s)"	a day (excluding Saturday and Sunday) on which banks are generally open for business in Hong Kong
"Company"	China Chief Cable TV Group Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on GEM
"Completion"	the completion of the Sale and Purchase Agreement
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Consideration"	the consideration of HK$1,398,000,000 payable by the Company to the Vendor for the Acquisition pursuant to the Sale and Purchase Agreement
"Conversion Price"	HK$0.43 per Conversion Share, subject to adjustments in accordance with the terms and conditions of the Sale and Purchases Agreement and the terms of the Convertible Bonds
"Conversion Share(s)"	a maximum of 3,251,162,790 new Shares to be allotted and issued by the Company upon exercise of the conversion rights attached to all Convertible Bonds at the initial Conversion Price

"Convertible Bonds"	the convertible redeemable bonds in the principal amount of not exceeding HK$1,398,000,000 to be issued by the Company to the Vendor (or its nominee(s)) in accordance with the terms and conditions of the Sale and Purchase Agreement
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group (including the Target Group) immediately after the Completion
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	third party(ies) and their ultimate beneficial owner(s) which are independent of the Company and its connected persons
"Mr. Shan"	Shan Xiao Chang (單曉昌先生), being the guarantor to guarantee the Vendor's obligations under the Sale and Purchase Agreement
"Last Trading Day"	30 November 2009, being the last day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the publication of the Announcement
"Latest Practicable Date"	23 December 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"Long Stop Date"	30 June 2010
"Ph.D."	Doctor of Philosophy

"PRC"	the People's Republic of China
"PRC Company"	江蘇科地現代農業有限公司 (Jiangsu Kedi Modern Agriculture Company Limited*), a company incorporated in the PRC on 20 June 2006 and a wholly-owned subsidiary of the Target Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement in relation to the Acquisition entered into between the Company and the Vendor on 30 November 2009
"Sale Share(s)"	10,000 share(s) of HK$1 each in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	a special general meeting of the Company convened to be held on 15 January 2010 to consider and approve by the Shareholders, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder, and the issue of the Convertible Bonds
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholders(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Repurchases of the Securities and Futures Commission of Hong Kong

"Target Company"	Kang Yuan Universal Investment Limited, a limited company incorporated in Hong Kong on 2 April 2002 and is beneficially and wholly-owned by the Vendor
"Target Group"	the Target Company and the PRC Company
"Vendor"	Cyberland China Limited, being the vendor of the Acquisition under the Sale and Purchase Agreement
"Zhengzhou Ruihao"	Zhengzhou Ruihao Tobacco Technology Co., Ltd., a company incorporated in the PRC on 16 August 2008 and a wholly-owned subsidiary of the Target Company
"%"	per cent.

For the purpose of this circular, all amounts denominated in RMB have been translated (for information only) into HK$ using the exchange rate of RMB1.00:HK$1.135. No representation is made that any amounts in RMB or HK$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese names shall prevail.

Certain English translation of Chinese names or words in this circular are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words.

CHINA CHIEF CABLE TV GROUP LIMITED
中國3C集團有限公司*
(Incorporated in Bermuda with limited liability)
(Stock code: 8153)

Executive Directors:
Mr. Wong Man Hung Patrick
Mr. Law Kwok Leung
Mr. Feng Xiao Ping
Mr. Stephen William Frostick

Independent non-executive Directors:
Mr. Sousa Richard Alvaro
Mr. Lee Chi Hwa Joshua
Ms. Chan Mei Bo Mabel

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
19/F., CMA Building
64-66 Connaught Road Central
Hong Kong

28 December 2009

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION

INTRODUCTION

Reference is made to the Announcement regarding the Sale and Purchase Agreement and the Acquisition.

The purpose of this circular is to, among other things, provide you with (i) further information of the Acquisition including the Sale and Purchase Agreement; (ii) the notice of SGM; and (iii) other information as required under the GEM Listing Rules.

* *For identification purposes only*

On 30 November 2009 (after trading hours), the Company (as the purchaser) entered into the Sale and Purchase Agreement with the Vendor to acquire the Sale Shares at a total consideration of HK$1,398,000,000.

THE SALE AND PURCHASE AGREEMENT

Set out below are the major terms of the Sale and Purchase Agreement:

Date:

30 November 2009 (after trading hours)

Parties involved:

Purchaser

The Company

Vendor

Cyberland (China) Limited, which is an investment holding company incorporated in Hong Kong. As at the Latest Practicable Date, Cyberland (China) Limited was legally and beneficially owned as to 45%, 40% and 15% by Rise Enterprises Limited, Stepwise International Holdings Limited and Wealth Way Investment Limited, respectively.

The Vendor was introduced to the Company by an acquaintance of a general manager of the Company. The Company started the negotiations regarding the Acquisition with the Vendor in early November 2009, after the Company was introduced to the business of the Target Company and began to contemplate the Acquisition.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor, its shareholders and their ultimate beneficial owners, and their respective associates are (i) Independent Third Parties; and (ii) not parties acting in concert (as defined under the Takeovers Code) with any substantial shareholders of the Company.

In addition, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, (i) the Vendor, its shareholders and their ultimate beneficial owners, and their respective associates did not hold any Shares or other convertible securities in the Company as at the date of the Announcement; and (ii) there were no previous transactions or business relationship between the Company, and the Vendor, its shareholders and their ultimate beneficial owners, and their respective associates which would result in aggregation under Rule 19.22 of the GEM Listing Rules.

Vendor's guarantor

Mr. Shan, being the sole director and shareholder of Stepwise International Holdings Limited and one of the directors and shareholders of Rise Enterprises Limited.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Shan is (i) an Independent Third Party; and (ii) not a party acting in concert (as defined under the Takeovers Code) with any substantial shareholders of the Company.

Mr. Shan has unconditionally and irrevocably agreed to guarantee the due performance of the Vendor's obligations under the Sale and Purchase Agreement.

Assets to be acquired:

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the Sale Shares at the Consideration. The Sale Shares represent the entire issued share capital of the Target Company. The simplified shareholding structure of the Target Group is included under the section headed "Shareholding Charts" in the "Letter from the Board".

The Consideration:

The Consideration of HK$1,398,000,000 will be settled by the Company in the following manner:

(i) up to HK$350,000,000 will be satisfied in cash and the remaining balance will be satisfied by the issue of the Convertible Bonds in the principal amount equivalent to the balance of the Consideration after deducting the cash Consideration payable thereof by the Company to the Vendor (or its nominee(s)) on the date of Completion. The exact amount of the cash Consideration to be paid is subject to the Company's sole discretion; or

(ii) the total Consideration will be satisfied entirely by the issue of the Convertible Bonds in the principal amount of HK$1,398,000,000 by the Company to the Vendor (or its nominee(s)) on the date of Completion.

Basis of the Consideration:

The Consideration was determined after arm's length negotiations between the Company and the Vendor, with reference to the prospects of the PRC Company as detailed in the paragraph headed "Reasons for the Acquisition" below, which is equivalent to the price to earnings ratio of approximately 13.9 times based on the audited consolidated net profit after tax of the PRC Company of approximately RMB88.76 million (equivalent to approximately HK$100.74 million) for the year ended 31 December 2008, as compared to the price to earnings ratio of approximately 22 times of a profitable Hong Kong listed company which is engaged in businesses relating to the tobacco industry.

In light of (i) that the Acquisition will provide an opportunity for the Group to gain access to the modern tobacco drying industry so as to broaden its income base, and thereby enhancing its future financial performance and profitability; and (ii) the latest market statistics on tobacco consumption in the PRC and the future prospects of the modern tobacco drying industry as set forth under the section headed "Industry overview" in the "Letter from the Board", the Board considers that the Consideration, which was arrived at after arm's length negotiations, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Conditions precedent:

Completion of the Sale and Purchase Agreement is conditional upon certain conditions being fulfilled or waived in writing, including but not limited to:

(i) the Company being satisfied with the results of the due diligence review on the assets, operations, financial positions, prospects and other affairs of the Target Group, including but not limited to (a) the receipt of a legal opinion (in such form and substance to the satisfaction of the Company) issued by lawyers on Hong Kong laws covering matters on, among other things, the due incorporation and subsistence of the Target Company, and legal and transferability of the Sale Shares; (b) the receipt of a legal opinion (in such form and substance to the satisfaction of the Company) issued by the PRC lawyers covering matters on, among other things, the due establishment and subsistence, the legality of ownership of assets and business operations of the Target Company and the PRC Company which are established in the PRC; and (c) the receipt of the audited accounts of each of the Target Company and the PRC Company for the last three years or such other period of time as approved by the Company in such form and substance to the satisfaction of the Company;

(ii) the Directors having approved at a Board meeting and the Shareholders having approved at a special general meeting of the Company the Sale and Purchase Agreement, the allotment and issue of the Conversion Shares upon exercise of the conversions rights attached to the Convertible Bonds and all transactions contemplated thereunder;

(iii) the approval from the relevant authorities in Bermuda to allot and issue the Conversion Shares by the Company (if required);

(iv) the Company having obtained the duly executed non-competition undertaking (in such form and substance to the satisfaction of the Company) set out in the Sale and Purchase Agreement from the Vendor, Mr. Shan and Ms. Iizumi Eishi*（井泉瑛孜）(who is a director of the Target Company);

(v) the Target Group having obtained all the licences required for the operation of the Target Group and all the relevant fees or expenses being paid on time and/or fully paid, and all licences relating to the operation of the business of the Target Group being legally registered under the name of the relevant member of the Target Group and such licences being validly subsistence upon Completion;

(vi) the PRC Company and Jiangsu Yucheng Agricultural Co., Ltd. (a company which is indirectly-controlled by Mr. Shan) having entered into a trademark licence agreement, patent licence agreement and all relevant intellectual property rights transfer agreements in respect of all intellectual property rights (including trademarks and patents) owned by Jiangsu Yucheng Agricultural Co., Ltd. as at the date of signing of the Sale and Purchase Agreeement, and that all relevant statutory filing procedures (if required) and applications to the relevant PRC authorities in respect of the transfer of such intellectual property rights having been completed;

(vii) all the relevant third-party consents and approvals (including but not limited to consents and approvals of creditors of the Target Company and the PRC Company) and obligation to serve notice on such creditors (if applicable) in respect of the sale and purchase of the Sale Shares under the Sale and Purchase Agreement having been obtained and fulfilled;

(viii) all the representations and warranties contained in the Sale and Purchase Agreement remain true, accurate and not misleading in all respects;

(ix) the Company not having discovered or come to its knowledge that from 30 June 2009, there being any abnormal operations or any material adverse change in the business, positions (including assets, financial and legal status), operations, performance or assets, or any undisclosed material potential risks in respect of the Target Group; and

(x) the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares.

The Company shall have the right to waive in writing the conditions as mentioned above (save as and except for conditions (ii), (iii), (viii) and (x)). Save as aforesaid, if the conditions precedent as set out in the Sale and Purchase Agreement have not been fulfilled (or, where applicable, waived by the Company in writing) on or before the Long Stop Date, the Sale and Purchase Agreement will terminate.

With respect to condition (vi) above, the trademark licence agreement, the patent licence agreement and other relevant intellectual property rights transfer agreements are to be entered into for the purpose of transferring certain intellectual property rights (including trademarks and patents) which are currently owned by Jiangsu Yucheng Agricultural Co., Ltd. and used by the PRC Company in its business operations, to the PRC Company. Those trademarks and patents are related to the production and the subsequent sales of the tobacco drying machines but the obtaining of such trademarks and patents is not a mandatory prerequisite for the Target Group to conduct its business. The terms of each of the trademark licence agreement, the patent licence agreement and other relevant intellectual property rights transfer agreements are still in negotiation between the Company and the Vendor. Further information in relation to such agreements will be disclosed by the Company when they are entered into as and when necessary as required by the GEM Listing Rules.

As advised by the Company's legal counsel, Jun He Law Offices, there are no other approvals or permits (other than the business licence) which are required for the PRC Company to conduct the business of the production of tobacco drying machines in the PRC.

As at the Latest Practicable Date, none of the condition(s) precedent as set out above had been fulfiled.

Completion:

Completion shall take place on the third Business Day after the day on which the last condition precedent is fulfilled or waived or such other date as the Company and the Vendor may agree, subject to the conditions precedent being fulfilled or waived in accordance with the Sale and Purchase Agreement.

The Convertible Bonds:

Pursuant to the Sale and Purchase Agreement, an amount of not exceeding HK$1,398,000,000 of the Consideration (subject to the Company's sole discretion) is to be satisfied by the issue of the Convertible Bonds at the initial Conversion Price of HK$0.43 per Conversion Share by the Company to the Vendor (or its nominee(s)).

Assuming full conversion of all Convertible Bonds at the initial Conversion Price, 3,251,162,790 Conversion Shares will be issued, representing (i) approximately 175.71% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 63.73% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds with the principal amount of HK$1,398 million at the initial Conversion Price.

The principal terms of the Convertible Bonds are summarised as follows:

Issuer

The Company

Bondholder(s)

The Vendor (or its nominee(s))

Principal amount

Up to HK$1,398,000,000

Maturity date

The 5th anniversary from the date of issue of the Convertible Bonds

Interest

1% per annum payable semi-annually in arrear on 30 June and 31 December in each year

Transferability

The Convertible Bonds may be transferable or assigned to any third party (whether he/she/it is a connected person of the Company), subject only to compliance of the conditions hereunder and further subject to the conditions, approvals, requirements and any other provisions of or under: (i) the Stock Exchange (and any other stock exchange on which the Shares may be listed at the relevant time) or their rules and regulations (including any approval that may be required from the Stock Exchange in case the Convertible Bonds (or part thereof) are transferred or assigned to a connected person of the Company); (ii) the approval for listing in respect of the Conversion Shares; and (iii) all applicable laws and regulations.

Voting rights

The Bondholder(s) shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being a Bondholder.

Conversion rights and conversion period

The Bondholder(s) shall have the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds (in the amount of HK$1,000,000 or integral multiples thereof) into Conversion Shares at any time during the period commencing from the expiry of the 2nd anniversary of the date of issue of the Convertible Bonds until the Business Day before (and excluding) the date of maturity at the initial Conversion Price of HK$0.43 per Conversion Share, subject to adjustments, provided that the Bondholder(s) shall not exercise the conversion rights attached to the Convertible Bonds (i) if such conversion would result in the Company's non-compliance with the minimum public shareholding requirement stipulated under Rule 11.23 of the GEM Listing Rules or other relevant requirements under the GEM Listing Rules; and (ii) if the Bondholder(s) and parties acting in concert with it/them will trigger a change in control under the Takeovers Code.

Conversion Price

The initial Conversion Price of HK$0.43 per Conversion Share (subject to customary anti-dilutive adjustments upon the occurrence of the dilutive events including any alteration to the nominal value of the Shares as a result of subdivision or consolidation of Shares, any issue of Shares to the Shareholders by way of capitalisation of profits or reserves and other dilutive events) represents:

(i) a discount of approximately 3.37% to the closing price of HK$0.445 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 15.69% to the closing price of HK$0.510 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 12.60% to the average closing price of HK$0.492 per Share for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 8.12% to the average closing price of HK$0.468 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and

(v) a premium of approximately 157.49% over the consolidated net asset value of the Group per Share of approximately HK$0.167 as at 30 September 2009 (based on the unaudited consolidated net asset value of the Group of approximately HK$309,276,000 as at 30 September 2009 and 1,850,298,244 issued Shares as at the date of the Sale and Purchase Agreement).

The Board confirmed that the Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor, after taking into account the prevailing market price of the Shares and the recent condition of the financial market in Hong Kong.

Redemption

Unless previously converted, the Convertible Bonds shall be redeemed by the Company at its principal amount outstanding on the maturity date.

At any time up to (and excluding) the commencement of the seven calendar day period ending on the maturity date, the Company may, by written notice to the Bondholder(s), redeem all or part of the then outstanding principal amount of the Convertible Bonds at a redemption price equal to 100% of the principal amount of the Convertible Bonds.

Ranking of the Conversion Shares

The Convertible Bonds constitute direct, unsubordinated and unconditional obligations of the Company, and shall at all time rank pari passu and without any preference or priority among themselves.

Application for listing

No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Bonds. The Conversion Shares shall be allotted and issued under a specific mandate.

Non-competition undertakings

Under the Sale and Purchase Agreement, the Vendor, Mr. Shan and Ms. Iizumi Eishi* (井泉瑛孜) have undertaken to the Company that each of them and their respective associates and affiliates would not directly or indirectly engage in businesses which would compete with the businesses of the Target Group in the PRC.

INFORMATION ON THE TARGET GROUP

The Target Company

The Target Company is an investment holding company incorporated in Hong Kong with limited liability on 2 April 2002 and was beneficially and wholly-owned by the Vendor as at the Latest Practicable Date. The principal asset of the Target Company is its 100% equity interest in the PRC Company.

The PRC Company

The PRC Company is incorporated in the PRC on 20 June 2006 with limited liability and is wholly-owned by the Target Company. The PRC Company is principally engaged in the production of drying machines, mainly the tobacco drying machines, in the PRC. With regard to the production of the modern tobacco drying machines, the PRC Company is currently one of the Qualified Suppliers (as defined in the below section of this circular).

Business and operation

The management of the PRC Company advised that the production scale of the PRC Company is capital intensive in nature. The PRC Company produces and sells various kinds of drying machines, but with tobacco drying machines as the majority. The tobacco drying machines which the PRC Company currently produces are mainly the large intensive flue-curing equipment and the external heat source flue-curing equipment. The PRC Company also launched a new brand of drying machines, being the multi-functional flue-curing equipment, which can be used on drying tobacco, vegetables and Chinese herbs etc..

The PRC Company has a standard production factory with approximately 20,000 square meters and a complex building with approximately 10,000 square meters in Jiangsu Province, the PRC. In 2008, the PRC Company obtained the qualification of ISO9001:200 granted by Beijing Hangxie Certificate Center and passed the authentication of the government authorities. Furthermore, based on the information provided by the Vendor, the current production capacity of the PRC Company is approximately 1,000 units per day. The annual production capacity of the large intensive flue-curing equipment is more than 100,000 units and the annual production capacity of the external heat source flue-curing equipment is more than 150,000 units.

The principal raw materials used by the PRC Company for its manufacturing operations are steel, winding motor and components.

Customers and the after-sale services

The PRC Company sells the majority of its products to the local counterparts of China National Tobacco Corporation ("**CNTC**") through public tendering and bidding procedures, which will determine the selling price of those products and further distribute them to various provinces in the PRC. Details of such tendering and bidding procedures are included under the section headed "Government policies and regulations" in the "Letter from the Board". The PRC Company also sells a small portion of its products, mainly the drying machines for other usages other than tobacco drying, to other private corporations, in which case the selling price is determined with reference to the government bidding price after arm's length negotiations between the parties thereof.

As for the new brand of drying machines, the PRC Company shall market them under its own brand name, and the pricing of those new brand of drying machines will be on cost basis plus a certain percentage mark-up for profit.

The PRC Company normally provides a free one-year warranty on its products. Following the expiration of the warranty period, the PRC Company provides repair and maintenance service and supply components to its customers for a cost-based fee on the services and components required.

Currently, the PRC Company employs 300 staff for production and 165 staff for marketing and the provision of after-sale services.

Competitive advantages

As advised by the Vendor, the PRC Company is a leading market player in the modern tobacco drying industry with a strong creative research team in the PRC. Moreover, the PRC Company enjoys a wide geographic coverage in provinces such as Yunnan Province, Sichuan Province and Hunan Province for its sales network and has established good connection with its customers. In relation to production, the PRC Company has also set up a strong research team for the production of drying machines, which would enable the PRC Company to develop the new unique modern tobacco drying technology. The PRC Company will continue to apply for the relevant trademarks, patents and/or other intellectual property rights for any new unique modern tobacco drying technology it develops in the future.

Capital requirements and source of funding

Based on the existing financial information and budget of the PRC Company, the Company expects that the PRC Company can be self-financed. Thus, no further capital contributions are required from the Company for the operation and development of the PRC Company.

Future development strategy

The PRC Company is currently focusing on the tobacco drying machines market and is conducting research, development, instruction, production, sale and consulting and training on the modern agricultural technology. The PRC Company is trying (i) to enter into the products market of tobacco farm machines, bioenergy and other economic crop drying machines; (ii) to increase its market share in the intensive flue-curing equipment industry; (iii) to penetrate into the tobacco drying industry in bioenergy; (iv) to improve the development and production of the tobacco drying machines by promoting the usage of the modern agricultural technology; and (v) to strengthen its co-operative relationship with the tobacco companies.

Management team

The PRC Company has an experienced management team to oversee its operation. The management team consists of personnel with appropriate qualifications and relevant experience in the tobacco drying industry. The Enlarged Group will retain the existing management team of the PRC Company and will appoint suitable candidates to ensure continual efficient operation of the PRC Company.

Set out below are the biographies of the existing and proposed members of the management team of the PRC Company:

Mr. Shan (單先生)*

Mr. Shan, aged 45, is a director of the PRC Company with over 15 years of experience in corporate financing and management and his duties include financing, managing cash-flow, production and operation and research. Mr. Shan has joined the PRC Company since June 2006.

Ms. Iizumi Eishi (井泉瑛孜)*

Ms. Iizumi Eishi* (井泉瑛孜), aged 35, was graduated from the Beijing Foreign Studies University and IHTTI School of Hotel Management, Switzerland. She is a director and general manager of the PRC Company with over eight years of experience in operating and financial management and her duties include overseeing the supply, operation and sales of the PRC Company. Ms. Iizumi Eishi* (井泉瑛孜) has joined the PRC Company since July 2006.

Mr. Wu Zhongxin (吳中心)*

Mr. Wu*, aged 45, was the assistant professor of the Northeast Agricultural University. He is a director of the PRC Company with over 15 years of experience in sales and marketing and his duties include overseeing the sales and marketing and the after-sale services of the PRC Company. Mr. Wu has joined the PRC Company since October 2009.

Mr. Liu Guoshun (劉國順)*

Mr. Liu*, aged 55, is currently the professor of the Henan Agricultural University. He is one of the shareholders of the PRC Company with over 15 years of experience in the tobacco drying industry. He is also a professor of the Henan Agricultural University and a director of the National Tobacco Cultivation & Physiology & Biochemistry Research Center. Mr. Wu has joined the PRC Company since October 2007.

Research and development

The PRC Company has set up a research team of 21 staff to develop new unique technology for the production of tobacco drying machines. The research team is responsible for the thermal calculation of flue-curing equipment, the determination of the air-volume, the investigational study of vertical heat exchangers, energy saving and reduction measures and furnace lines, the study of the uniformity of tobacco storage chambers, the testing and selection of duct fans and multi-functional lateral moving uninterrupted flue-curing equipment, etc.. In addition, there are nine professionals within the research team who are responsible for the relevant specialised fields of intensive flue-curing equipment, such as tobacco preparation, physiological biochemistry, thermal techniques, aerodynamics, machine production, civil engineering, self-control, raw materials, in the PRC Company's research and testing centers in Yixing of Jiangsu Province, Matougang of Zhengzhou Province, Dengfeng of Henan Province, Jinyeyuan of Nanyang Province, etc. in the PRC.

The followings are a brief description on the background of the professionals within the research team of the PRC Company: (i) Liu Guoshun*, a professor of the Henan Agricultural University and the director of the National Tobacco Cultivation & Physiology & Biochemistry Research Center; (ii) Yin Fuyin, a former researcher of the Energy Research Institute of Henan Academy of Sciences, a German GTZ consultant, Swiss SDC consultant, a thermal energy expert and an expert recipient of the State Council's Special Allowance; (iii) Yang Hongxiu, a former researcher of the Energy Research Institute of Henan Academy of Sciences, a F4 technical official of the Food and Agriculture Organisation of the United Nations, a thermal energy expert and an expert recipient of the State Council's Special Allowance; (iv) Ma Jianguo, a professor and Ph.D. supervisor of Information Engineering University of People's Liberation Army and an automatic control expert; (v) Li Ying, a professor and Ph.D. supervisor of Information Engineering University of People's Liberation Army and an automatic control expert; (vi) Li Yulin, the former head and researcher of Luoyang AVIC I China Air-to-air Missile Research Institute (Main Institute), an aerodynamics expert and an expert recipient of the State Council's Special Allowance; (vii) Zhu Yinfeng, a former deputy-researcher of the Institute of Tobacco of Henan Academy of Agricultural Sciences and a drying expert; (viii) Li Shijun, a professor of the School of Mechanical and Electrical Engineering of Kaifeng University; (ix) Li Zhanbo, the head of the School of Software Technology of Zhengzhou University; and (x) Wang Haixiang, a doctor of Huazhong College of Science and Technology.

The Target Group

The PRC Company is a wholly-owned subsidiary of the Target Company. Therefore, upon Completion, the Company will in turn be indirectly interested in the entire equity interest in the PRC Company. The financial results of the Target Group will hence be fully consolidated into the financial statements of the Group.

Financial information of the Target Group

Set out below is a summary of the audited financial information of the Target Group for each of the two years ended 31 December 2008 and the six months ended 30 June 2009 prepared in accordance with the Hong Kong Financial Reporting Standards, as extracted from Appendix III to this circular:

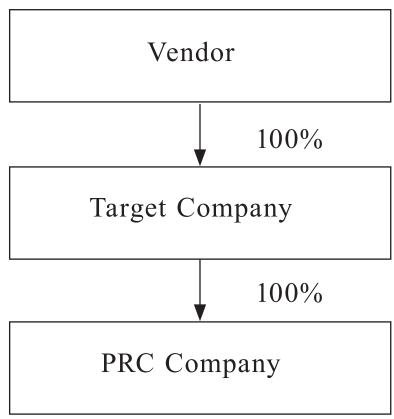
Consolidated Income Statement	**For the year ended 31 December 2007** *RMB'000*	**For the year ended 31 December 2008** *RMB'000*	**For the six months ended 30 June 2009** *RMB'000*
Revenue	—	234,802	324,835
Profit/(loss) before tax	(995)	88,760	93,585
Profit/(loss) for the year/ period	(955)	88,760	93,585

Consolidated Balance Sheet	**As at 31 December 2007** *RMB'000*	**As at 31 December 2008** *RMB'000*	**As at 30 June 2009** *RMB'000*
Total assets	74,456	233,853	821,666
Total liabilities	(71,940)	(138,863)	(633,176)
Net assets	2,516	94,990	188,490

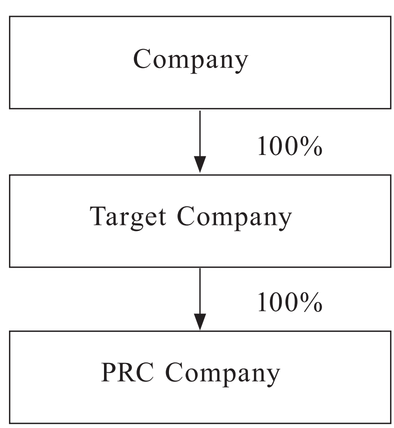
SHAREHOLDING CHARTS

The following charts show (i) the simplified shareholding structure of the Target Group as at the Latest Practicable Date; and (ii) the simplified shareholding structure of the Enlarged Group immediately upon Completion:

Simplified shareholding structure as at the Latest Practicable Date



Simplified shareholding structure immediately after the Completion



INDUSTRY OVERVIEW

Overview of the PRC tobacco industry

Based on information available to the Company from the Vendor, the PRC is the largest cigarette consumption country, accounting for approximately one-third of the total consumption in the world. In 2008, the PRC has approximately 400 million smokers, consuming over 2.2044 trillion cigarette sticks, which represented a growth of approximately 3.1% as compared to 2007. Production of dried tobacco amounted to approximately 260 million tones, representing an increase of approximately 19.6% as compared to 2007. Tobacco industry has been a major tax revenue source to the PRC government. Tobacco, as a kind of special commodity, undertakes multiple roles in the social life of the PRC, such as household products, gifts and luxury products. Following the recent development of the PRC economy, demand for tobacco is also enhanced.

Overview of the modern tobacco drying industry in the PRC

Before 2004, tobacco drying in the PRC was mostly processed by tobacco farmers using the traditional method under which the quality of the dried tobacco was not standardised and, on average, only 75% of the dried tobacco is suitable for further processing. In view of the above and the importance of the tobacco industry as a major tax revenue source to the PRC government, the PRC government has been introducing policies of encouraging tobacco drying from using the traditional method by tobacco farmers to the modern drying method since 2006, and to modernise and improve the quality of the dried tobacco. Such government policies which are favorable to the modern drying method include but are not limited to the provision of financial assistance to the end customers of the modern tobacco drying machines.

Based on the information available to the Company from the Vendor, suppliers of the modern tobacco drying machines are required to obtain the relevant qualifications from CNTC. In 2008, there are 38 qualified corporations which supply modern tobacco drying machines, and only five of them attained a turnover of over RMB100 million for the year ended 31 December 2008. The PRC Company is one of such qualified corporations which attained a turnover of over RMB100 million for the 2008 financial year. According to the Vendor, the relevant certificate which is currently held by the PRC Company will be valid until October 2010. In this regard, the PRC Company will review the production scale and quality of its products on a regular basis to ensure that it will be able to meet the relevant certification requirements of CNTC.

As represented by the Vendor, there are less than ten major competitors in the market, all of them enjoyed smaller market share and less turnover as compared to the PRC Company in 2008.

In addition, in 2008, approximately 138,000 large intensive flue-curing equipment were sold in the PRC, of which the PRC Company produced around 78,000 large intensive flue-curing equipment. Currently, the PRC Company has already produced around 120,000 large intensive flue-curing equipment. Customers of the modern tobacco drying machines are the local counterparts of CNTC. The sale and purchase of the modern tobacco drying machines is carried out through public tendering and bidding procedures.

For details of the aforementioned qualifications and bidding procedures, please refer to the section headed “Government policies and regulations” in the “Letter from the Board”.

Government policies and regulations

Unlike the highly-regulated tobacco industry, the tobacco drying industry is comparatively lightly-regulated in the PRC. Except the special tobacco machines explicitly listed in *the Special Tobacco Machines Catalogue* (烟草專用機械名錄) issued by the State Tobacco Monopoly Administration ("**STMA**") on 12 August 1992, manufacture and sale of tobacco drying machines is not subject to special approvals or permits other than the business license. Nevertheless, as the tobacco industry is monopolised by the PRC government, sale and purchase of tobacco drying machines is subject to public tendering and bidding procedures through CNTC and its local counterparts, which is a state-owned enterprise authorised to implement tobacco monopoly in the PRC. Currently, the sale of tobacco drying machines is mainly governed by the following rules and policies promulgated by STMA and CNTC.

On 3 November 2009, STMA issued *the Administrative Measures for Tendering and Procurement of Flue-curing Equipment* (烤房設備招標採購管理辦法) (the "**Procurement Measures**") to regulate the tendering and procurement of flue-curing equipment in the PRC. Pursuant to the Procurement Measures, the tendering of flue-curing equipment must be conducted among the qualified suppliers (the "**Qualified Suppliers**") certified and published by CNTC from time to time. The local STMA and CNTC at provincial level are responsible for determining the quantity of flue-curing equipment to be procured annually and shall arrange such tendering by themselves or by appointing tender agents. The Procurement Measures further provides in detail the administration of and requirements on the tendering and bidding of flue-curing equipment. In addition, STMA also sets forth detailed technical standards for flue-curing equipment producers to comply with in order to partake in tendering procedures.

As to the certification of the Qualified Suppliers, CNTC issued the *Administrative Measures for Qualified Supplier of Flue-curing Equipment (for trial implementation)* (烤房設備合格供應商資格管理辦法(試行)) (the "**Supplier Measures**") in 2008 as an internal rule to certify the Qualified Suppliers. According to the Supplier Measures, CNTC establishes a working committee responsible for organising and arranging the certification of the Qualified Suppliers. Once a flue-curing equipment producer is certified as a Qualified Supplier, CNTC will issue a confirmation letter to such Qualified Supplier which will be entitled to partake in the tendering and bidding of flue-curing equipment in the PRC. The confirmation letter shall be effective for three years and is subject to annual inspection in principle.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the provision of pre-mastering and other media services, the provision of audiovisual playout services in Hong Kong and the development of digital television system platform and provision of related service, sales and rental of set-top boxes, development of program database, design and manufacture of digital television equipment and facilities, direct television sales and cordyceps-related business in the PRC.

The Directors consider that it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio and to broaden its source of income. In light of (i) that the market trend is shifting from drying tobacco by tobacco farmers using traditional method to modern tobacco drying; and (ii) the substantial demand for tobacco in the PRC, the Directors are optimistic about the modern tobacco drying industry and the future prospects of the Target Group. The Directors consider that the Acquisition will provide an opportunity for the Group to gain access to the modern tobacco drying industry with an aim to broaden the income base of the Group and enhance its future financial performance and profitability.

With reference to the interim report of the Company for the six months ended 30 September 2009, the PRC government has announced a new broadcasting regulation under which the TV sales program is considered as advertisement and is prohibited from broadcasting on pay TV channels. The Group owns a pay TV channel with program that is used for promoting consuming products. Given the new regulation, the Group is conducting under an impairment investment. Due to the foregoing reasons, the Group will slow down the activities in TV sale business and intends to scale down the overall direct TV business of the Group in year 2009. Save as disclosed above, the Directors intend to continue with the existing business of the Group and confirmed that there is no intention to change the existing business of the Group significantly.

Save for the Acquisition, the Company had not entered into and did not intend to enter into any agreement, arrangement, understanding or negotiation about any acquisitions of company or assets (whether concluded or not) as at the date of the Announcement.

Risk Factors

The Acquisition may increase the level of risk exposure of the Group. Shareholders should be aware of the following risk factors, which may not be exhaustive, when considering the Acquisition:

New business of the Group

As disclosed above, the Acquisition constitutes an investment in a new business sector to the Group. The Enlarged Group may therefore be unable to control the related operational risks (such as sudden breakdown of the production lines and shortage in supply of raw materials during the production process) of this new business. The new business, coupled with the regulatory environments may pose significant challenges to the Company's administrative and financial resources. Since the Company does not have significant experience in the new business and will rely on the expertise of the management team of the PRC Company to operate the new business, it is not in a position to assure the timing and amount of any return or benefits that may be received from the new business.

Regulatory issues and political factors

The modern tobacco drying industry is subject to various PRC government policies and regulations, including but not limited to, development, production, taxation, labour standards, vocational health and safety, environment monitoring, protection and control, operation management and other issues. Any changes to those policies may increase the operating costs of the PRC Company and hence, adversely affect the operating results of the Enlarged Group.

Competitive industry

The modern tobacco drying industry is competitive. Should the PRC Company fail to cope with the changing market conditions or satisfy the needs of the customers by improving its competitiveness, the Target Group's profitability could be adversely affected. There can be no assurance that the relevant government authorities will not change the laws and regulations or impose additional or more stringent laws or regulations which govern the quality and standard of the tobacco drying machines. Failure to comply with the relevant laws and regulations in the tobacco development may adversely affect the Company.

Rising in health concern on cigarettes

Following the increasing global awareness on cigarettes control and health concern on cigarettes, market demand for cigarettes may decrease in the future. Should there be a significant reduction in market demand for cigarettes, the financial performance of the Target Group would be adversely affected.

Defect on the production lines

Since the modern tobacco drying method requires high standard of quality control and precise technology where the physiological and biochemical characteristics of tobacco change with the changing temperature and humidity of the environment, minor defect on the production lines may pose material impact on the production of tobacco drying machines. In the event that such situation occurs, the PRC Company's operations would be affected and in turn the PRC Company may be unable to sustain its profitability.

As the Directors have no expertise or previous experience in the investment of the tobacco drying business, Shareholders and the investors are reminded to exercise caution when dealing in the Shares.

Having balanced the risks associated with the Acquisition and the prospects of the Target Group, the Board is of the view that the terms of the Sale and Purchase Agreement (including the Consideration and the terms of the Convertible Bonds) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

In relation to the management of the PRC Company, the Enlarged Group will establish an experienced management team to oversee the operations of the PRC Company and the Enlarged Group will also retain the existing management of the PRC Company (the bibliographies of members of the existing management have been disclosed above) to continue with its normal operations. As such, the Directors expect that the Enlarged Group shall have sufficient expertise in the management and operations of the PRC Company after Completion.

Failure in obtaining intellectual property rights

As referred to under the section headed "Conditions precedent" in the "Letter from the Board", there are certain intellectual property rights (including trademarks and patents) which are currently owned by Jiangsu Yucheng Agricultural Co., Ltd. and used by the PRC Company in its business operations. The terms of each of the trademark licence agreement, the patent licence agreement and other relevant intellectual property rights transfer agreements are still in negotiation between the Company and the Vendor. Although the obtaining of such trademarks and patents is not a mandatory prerequisite for the Target Group to conduct its business, the PRC Company may be required by Jiangsu Yucheng Agricultural Co., Ltd. to pay license fees to use such rights. In such event, the costs of production of the PRC Company would inevitably be increased.

Restrictions on qualification and the bidding procedures

At present, the sale and purchase of tobacco drying machines is subject to public tendering and bidding procedures through CNTC and its local counterparts, and the tendering of flue-curing equipment in the PRC are regulated by the Procurement Measures pursuant to which tendering of the flue-curing equipment must be conducted among the Qualified Suppliers certified and published by CNTC from time to time subject to annual inspection in principle. With this being the case, failure of the PRC Company to maintain the Qualified Supplier status would hinder the sales of the Target Group's products.

Furthermore, as the products of the PRC Company are sold primarily to the local counterparts of CNTC through public tendering and bidding procedures, should the PRC Company be unable to win in such bidding procedures, its revenue generating ability would be seriously affected.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is a summary of the shareholdings in the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds with principal amount of HK$1,048 million at the initial Conversion Price assuming that the Company elects to settle part of the Consideration of HK$350 million by cash; (iii) immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds with principal amount of HK$1,398 million at the initial Conversion Price assuming that the Company elects to settle the entire Consideration by the issue of the Convertible Bonds; and (iv) immediately after the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds, subject to the conversion restrictions under the Sale and Purchase Agreement and the terms of the Convertible Bonds:

Shareholder	As at the Latest Practicable Date		Immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds with principal amount of HK$1,048 million at the initial Conversion Price *(Note 3)*		Immediately after the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds with principal amount of HK$1,398 million at the initial Conversion Price *(Note 3)*		Immediately after the allotment and issue of the Conversion Shares upon conversion of the Convertible Bonds, subject to the conversion restrictions under the Sale and Purchase Agreement and the terms of the Convertible Bonds *(Note 4)*	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
Mr. Au Yeung Kai Wah	290,625,000	15.71	290,625,000	6.78	290,625,000	5.70	290,625,000	11.01
Mr. Feng Xiao Ping *(Note 1)*	41,718,750	2.25	41,718,750	0.97	41,718,750	0.82	41,718,750	1.58
Mr. Law Kwok Keung *(Note 2)*	104,520,000	5.65	104,520,000	2.44	104,520,000	2.05	104,520,000	3.96
Mr. Lee Yuk Lun	219,298,244	11.85	219,298,244	5.11	219,298,244	4.30	219,298,244	8.31
Vendor	—	—	2,437,209,302	56.85	3,251,162,790	63.73	789,214,229	29.90
Other Public Shareholders	1,194,136,250	64.54	1,194,136,250	27.85	1,194,136,250	23.40	1,194,136,250	45.24
Total	1,850,298,244	100	4,287,507,546	100	5,101,461,034	100	2,639,512,473	100

Notes:

(1) 31,718,750 Shares are held by Sino Unicorn Technology Limited, a company Mr. Feng Xiao Ping has an indirect interest of 51% therein. In addition, 10,000,000 Shares are held by Sky Dragon Digital Television and Movies Holdings Limited, a company which is 99% indirectly-owned by Mr. Feng Xiao Ping.

(2) The Shares are held by Keenway Holdings Limited, a company controlled by Mr. Law Kwok Keung.

(3) Pursuant to the Sale and Purchase Agreement, the Company has the sole discretion to settle the Consideration of HK$1,398,000,000 by a combination of cash of not more than HK$350,000,000 and the issue of the Convertible Bonds. In the event that the Company elects to settle the entire Consideration by the issue of the Convertible Bonds, the principal amount of the Convertible Bonds to be issued will be HK1,398,000,000. Nevertheless, the two scenarios as illustrated above are shown for illustrative purpose only given the conversion restrictions as stated in Note (4) below.

(4) The shareholding structure is shown for illustration purpose only and may not be exclusive. Pursuant to conversion restrictions under the Sale and Purchase Agreement and the terms of the Convertible Bonds, the Bondholder(s) shall have the right to convert the Convertible Bonds into Conversion Shares provided that (i) holder(s) of the Convertible Bonds shall not exercise the conversion rights attached to the Convertible Bonds if such conversion would result in the Company's non-compliance with the minimum public shareholding requirement stipulated under Rule 11.23 of the GEM Listing Rules or other relevant requirements under the GEM Listing Rules; and (ii) holder(s) of the Convertible Bonds and parties acting in concert with it/them will trigger a change in control under the Takeovers Code.

Given the terms and conditions of the Sale and Purchase Agreement and the terms of the Convertible Bonds as mentioned above, there will not be a change in control of the Company as a result of the Acquisition. In addition, the Company does not intend to change the composition of the Board upon Completion.

The Company shall comply with the public float requirements, being not less than 20% of the total issued share capital of the Company under Rule 11.23 of the GEM Listing Rules, at all times and take appropriate steps/measures to ensure sufficient public float of the Shares (if necessary).

DILUTION EFFECT OF THE SHAREHOLDERS

The Company is required make disclosure relating to change in its issued share capital (including any conversion of the Convertible Bonds) in the Next Day Disclosure Return(s) and Monthly Return(s) in compliance with Rules 17.27A and 17.27B of the GEM Listing Rules as and when required.

FINANCIAL AND TRADING PROSPECT OF THE GROUP

According to the interim report of the Company for the six months ended 30 September 2009, the PRC was affected by the outbreak of the financial turmoil in the second half of 2008, which has adversely affected the general consumer spending sentiment. During year 2008, new foreign exchange and broadcasting regulations imposed by the PRC also crucially affected the operation of Nanjing Everyday Buy Trading Co., Ltd ("**NJ Everyday Buy**"), a 80% owned subsidiary of the Company. Under the new foreign exchange regulation, foreign currency cannot be remitted for domestic re-investment purposes. In other words, Hong Kong dollar being remitted into NJ Everyday Buy could not be reinvested in the joint venture as an investment. In addition, as previously mentioned, the PRC government has announced a new broadcasting regulation under which TV sales program is considered as advertisement and is prohibited from broadcasting on pay TV channels. NJ Everyday Buy owns a pay TV channel with program that is used for promoting consuming products. Given the new regulations, NJ Everyday Buy is conducting under an impairment investment. Due to the foregoing reasons, the Group will slow down the activities in TV sale business and intends to scale down the overall direct TV business of NJ Everyday Buy in 2009.

To diversify its existing business portfolio and to broaden its source of income, the Group completed the acquisition of 100% equity interest in Hong Kong New Success International Group Investment Company Limited and its subsidiaries in November 2008. The management believes that the acquired cordycepts-related business can provide a new source of income to the Group.

In view of the global financial tsunami in 2008, the Board is taking a very conservative approach in broadening the Group's revenue base. Taking into account the risk factors and the global economic downturn, the Board intends to look for good projects for expansion in Asia, especially in the PRC.

In respect of the Acquisition, as mentioned under the section headed "Reasons for the Acquisition" in the "Letter from the Board", the Directors consider that the prospects of the production of tobacco drying machines will be positive. Therefore, the Board is optimistic about the future prospects of the PRC Company.

The Directors are confident that the Enlarged Group will have sufficient resources for business development as well as its daily operations.

Overall, the Directors consider that the Acquisition will further enable the Group to diversify its current business to participate in the production of drying machines, mainly the tobacco drying machines, which will broaden the Enlarged Group's income base and improve its future financial performance.

POSSIBLE FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the financial results of the Target Group will be consolidated into the financial statements of the Group.

Effect on asset position

According to the unaudited pro forma financial information on the Enlarged Group as contained in Appendix IV to this circular, the audited consolidated total assets of the Group were approximately HK$344,925,000 while the total liabilities of the Group were approximately HK$49,390,000 as at 31 March 2009. With reference to the unaudited pro forma financial information on the Enlarged Group as contained in Appendix IV to this circular, the Enlarged Group's total assets and total liabilities would be approximately HK$1,900,724,000 and approximately HK$1,298,201,000 respectively upon Completion.

Effect on earnings

In light of the prospects of the Target Group, the Directors are of the view that the Acquisition would likely to have a positive impact on the future earnings of the Enlarged Group.

Effect on gearing and working capital

According to the unaudited pro forma financial information on the Enlarged Group as contained in Appendix IV to this circular, the Group's gearing ratio (being calculated as the other loans divided by the Group's net asset value) was approximately 5.12% as at 31 March 2009. Upon Completion, the other loans of the Enlarged Group would remain unchanged while the Enlarged Group's net asset value would be increased to approximately HK$602,523,000. The Enlarged Group's gearing ratio would thus become 2.51%.

IMPLICATION UNDER THE GEM LISTING RULES

As the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 20 of the GEM Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under the GEM Listing Rules. As no Shareholder has material interest in the Sale and Purchase Agreement, no Shareholder is required to abstain from voting at the SGM in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

SGM

A notice convening the SGM to be held on at Conference Room, 19th Floor, CMA Building, 64-66 Connaught Road Central, Hong Kong, on Friday, 15 January 2010, at 5:00 p.m. is set out from pages 196 and 197 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's share registrar in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM, or any adjournment thereof, should you so wish.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Sale and Purchase Agreement are entered into after arm's length negotiations and reflect normal commercial terms and that the terms of the Sale and Purchase Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of the relevant ordinary resolutions proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

On behalf of the Board
China Chief Cable TV Group Limited
Wong Man Hung Patrick
Chairman

A. SUMMARY OF FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009 AND THE LAST THREE FINANCIAL YEARS

Set out below is a summary of the financial results and assets and liabilities of the Group as extracted from the interim report of the Company for the six months ended 30 September 2009 and the annual reports of the Company for the three years 31 March 2009:

Consolidated Income Statement
For the six months ended 30 September 2009 and the three years ended 31 March 2009

	For the six months ended 30 September	**For the year ended 31 March**		
	2009	**2009**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(audited)	(audited)
Turnover	14,475	28,741	12,954	13,303
Cost of sales	(11,292)	(30,465)	(14,427)	(12,378)
Gross profit/(loss)	3,183	(1,724)	(1,473)	925
Other revenue	232	730	6,753	82
General, administrative and other expenses	(29,271)	(38,439)	(28,369)	(15,058)
Loss from operations	(25,856)	(39,433)	(23,089)	(14,051)
Finance costs	(669)	(875)	(2,598)	(3,653)
Share of loss of an associated company	—	(10,026)	—	—
Impairment loss of goodwill	—	(235,806)	—	—
Loss before income tax	(26,525)	(286,140)	(25,687)	(17,704)
Income tax expense	—	—	—	643
Loss for the year	(26,525)	(286,140)	(25,687)	(17,061)
Attributable to :				
Equity holders of the Company	(25,488)	(283,421)	(25,687)	(17,061)
Minority interests	(1,037)	(2,719)	—	—
	(26,525)	(286,140)	(25,687)	(17,061)
Loss per share — basic	(1.41 HK cents)	(33.65 HK cents)	(6.57 HK ents)	(5.46 HK cents)

Consolidated Balance Sheet

As at 30 September 2009, 31 March 2009, 2008 and 2007

	As at 30 September 2009	As at 31 March 2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(audited)	(audited)
Non-current assets				
Property, plant and equipment	27,619	21,546	10,672	15,009
Goodwill	81,379	81,400	—	—
Other intangible assets	182,300	182,419	1,197	5,206
	291,298	285,365	11,869	20,215
Current assets				
Inventories	4,289	3,651	2,518	1,441
Accounts receivable	4,504	7,772	3,896	5,042
Other receivables and deposits	45,180	38,083	50,883	31,223
Financial assets at fair value through profit or loss	11,970	3,078	4,560	—
Bank balances and cash	8,447	6,976	72,316	296
	74,390	59,560	134,173	38,002
Current liabilities				
Accounts payable	9,293	3,928	2,185	1,182
Other payables and accrued charges	18,686	17,598	8,229	8,699
Amount due to related companies	6,658	6,674	7,080	7,552
Amount due to a director	6,665	6,065	4,864	3,665
Other loans	15,110	15,125	11,664	52,487
	56,412	49,390	34,022	73,585
Net current assets	17,978	10,170	100,151	(35,583)
Total assets less liabilities	309,276	295,535	112,020	(15,368)
Non current liabilities				
Bank and other loans	—	—	—	6,150
Net assets/(liabilities)	309,276	295,535	112,020	(21,518)
Capital and reserves				
Share capital	18,503	17,593	4,380	3,125
Reserves	265,458	251,590	107,640	(24,643)
Equity attributable to equity holders of the Company	283,961	269,183	112,020	(21,518)
Minority interests	25,315	26,352	—	—
	309,276	295,535	112,020	(21,518)

Balance Sheet

As at 30 September 2009, 31 March 2009, 2008 and 2007

	As at 30 September 2009	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(audited)	(audited)
Non-current assets				
Property, plant and equipment	24	26	10	—
Interests in subsidiaries	610,752	591,950	96,918	11,804
	610,776	591,976	96,928	11,804
Current assets				
Other receivables and deposits	5,437	5,553	170	118
Bank balances and cash	4,809	1,287	67,042	6
	10,246	6,840	67,212	124
Current liabilities				
Other payables and accrued charges	106	538	244	411
Amount due to a subsidiary	—	—	—	2,633
	106	538	244	3,044
Net current assets	10,140	6,302	66,968	(2,920)
Total assets less current liabilities	620,916	598,278	163,896	8,884
Capital and reserves				
Share capital	18,503	17,593	4,380	3,125
Reserves	602,413	580,685	159,516	5,759
Total equity	620,916	598,278	163,896	8,884

B. ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2009

Set out below are the audited financial statements of the Group together with the accompanying notes as extracted from the annual report of the Company for the year ended 31 March 2009:

Consolidated Income Statement
For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Turnover	5	28,741	12,954
Cost of sales		(30,465)	(14,427)
Gross loss		(1,724)	(1,473)
Other revenue	5	730	6,753
General, administrative and other expenses		(38,439)	(28,369)
Loss from operations		(39,433)	(23,089)
Finance costs	6	(875)	(2,598)
Share of loss of an associated company		(10,026)	—
Impairment loss of goodwill		(235,806)	—
Loss before income tax	7	(286,140)	(25,687)
Income tax expense	8	—	—
Loss for the year		(286,140)	(25,687)
Attributable to:			
Equity holders of the Company		(283,421)	(25,687)
Minority interests		(2,719)	—
		(286,140)	(25,687)
Loss per share	10		
— basic		(33.65 HK cents)	(6.57 HK cents)

Consolidated Balance Sheet

As at 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	13	21,546	10,672
Goodwill	14	81,400	—
Other intangible assets	15	182,419	1,197
		285,365	11,869
Current assets			
Inventories	18	3,651	2,518
Accounts receivable	19	7,772	3,896
Other receivables and deposits	20	38,083	50,883
Financial assets at fair value through profit or loss	21	3,078	4,560
Bank balances and cash		6,976	72,316
		59,560	134,173
Current liabilities			
Accounts payable	22	3,928	2,185
Other payables and accrued charges		17,598	8,229
Amount due to related companies	23	6,674	7,080
Amount due to a director	23	6,065	4,864
Other loans	24	15,125	11,664
		49,390	34,022
Net current assets		10,170	100,151
Net assets		295,535	112,020
Capital and reserves			
Share capital	27	17,593	4,380
Reserves	28(a)	251,590	107,640
Equity attributable to equity holder of the Company		269,183	112,020
Minority interests		26,352	—
		295,535	112,020

Balance Sheet

As at 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	13	26	10
Interests in subsidiaries	16	591,950	96,918
		591,976	96,928
Current assets			
Other receivables and deposits		5,553	170
Bank balances		1,287	67,042
		6,840	67,212
Current liabilities			
Other payables and accrued charges		538	244
Net current assets		6,302	66,968
Net assets		598,278	163,896
Capital and reserves			
Share capital	27	17,593	4,380
Reserves	28(b)	580,685	159,516
		598,278	163,896

Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

	Attributable to equity holders of the Company									
	Share Capital	Share Premium	Accumulated Losses	Merger Reserve *(Note b)*	Share-based payment Reserve	Exchange Reserve	Convertible bonds-equity component	Subtotal	Minority interest	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	3,125	27,783	(58,381)	(197)	6,000	152	—	(21,518)	—	(21,518)
Issue of shares, net of expenses	1,255	157,446	—	—	—	—	—	158,701	—	158,701
Exchange differences *(Note a)*	—	—	—	—	—	524	—	524	—	524
Loss for the year	—	—	(25,687)	—	—	—	—	(25,687)	—	(25,687)
At 31 March 2008 and 1 April 2008	4,380	185,229	(84,068)	(197)	6,000	676	—	112,020	—	112,020
Issue of shares, net of expenses	3,276	104,012	—	—	—	—	—	107,288	—	107,288
Issue of convertible bond	—	—	—	—	—	—	35,459	35,459	—	35,459
Issue of share options	—	—	—	—	1,382	—	—	1,382	—	1,382
Conversion of convertible bond	9,937	322,943	—	—	—	—	(35,459)	297,421	—	297,421
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	29,071	29,071
Exchange differences *(Note a)*	—	—	—	—	—	(966)	—	(966)	—	(966)
Loss for the year	—	—	(283,421)	—	—	—	—	(283,421)	(2,719)	(286,140)
At 31 March 2009	17,593	612,184	(367,489)	(197)	7,382	(290)	—	269,183	26,352	295,535

Note:

(a) Exchange differences represent adjustments arising on translation of financial statements of overseas subsidiaries and an associate.

(b) The merger reserve of the Group represents the difference between the nominal value of the share capital of a subsidiary acquired and the nominal value of the shares issued by the Company in exchange thereof pursuant to the Group reorganisation on 20 March 2001 as set out in the prospectus of the Company dated 26 March 2001.

Consolidated Cash Flow Statement
For the year ended 31 March 2009

	Note	2009 *HK$'000*	2008 *HK$'000*
Cash flows from operating activities			
Loss before income tax		(286,140)	(25,687)
Adjustment for:			
Share of results of an associate company		10,026	—
Interest expenses		875	2,598
Interest income		(182)	(6,744)
Written off of other receivables		876	—
Written down of inventories		900	—
Provision for share-based payment		1,382	—
Depreciation and amortization		6,043	7,896
Impairment of goodwill		235,806	4,007
Loss on financial assets at fair value through profit or loss		1,482	3,816
		257,208	11,573
Operating loss before working capital change		(28,932)	(14,114)
Increase in inventories		(541)	(1,077)
(Increase)/Decrease in accounts receivable		(3,876)	1,146
Decrease/(Increase) in other receivables and deposits		44,058	(19,660)
Increase in account payable		1,532	1,003
Decrease in other payable and accrued charges		(18,271)	(470)
Decrease in amounts due to related companies		(406)	(472)
Increase in amount due to a director		1,201	1,199
Cash used in operations		(5,235)	(32,445)
Interest received		182	6,744
Interest paid		(875)	(2,598)
Net cash outflow from operating activities		(5,928)	(28,299)

	Note	2009 HK$'000	2008 HK$'000
Cash flows from investing activities			
Purchases of property, plant and equipment		(12,545)	(1,918)
Purchases of film rights		(225)	(953)
Purchases of financial assets at fair value through profit or loss		—	(8,376)
Net cash outflow from acquisition of subsidiaries	*29*	(54,626)	—
Proceeds on disposal of fixed assets		10	—
Investments in an associated company		(4,545)	—
Net cash outflow from investing activities		(71,931)	(11,247)
Net cash inflow from financing activities			
Bank and other loans raised	*32*	3,409	—
Repayment of bank and other loans	*32*	—	(47,651)
Proceeds from issuance of shares		7,368	158,701
Contribution by minority shareholders of subsidiaries		2,574	—
		13,351	111,050
Net (decrease)/increase in cash and cash equivalents		(64,508)	71,504
Cash and cash equivalents at the beginning of year		72,316	296
Translation differences		(832)	516
Cash and cash equivalents at the end of year		6,976	72,316
Analysis of balances of cash and cash equivalents			
Bank balances and cash		6,976	72,316

Notes to the Financial Statements

For the year ended 31 March 2009

1. General information

The Company is a public listed company incorporated in Bermuda and domiciled in Hong Kong with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamiliton HM 11, Bermuda. The Company has its shares listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

2. Summary of Significant Accounting Policies

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of financial assets at fair value through profit or loss which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Impact of new and revised Hong Kong Financial Reporting Standards

HKICPA has issued the following new standards, amendments to standards and interpretations that have become effective for the year ended 31 March 2009:

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Impact of issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures-Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC) — INT 9 and HKAS 39 (Amendments)	Embedded Derivatives[7]
HK(IFRIC) — INT 13	Customer Loyalty Programmes[5]
HK(IFRIC) — INT 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) — INT 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) — INT 17	Distribution of Non-cash Assets to Owners[4]
HK(IFRIC) — INT 18	Transfers of Assets from Customers[8]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 January 2009.
[4] Effective for annual periods beginning on or after 1 July 2009.
[5] Effective for annual periods beginning on or after 1 July 2008.
[6] Effective for annual periods beginning on or after 1 October 2008.
[7] Effective for annual periods ending on or after 30 June 2009.
[8] Effective for transfers of assets from customers received on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

(b) Basis of Consolidation

The consolidated accounts include the financial statements of the Company and its subsidiaries made up to 31 March each year.

(i) Subsidiaries

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of its board of directors, controls more than half of its voting power or holds half of the issued share capital or has power to govern its financial and operating policies.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statement of subsidiaries to bring their accounting policies in line with those adopted by the Group.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

In the Company's balance sheet, the interests in subsidiaries are carried at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associated companies includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated companies equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated companies.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

(c) Goodwill

In accordance with HKFRS 3 "Business Combination", goodwill arising on acquisitions is recognized as an asset and reviewed for impairment at least annually or more frequently if there are indications that the carrying value may not be recoverable. Any impairment is recognized immediately in the consolidated income statement and is not subsequently reversed. HKFRS 3 requires that, after reassessment, any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination should be recognized immediately in the consolidated income statement. HKFRS 3 prohibits the recognition of discount on acquisition in the balance sheet.

On disposal of a subsidiary, the profit and loss is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill.

(d) Segmental Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged In providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

In accordance with the Group's internal financial reporting structure, the Group has determined that business segment be presented as the primary reporting format and that geographical segment as the secondary reporting format. The Group's operating businesses are structured and managed according to the nature of their operations and products.

In respect of geographical segment reporting, sales are based on the country in which the customer is located and total assets and capital expenditure are where assets are located.

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	10% or lease term, whichever is the shorter
Plant and machinery	20%
Furniture, fixtures and equipment	20%
Motor vehicles	10%

The assets' residual values and useful life reviewed, and adjusted if appropriate, at each balance sheet date.

(f) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. The net gain or loss recognised in profit and loss does not include any dividend or interest earned on these investments.

(g) Other intangible assets

(i) Club membership

Club membership is stated at cost less accumulated amortisation and accumulated impairment losses. Club membership is amortised over the period of the membership.

(ii) Film rights

Film rights acquired by the Group are stated at cost less accumulated amortisation and any impairment losses. The cost of film rights is amortised on a systematic basis over the licence period.

At each balance sheet date, both internal and external market information are considered to assess whether there is any indication that film rights are impaired. If any such indication exists, the carrying amount of such assets is assessed and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the consolidated income statement.

(iii) Patent and License

Patent and License with indefinite useful life are recognized initially at fair value, which are tested for impairment annually individually. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost calculated on the standard cost basis for raw materials and first-in, first-out basis for finished goods, comprises their respective invoiced cost. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(i) Accounts receivable

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

(j) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in other receivables, prepayments and deposits in the balance sheet.

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(l) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probably that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(m) Impairment

At each balance sheet date, the carrying amounts of assets are reviewed to determine if there is any objective evidence of impairment on the value of assets. If the estimated recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is treated as an expense unless the asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as a revaluation decrease under that other accounting standard.

An impairment loss is reversed only if there has been a change in the estimate used to determine the recoverable amount of an asset. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss had been recognised in prior years. A reversal of impairment loss is treated as an income, unless the assets is carried at a revalued amount under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other accounting standard.

Significant financial difficulty of the debtor, default or delinquency in payments, significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor, probability that the debtor will enter bankruptcy or other financial reorganisation, and prolonged decline in the fair value of an investment in an equity instrument below its cost are considered objective evidences of impairment.

Assets that have an indefinite useful life are not subject to amortization and are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(n) Employee benefits

(i) Employee leave entitlements

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

(ii) Pension obligations

The Company operate defined contribution provident schemes in Hong Kong. The schemes are funded through payments to trustee-administered funds, determined by periodic actuarial calculations. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans the Company pays contributions to publicly administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Share-based compensation

The Company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(o) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(p) Revenue recognition

(i) Revenue from the sale of goods is recognised on the transfer of ownership at the point of sales.

(ii) Revenue from the provision of pre-mastering and other media services is recognised when the services are rendered.

(iii) Revenue from the provision of audiovisual playout services is recognised when the services are rendered.

(iv) Revenue from the provision of TV digitalisation related service is recognised when the services are rendered.

(v) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(q) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(r) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(s) Related Parties

For the purpose of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associated company of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or its parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals.

3. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable, certain other receivables and deposits, bank balances and cash, accounts payable, certain other payables and accrued charges, bank and other loans and amount due to related companies. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

The credit risk is primarily attributable to accounts receivable. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Normally, the Group does not obtain collateral from customers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

The ageing analysis of accounts receivables that are neither individually nor collectively considered to be impaired are as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Neither past due nor impaired	5,612	1,098
Past due but not impaired:		
Within 6 months	2,160	432
Between 7 and 12 months	—	89
Over 1 year	—	2,277
	2,160	2,798
	7,772	3,896

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(b) Interest rate risk

The Group's interest rate risk relates primarily to variable-rate bank and other borrowings. As the Group has no significant interest-bearing assets or liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate (see note 24 for details of these borrowings).

The Group has not used any interest rate swaps in order to mitigate its exposure associated with fluctuations relating to interest cash flows. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

(c) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases in currencies other than the Group's functional currency. Approximately 26% (2008: 16%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, whilst almost 53% (2008: 75%) of costs are denominated in the Group's functional currency.

The Group does not enter into any hedging instruments.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before income tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase (decrease) in RMB rate	**Increase (decrease) in profit before income tax**	**Increase (decrease) in equity**
	%	*HK$'000*	*HK$'000*
2009			
If RMB weakens against HK$	(5)	(4,161)	(4,161)
If RMB strengthens against HK$	5	4,369	4,369
2008			
If RMB weakens against HK$	(5)	(373)	(373)
If RMB strengthens against HK$	5	392	392

(d) Liquidity risk

The Group does not have any significant exposure to liquidity risk as the Group does not rely on external financing and the Group was in a net current asset position as at 31 March 2009.

(e) Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 March 2009 and 31 March 2008.

4. Critical accounting estimates and judgments

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment assessment of property, plant and equipment and other intangible assets

Property, and equipment and other intangible assets are stated at cost less accumulated depreciation and identified impairment losses. Property, plant and equipment and other intangible assets are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the results of operations.

(b) Provision for impairment of receivables

Significant judgement is exercised in the assessment of the collectability of accounts receivable from each customer. In making its judgment, management considers a wide range of factors such as results of follow-up procedures, customers' payment trend including subsequent payments and customers' financial position.

5. Turnover, other revenue and segment information

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

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Turnover		
Provision of pre-mastering and other media services	16,334	9,510
Provision of audiovisual playout services	4,070	3,170
Provision of TV digitalisation related services	593	274
Direct television sales	1,513	—
Sale of cordyceps-related product	6,231	—
	28,741	12,954
Other revenue		
Interest income	182	6,744
Others	548	9
	730	6,753
Total revenues	29,471	19,707

Primary report format — business segments

The Group is organised into five main business segments:

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

— Provision of audiovisual playout services on audiovisual data;

— Provision of TV digitalisation related services — development of digital set-top boxes and the system platform for digital TV network and provision of digitalisation related technical support services;

— Direct television sales; and

— Sale of cordyceps-related product.

An analysis of the Group's segment information for the year by principal activity and market is as follows:

	For the year ended 31 March 2009					
	Provision of premastering and other media services	Provision of audiovisual playout services	Provision of TV digitalisation related services	Direct television sales	Sale of cordyceps-related product	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	16,334	4,070	593	1,513	6,231	28,741
Segment results	1,603	(7,431)	(6,621)	(16,641)	3,912	(25,178)
Unallocated income						548
Unallocated expenses						(14,803)
Loss from operations						(39,433)
Finance costs						(875)
Share of loss of an associated company	—	—	—	(10,026)	—	(10,026)
Impairment loss of goodwill	—	—	—	(231,787)	(4,019)	(235,806)
Loss before income tax						(286,140)
Income tax expenses						—
Loss for the year						(286,140)
Segment assets	1,288	2,275	12,950	107,205	124,690	248,408
Unallocated assets						96,517
Total assets						344,925
Segment liabilities	3,417	334	22,972	5,120	6,465	38,308
Unallocated liabilities						11,082
Total liabilities						49,390
Capital expenditure	1,121	1,048	264	4,243	6,074	12,750
Unallocated capital expenditure						20
Total capital expenditure						12,770
Depreciation	806	806	3,675	443	240	5,970
Unallocated depreciation						66
						6,036

	For the year ended 31 March 2008					
	Provision of premastering and other media services	Provision of audiovisual playout services	Provision of TV digitalisation related services	Direct television sales	Sale of cordyceps-related product	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	9,510	3,170	274	—	—	12,954
Segment results	508	(2,450)	(1,816)	—	—	(3,758)
Unallocated income						1,393
Unallocated expenses						(20,724)
Loss from operations						(23,089)
Finance costs						(2,598)
Loss before income tax						(25,687)
Income tax expenses						—
Loss for the year						(25,687)
Segment assets	5,361	1,525	16,488	—	—	23,374
Unallocated assets						122,668
Total assets						146,042
Segment liabilities	2,554	315	21,298	—	—	24,167
Unallocated liabilities						9,855
Total liabilities						34,022
Capital expenditure	551	293	453	—	—	1,297
Unallocated capital expenditure						621
Total capital expenditure						1,918
Depreciation	1,616	1,616	3,734	—	—	6,966

Secondary report format — geographical segments

The Group's five business segments operated in two main geographical areas:

— Hong Kong — provision of pre-mastering and other media services and provision of audiovisual playout services;

— PRC — 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, direct television sales and sale of cordyceps-related products.

	For the year ended 31 March 2009			
	Turnover	**Segment results**	**Segment assets**	**Capital expenditure**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	20,404	(5,828)	18,682	2,188
PRC	8,337	(19,350)	326,243	10,582
	28,741	(25,178)	344,925	12,770
Unallocated income		548		
Unallocated expenses		(14,803)		
Loss from operations		(39,433)		

	For the year ended 31 March 2008			
	Turnover	**Segment results**	**Segment assets**	**Capital expenditure**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	12,680	(1,942)	129,554	1,465
PRC	274	(1,816)	16,488	453
	12,954	(3,758)	146,042	1,918
Unallocated income		1,393		
Unallocated expenses		(20,724)		
Loss from operations		(23,089)		

6. Finance costs

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Interest on bank loans	—	1,820
Interest on other loans	875	778
	875	2,598

7. Loss before income tax

Loss before income tax is stated after charging the following:

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Amortisation of club membership	7	6
Amortisation of film rights	—	924
Auditors' remuneration		
— audit services	400	409
— non audit services	273	187
Cost of inventories sold	16,072	7,909
Depreciation	6,036	6,966
Exchange loss	162	130
Impairment of goodwill	235,806	4,007
Operating leases in respect of		
— land and building	5,719	1,159
— plant and machinery	5,820	1,020
Loss on financial assets at fair value through profit or loss	1,482	3,816
Staff costs (including directors' emolument and share-based payment)	15,931	10,204
Provision for share-based payment	1,382	—
Written down of inventories	900	—
Written off of other receivables	876	—

8. Income tax expense

No provision for Hong Kong profits tax and PRC enterprise income tax has been made in these financial statements as there was no estimated assessable profits for the year (2008: Nil).

The tax expense for the year can be reconciled to the loss before income tax per consolidated income statement as follows:

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Loss before income tax	(286,140)	(25,687)
Tax at the domestic income tax rate of 16.5% (2008: 17.5%)	(47,213)	(4,495)
Tax effect of non-taxable profits	(1,801)	—
Tax effect of non-deductible expenses	42,484	1,218
Tax effect of current year's tax losses unrecognized	8,044	3,167
Tax effect of temporary differences not previously recognized	6	392
Effect of different tax rates at overseas jurisdiction	(1,813)	(282)
Others	293	—
Tax expense for the year	—	—

9. Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company for the year ended 31 March 2009 in the financial statements of the Company is HK$5,786,000 (2008: HK$3,689,000).

10. Loss per share

The basic loss per share is calculated based on the loss attributable to equity holders of the Company of HK$283,421,000 (2008: HK$25,687,000) and on 842,316,000 (2008: 391,119,000) weighted average number of ordinary shares in issue during the year.

The diluted loss per share for the years ended 31 March 2009 and 31 March 2008 have not been disclosed as the share options outstanding these years and convertible bonds issued and converted during the year had an anti-dilutive effect on the basic loss per share for these years.

11. Staff costs (including directors' emoluments)

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Wages and salaries	15,120	9,978
Pension costs — defined contribution plan	461	226
Share-based payment	350	—
	15,931	10,204

The Group reviews the emoluments payable to staff annually on a performance related basis and makes reference to the market conditions.

12. Directors' and senior management's emoluments

(a) Directors' emoluments

The emoluments paid or payable to each of the 9 (2008: 8) directors were as follows:

	Fees	Salaries, allowances, and other remuneration	Employer's contributions to retirement benefits schemes	2009 Total emoluments	2008 Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Wong Man Hung, Patrick *(Chairman)*	200	400	12	612	—
Mr. Tong Hing Chi	200	147	—	347	339
Mr. Law Kwok Leung	100	819	12	931	904
Mr. Feng Xiao Ping	—	1,315	—	1,315	1,308
Mr. Stephen William Frostick	—	120	4	124	—
Non-executive Directors					
Mr. Chan Kwok Sun, Dennis	—	—	—	—	—
Independent Non-executive Directors					
Mr. Sousa Richard Alvaro	60	—	—	60	60
Mr. Chang Carl	60	—	—	60	60
Mr. Lee Chi Hwa, Joshua	60	—	—	60	10
Mr. Ngai Wai Fung	—	—	—	—	40
Total	680	2,801	28	3,509	2,721

No director waived or agreed to waive any of their emoluments in respect of two years ended 31 March 2009 and 2008.

The directors' emoluments are determined by the Board with reference to their contribution in terms of time, effort and their expertise and will be reviewed on an annual basis.

(b) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group for the year included three (2008: three) directors whose remuneration are reflected in the analysis presented above. The remuneration paid and payable to the remaining two (2008: two) individuals during the year are as follows:

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Salaries, allowances and other benefits in kind	857	653
Retirement benefits scheme contributions	24	24
	881	677

The number of the highest paid individuals whose remuneration fell within the following band is as follows:

	2009	**2008**
HK$ Nil to HK$1,000,000	4	4
HK$1,000,001 to HK$1,500,000	1	1
	5	5

During the years ended 31 March 2009 and 2008, no emoluments have been paid by the Group to the directors and the five highest paid individuals as an inducement to join the Group, or as compensation for loss of office.

13. Property, plant and equipment

			The Group		
	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 April 2007	1,241	34,651	943	1,302	38,137
Additions	285	717	307	609	1,918
Exchange realignment	—	1,427	50	107	1,584
At 31 March 2008	1,526	36,795	1,300	2,018	41,639
Acquisition of subsidiaries	—	189	4,632	—	4,821
Reclassification	2,494	971	(3,780)	315	—
Additions	2,928	5,022	4,434	161	12,545
Disposal	—	(70)	(10)	—	(80)
Exchange realignment	57	698	13	46	814
At 31 March 2009	7,005	43,605	6,589	2,540	59,739
Accumulated depreciation					
At 1 April 2007	431	21,929	433	335	23,128
Charge for the year	129	6,576	86	175	6,966
Exchange realignment	—	823	18	32	873
At 31 March 2008	560	29,328	537	542	30,967
Acquisition of subsidiaries	—	33	853	—	886
Reclassification	10	3	(77)	64	—
Charge for the year	345	4,769	688	234	6,036
Disposal	—	(62)	(8)	—	(70)
Exchange realignment	—	337	18	19	374
At 31 March 2009	915	34,408	2,011	859	38,193
Carrying value					
At 31 March 2009	6,090	9,197	4,578	1,681	21,546
At 31 March 2008	966	7,467	763	1,476	10,672

	The Company Furniture, fixtures and equipment *HK$'000*
Cost	
At 1 April 2008	11
Additions	20
At 31 March 2009	31
Accumulated depreciation	
At 1 April 2008	1
Charge for the year	4
At 31 March 2009	5
Carrying value	
At 31 March 2009	26
At 31 March 2008	10

14. Goodwill

	2009 *HK$'000*	2008 *HK$'000*
At 1st April	—	4,007
Acquired upon acquisition of subsidiaries	2,715	—
Arised upon acquisitions of subsidiaries *(Note 29)*	308,696	—
Arised upon acquisitions of an associated company *(Note 17)*	5,795	—
Impairment loss	(235,806)	(4,007)
At 31st March	81,400	—

Note:

(a) During the year ended 31 March 2009, the Group acquired several subsidiaries at a consideration of HK$489,166,000 (2008: Nil). The Group's share of the identifiable net assets of these subsidiaries at the date of acquisition amounted of HK$180,470,000 (2008: Nil) resulting in goodwill of HK$308,696,000.

(b) During the year, the Group assessed the recoverable amount of goodwill by an independent valuer, BMI Appraisals Limited, and determined that goodwill associated with the Group's TV operation and cordyceps operation were impaired by HK$231,787,000 and HK$4,019,000 respectively. Details of impairment assessment of goodwill are disclosed in note 31.

15. Other intangible assets

	The Group				
	Film rights	Club membership	Patents	Licence	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	1,038	161	—	—	1,199
Additions	953	—	—	—	953
Amortisation for the year	(924)	(6)	—	—	(930)
Exchange realignment	(38)	13	—	—	(25)
Carrying value At 31 March 2008	1,029	168	—	—	1,197
Acquisition of subsidiaries	—	—	98,000	83,000	181,000
Additions	225	—	—	—	225
Amortisation for the year	—	(7)	—	—	(7)
Exchange realignment	—	4	—	—	4
Carrying value At 31 March 2009	1,254	165	98,000	83,000	182,419

The above intangible assets (including precious tunguse, health vino and oxygenated water patent (collectively known as "Patents") and TV License ("License") were purchased as part of business combinations in current year. The directors of the Company are of the opinion that the upkeep of the Patents and License is at minimal cost and the Group would renew the Patents and License continuously. Various studies including market trends have been performed by management of the Group, which support that there is no foreseeable limit to the period over which the Patents and License are expected to generate net cash inflows for the Group.

The Patents and License are considered by the management of the Group as having an indefinite useful life and will not be amortised until its useful life is determined to be finite upon reassessment of its useful life annually by the management. Instead they will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in note 31.

16. Interests in subsidiaries

	The Company	
	2009	2008
	HK$'000	*HK$'000*
Unlisted shares, at cost *(Note (a))*	13,307	13,307
Amounts due from subsidiaries *(Note (b))*	601,631	106,599
	614,938	119,906
Less: Provision for impairment	(22,988)	(22,988)
	591,950	96,918

(a) The following is a list of the principal subsidiaries at 31 March 2009

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Interest held
Held directly:				
M21 Investment Limited	British Virgin Islands	Investment holding in Hong Kong	400 ordinary shares of US$1 each	100%
Held indirectly:				
Fujian Tianxin Biological Technology Company Limited	PRC	Sales of cordyceps-related products	US$2,500,000	72%
Goodside International Limited	Hong Kong	Provision of TV sales services in the PRC	1 ordinary share of HK$1 each	100%
Hong Kong New Success International Group Investment Company Limited	PRC	Investment holding in Hong Kong	10,000 ordinary shares of HK$1 each	100%
Hunan Xiaoxiang Digital Television Broadcast Company Limited (Formerly known as Hunan Digital Television Technology Company Limited)	PRC	Provision of TV digitalization services in the PRC	RMB50,000,000	70%
Indorus Investments Limited	British Virgin Islands	Investment holding in Hong Kong	100 ordinary shares of US$1 each	100%
M21 Digicast Company Limited	Hong Kong	Provision of audiovisual playout services on audiovisual data and provision of post-production services in Hong Kong	1,000 ordinary shares of HK$1 each	100%
Nanjing Everyday Buy Trading Company Limited	PRC	Direct TV sales	US$3,150,000	80%
Sparkle View Enterprises Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
Sky Dragon Digital Television and Movies Limited	Hong Kong	Investment holding in Hong Kong	21,000,000 ordinary shares of HK$1 each	100%
Quanzhou Liangxin Biological Technology Development Company Limited	PRC	Sales of cordyceps-related products and other health products	US$200,000	100%

A complete list of the particulars of all subsidiaries would be of excessive length and therefore the subsidiaries as set out above are those which principally affect the results or net assets of the Group.

(b) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

17. Interests in an associated company

	The Group
	2009
	HK$'000
Cost of investments in an unlisted associated company	11,364
Less: goodwill arising from acquisition *(Note 14)*	(5,795)
	5,569
Less: Share of post-acquisition loss, net of dividends received	(5,569)
	—
Amount due from an associated company	4,457
Less: Share of post-acquisition loss	(4,457)
	—
Total Share of post-acquisition loss	10,026

The summarised financial information of the Group's associated company is set out below:

	2009
	HK$'000
Current assets	2,744
Non-current assets	5,425
Current liabilities	(4,680)
	3,489
Revenue	1,474
Loss for the year	(12,281)

Notes:

(a) At 31st March 2009, the Group's interests in associated companies were unlisted. The Group's associated company is:

Name	Place of incorporation	Principal activities	Particulars of registered capital	Percentage of equity interest attributable to the Group
Jiangsu BCTV Fashion Media Limited Company	PRC	TV program production, advertising design, production and agency	RMB10,000,000	39.2%

(b) The carrying amounts of the amounts due from an associated company approximate their fair values.

18. Inventories

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Raw materials	153	177
Finished goods	1,360	1,318
Inventories held for resale	2,138	1,023
	3,651	2,518

19. Accounts receivable

The Group's credit term granted to trade debtors generally ranges from 15 to 90 days. At 31 March 2009, details of the ageing analysis of accounts receivable were as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Current	5,612	1,098
30 — 60 days	2,160	388
61 — 90 days	—	3
Over 90 days	—	2,407
	7,772	3,896

The carrying amounts of the Group's accounts receivable approximate their fair values.

20. Other receivables and deposits

At 31 March 2008, included in the balance is a cash deposit of RMB30,000,000 (equivalent to HK$31,200,000) as part of consideration in acquiring 80% equity interest in NJ Everyday Buy. The transaction has been completed on 28 April 2008.

21. Financial assets at fair value through profit or loss

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Equity securities, listed in Hong Kong at cost	8,376	8,376
Fair value losses	(5,298)	(3,816)
Fair values of listed equity securities	3,078	4,560

The fair values of the listed investments are determined based on the quoted market bid prices available on the Stock Exchange.

22. Accounts payable

At 31 March 2009, details of the ageing analysis of accounts payable were as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Current	777	1,183
30 — 60 days	2,061	411
Over 60 days	1,090	591
	3,928	2,185

The carrying amounts of the Group's accounts payable approximate their fair values.

23. Amount due to related companies and a director

(a) Amount due to related companies

The amount due to Hunan TV is unsecured, interest free and has no fixed terms of repayment. The amount due to Sky Dragon Holdings is unsecured, 5% interest charge per annum and repayable on demand.

(b) Amount due to a director

The amount due to a director is unsecured, interest free and repayable on demand.

24. Other loans

All the bank and other loans are wholly repayable within five years:

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Other loans		
Unsecured	15,125	11,664
Secured	—	—
	15,125	11,664
Less: Amount due within one year shown under current liabilities	(15,125)	(11,664)
	—	—

The bank and other loans bear interest at various rates between 5% to 2% over Hong Kong prime lending rate per annum.

25. Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2008: 17.5%).

At the balance sheet date, the Group had unused tax losses of approximately HK$66,131,000 (2008: HK$41,551,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the above unused tax losses due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

26. Convertible bonds

On 28 April 2008, the Company issued convertible bonds with an aggregate amount of HK$282,880,000 ("CB 2013"). Each bondholder has the option to convert the CB 2013 into ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.32. Unless previously converted or purchased or redeemed, each CB 2013 shall be redeemed by the Company at 115 per cent of its principal amount on 28 April 2013 (the maturity date of the Convertible Bonds).

On 27 November 2008, the Company issued 2% convertible bonds with an aggregate amount of HK$50,000,000 ("CB 2011"). Each bondholder has the option to convert the CB 2011 into ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.456. Unless previously converted or purchased or redeemed, each CB 2011 shall be redeemed by the Company at 100 per cent of its principal amount on 27 November 2011 (the maturity date of the Convertible Bonds).

The proceeds from the issuance of the Convertible Bonds have to be split into liability and equity components. On issuance of the Convertible Bonds, the fair value of the equity component is determined using an option price model; and this amount is carried as in reserve until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The equity component is measured at fair value on the issuance date and any subsequent changes in fair value of the equity component as at the balance sheet date are recognised in the reserve.

The convertible bonds as at 31 March 2009 are calculated as follows:

	CB 2013	**CB 2011**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Nominal value of convertible bonds issued	282,880	50,000	332,880
Less: Equity component	31,002	4,457	35,459
Liability component	251,878	45,543	297,421
Conversion of convertible bonds into shares	(251,878)	(45,543)	(297,421)
Liability component at 31 March 2009	—	—	—

As at 31 March 2009, all CB 2011 and CB 2013 are converted into ordinary shares of the Company.

27. Share capital

	2009	**2008**
	HK$'000	*HK$'000*
Authorised		
At the beginning of the year 2,000,000,000 (2008: 700,000,000) ordinary shares of HK$0.01 each	20,000	7,000
Increase during the year 1,300,000,000 ordinary shares of HK$0.01 each *(Note a)*	—	13,000
At the end of the year 2,000,000,000 ordinary shares of HK$0.01 each	20,000	20,000
Issued and fully paid		
At the beginning of the year 438,000,000 (2008: 312,500,000) ordinary shares of HK$0.01 each	4,380	3,125
Issue of new shares upon exercise of share options *(Note b)*	—	100
Issue of new shares under share subscriptions *(Note c)*	620	1,155
Issue of consideration shares upon acquisition of subsidiaries *(Note d)*	2,656	—
Issue of new shares under conversion of CB 2013 *(Note e)*	8,840	—
Issue of new shares under conversion of CB 2011 *(Note f)*	1,097	—
At the end of the year 1,759,298,000 (2008: 438,000,000) ordinary shares of HK$0.01 each	17,593	4,380

Note:

(a) Pursuant to special general meeting held on 7 November 2007, the authorised share capital of the Company was increased from HK$7,000,000 to HK$20,000,000 by the creation of 1,300,000,000 additional new shares of HK$0.01 each, ranking pari passu in all respects with the existing shares of the Company.

(b) On 21 June 2007, Sky Dragon Holdings, a company owned by Mr. Feng Xiao Ping, a director of the Company exercised share option to subscribe 10,000,000 shares of the Company at an exercise price of HK$0.788 per share with a total consideration of HK$7,880,000, of which HK$100,000 was credited to share capital account and the balance of HK$7,780,000 was credited to share premium account.

(c) On 30 January 2009 and 25 March 2009, 50,000,000 and 12,000,000 shares of the Company were issued to subscribers at a total consideration of HK$6,250,000 and HK$1,500,000 respectively, of which HK$500,000 and HK$120,000 were credited to share capital account and the net balance after expenses of HK$5,599,000 and HK$1,375,000 were credited to share premium account.

On 9 July 2007 and 5 October 2007, 62,500,000 and 53,000,000 shares of the Company were issued to subscribers at a total consideration of HK$69,562,000 and HK$81,259,000 respectively, of which HK$625,000 and HK$530,000 were credited to share capital account and the net balance after expenses of HK$68,937,000 and HK$80,729,000 were credited to share premium account.

(d) On 28 April 2008, 156,000,000 oridnary shares of HK$0.01 each of the Company were issued at a price of HK$0.32 per share as part of the consideration for the acquision of NJ Everyday Buy.

On 27 November 2008, 109,649,000 oridnary shares of HK$0.01 each of the Company were issued at a price of HK$0.456 per share as part of the consideration for the acquisition of New Success Group.

(e) On 3 October 2008, 22 December 2008, 19 January 2009, 5 March 2009 and 26 March 2009, the Company received notices of exercise of conversion rights to convert the CB 2013 in principal amount of HK$77,350,000, HK$16,000,000, HK$64,530,000, HK$32,000,000 and HK$93,000,000 respectively into new shares of the Company at a conversion price of HK$0.32 per share, pursuant to that 241,720,000, 50,000,000, 201,655,000, 100,000,000 and 290,625,000 shares of the Company were issued and alloted.

(f) On 8 December 2008, the Company received a notice of exercise of conversion rights to convert the CB 2011 in principal amount of HK$50,000,000 into new shares of the Company at a conversion price of HK$0.456 per share, pursuant to that 109,649,000 shares of the Company were issued and alloted.

28. Reserves

(a) The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 28 of the financial statements.

(b) The Company

	Share premium HK$'000	Accumulated losses HK$'000	Contributed surplus HK$'000 (Note(i))	Convertible bonds-equity component HK$'000	Total HK$'000
At 1 April 2007	19,601	(26,949)	13,107	—	5,759
Issue of shares	157,446	—	—	—	157,446
Loss for the year	—	(3,689)	—	—	(3,689)
At 31 March 2008	177,047	(30,638)	13,107	—	159,516
Issue of shares	104,012	—	—	—	104,012
Issue of convertible bonds	—	—	—	35,459	35,459
Conversion of convertible bonds	322,943	—	—	(35,459)	287,484
Loss for the year	—	(5,786)	—	—	(5,786)
At 31 March 2009	604,002	(36,424)	13,107	—	580,685

Note:

(i) The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company and the nominal value of the shares issued by the Company in exchange thereof pursuant to the Group reorganisation on 20 March 2001 as set out in the prospectus of the Company dated 26 March 2001. Under the Companies Act 1998 of Bermuda (as amended), contributed surplus is available for distribution to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (a) it is, or would after the payment be, unable to pay its liabilities as they become due, or (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

29. Acquisition of subsidiaries

During the year, the Group acquired 80% interest of Nanjing Everyday Buy, entire interest of New Sucess Group and entire interest of Indorus Investments Limited and its subsidiary ("Indorus Group") for considerations of HK$365,862,000, HK$122,104,000 and HK$1,200,000, respectively. Since then, NJ Everyday Buy, New Success Group and Indorus Group became the Group's subsidiaries.

The net assets acquired in the transaction and the goodwill arising are as follows:

	NJ Everyday Buy			New Success Group			Indorus Group	
	Acquiree's carrying amount before combination	**Fair value adjustment**	**Fair value**	**Acquiree's carrying amount before combination**	**Fair value adjustment**	**Fair value**	**Acquiree's carrying amount before combination and fair value**	**Total Fair value**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net assets acquired:								
Property, plant and equipment	96	(74)	22	4,526	(613)	3,913	—	3,935
Interest in an associated company	5,569	—	5,569	—	—	—	—	5,569
Goodwill in an associated company	5,795	—	5,795	—	—	—	—	5,795
Goodwill in a subsidiary	—	—	—	2,715	—	2,715	—	2,715
Other intangible assets	—	83,000	83,000	—	98,000	98,000	—	181,000
Inventories	—	—	—	1,492	—	1,492	—	1,492
Other receivables and prepayment	11,280	—	11,280	20,853	—	20,853	—	32,133
Bank balance and cash	118	—	118	408	—	408	1,214	1,740
Accounts payables	—	—	—	(211)	—	(211)	—	(211)
Other payables and accrued charges	(13,070)	—	(13,070)	(14,570)	—	(14,570)	—	(27,640)
Minority interests	(1,958)	(16,585)	(18,543)	(7,515)	—	(7,515)	—	(26,058)
	7,830	66,341	74,171	7,698	97,387	105,085	1,214	180,470
Goodwill *(Note 14)*								308,696
								489,166
Total consideration satisfied by:								
Cash								56,366
Issue of convertible bonds								332,880
Issue of new shares								99,920
								489,166
Net cash outflow arising on acquisition:								
Cash consideration paid								56,366
Bank balances and cash acquired								(1,740)
								54,626

30. Share options

(a) Under the share option scheme I ("Scheme I") approved by the shareholders, the Board of the Company may, at its discretion, invite full-time employees including any executive directors to take up options to subscribe for shares in the Company representing up to a maximum of 30% of the issued share capital of the Company from time to time, excluding for this purpose from the calculation of issued share capital (i) any shares issued pursuant to the exercise of options under the Share Option Scheme or pursuant to the exercise of options under any other scheme; and (ii) any pro rata entitlements to further shares issued in respect of those shares referred to in (i) above during a period of 10 consecutive years from the date of adoption of the Share Option Scheme.

The subscription price for the shares in relation to options to be granted under the Share Option Scheme shall be determined by the Board and shall be at least the highest of (i) the closing price of the shares on the date of grant (the "Offer Date"); (ii) the average closing price of the shares for the five day business days immediately preceding the Offer Date; and (iii) the nominal value of the shares of the Company. The options are exercisable within a period not less than 3 years or more than 10 years from the Offer Date.

No share options were granted under the Share Option Scheme I since its adoption on 20 March 2001.

(b) Pursuant to an ordinary resolution passed on a special general meeting dated 13 July 2004 and the entering into of the Technical Support Agreement between Hunan Digital and Hunan Provincial Television Network Company Limited, a minority shareholder of Hunan Digital, the Company has granted an option ("Option") to Sky Dragon Holdings on 5 January 2005, a company owned by Mr. Feng Xiao Ping, a director of the Company to subscribe for 30 million shares of the Company at an exercise price of HK$0.788 per share. The Option is exercisable at any time in three equal proportion to subscribe the shares of the Company from February 2005, August 2005 and February 2006 respectively and up until five years from 2 August 2004. On 21 June 2007, Sky Dragon Holdings exercised share option to subscribe 10,000,000 shares of the Company at an exercise price of HK$0.788 per share. At 31 March 2009, there remained 20,000,000 outstanding share options.

(c) Under the share option scheme II ("Scheme II") approved by the shareholders, the Board of the Company may, at its discretion, invite any employee, director, supplier of goods or services, customer of Company or any Subsidiary; agent, adviser, consultant, strategist, contractor, sub-contractor, expert or entity that provides research, development or other technological support or any valuable services to Company or any Subsidiary; shareholder of Company or any Subsidiary or holder of any securities issued by Company or any Subsidiary to take up options to subscribe for shares in the Company representing in aggregate, not exceed 10% of the issued share capital of the Company as at the date of approval of Scheme II and a maximum of 30% of the issued share capital of the Company from time to time, excluding for this purpose from the calculation of issued share capital (i) any shares issued pursuant to the exercise of options under the Share Option Scheme or pursuant to the exercise of options under any other scheme; and (ii) any pro rata entitlements to further shares issued in respect of those shares referred to in (i) above during a period of 10 consecutive years from the date of adoption of the Share Option Scheme.

The options are exercisable within a period not more than 10 years from the Offer Date.

The fair value of the Options were calculated by independent valuation company in 2005 and 2009 respectively. Fair value are measured using the Black-Scholes-Merton Option Pricing Model. The inputs into the model were as follows:

	Note	**5 January 2005**	**9 March 2009**
Exercise price		HK$0.788	HK$0.125
Risk free rate	*(i)*	2.413%	1.074%
Expected life	*(ii)*	4 years	10 years
Volatility	*(iii)*	88.870%	136,502%
Expected dividend yield		0%	0%

Note:

(i) The risk free rate is determined by the reference to the Exchange Fund Notes and their expected life.

(ii) Expected life is determined by the historical performance record of the Group.

(iii) The price volatility of the share price of the Company was based on 100 trading days.

31. impairment testing of goodwill and other intangible assets

As explained in note 5, the Group uses business segments as its primary segment for reporting segment information. For the purpose of impairment testing, goodwill acquired in a business combination and the Patents and License are with indefinite useful lives, and are allocated, at acquisition, to the CGUs that are expected to benefit from such intangible assets. The respective carrying amounts had been allocated as follows:

	Goodwill	**Patents**	**License**
	HK$'000	*HK$'000*	*HK$'000*
Direct television sales	65,700	—	83,000
Sale of cordyceps related product	15,700	98,000	—
	81,400	98,000	83,000

The Group tests goodwill and intangible assets with indefinite lives annually for impairment, or more frequently if there are indications that they might be impaired.

32. Notes to the consolidated cash flow statement

Bank and other loans:

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
At the beginning of year	11,664	58,637
Translation difference	52	678
Bank and other loans repaid	—	(47,651)
Bank and other loans raised	3,409	—
At the end of year	15,125	11,664

33. Capital commitments

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Contracted but not provided for:		
Film development	17,350	12,250

The Company had no significant commitments at the balance sheet date.

34. Operating leases

The Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of renting of premises which fall due as follows:

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Within one year	7,563	2,568
In the second to fifth year inclusive	8,320	5,136
Over five years	3,721	—
	19,604	7,704

The Company had no significant operating leases at the balance sheet date.

35. Related party transaction

Save as disclosed in note 23 to the financial statements, the Group had the following significant related party transaction during the year and significant balances with them at the balance sheet date:

(a) Transactions with related party

	The Group	
	2009	**2008**
	HK$'000	*HK$'000*
Interest payment *(Note i)*	229	288

Note:

(i) It represents interest on amount due to a related company, Sky Dragon Holdings, which is unsecured and interest-bearing at a yearly rate of 5%. Mr. Feng Xiao Ping, a director of the Company, has beneficial interest in the related company.

(b) Balances with minority shareholders of its subsidiary

Loan to minority shareholders are included under the following headings:

	2009	**2008**
	HK$'000	*HK$'000*
Other receivables *(Note ii)*	2,574	—

Note:

(ii) It represents financial assistance to Mr. Lin Fang Chih ("Mr. Lin") and Mr. Law Kwok Keung ("Mr. Law"), for the amounts of HK$849,000 and HK$1,725,000 respectively. Mr. Lin and Mr. Law holds 6.6% and 13.4% shareholding respectively in NJ Everyday Buy.

(c) Compensation of key management personnel

The directors' emoluments set out in note 12 represent the compensation paid/payable to the key management personnel.

The remuneration of directors and key executives is reviewed by the remuneration committee having regard to the performance of individuals and market trends

36. Subsequent Events

On 11 May 2009, the Company entered into a placing agreement with a placing agent and a subscription agreement with Mr. Lee Yuk Lun ("Mr. Lee") to place 50,000,000 existing shares at a price of HK$0.28 per placing shares for and on behalf of Mr. Lee and Mr. Lee agreed to subscribe for such number of new shares at a price of HK$0.28 per subscription share. The subscription was completed on 20 May 2009.

On 15 May 2009, the Company entered into a placing agreement with a placing agent to place 16,500,000 new shares at a price of HK$0.32 per placing shares. The placing was completed on 29 May 2009.

On 19 May 2009, the Company entered into a placing agreement with a placing agent to place 8,500,000 new shares at a price of HK$0.33 per placing shares. The placing was completed on 29 May 2009.

On 16 June 2009, the Company proposed to increase its authorised share capital from HK$20,000,000 to HK$100,000,000 by creation of an additional 8,000,000,000 new shares. The proposed capital increase is conditional upon passing of an ordinary resolution by shareholders at a special general meeting to be convened on 2 July 2009.

A. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2009, being the latest practicable date for the purpose of this statement of indebtedness prior the printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK$469,588,000, which comprised unsecured and un-guaranteed borrowings.

Save as aforesaid and apart from intra-group liabilities, the Enlarged Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, or any guarantees, or other material contingent liabilities outstanding as at the close of business on 31 October 2009.

B. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial and trading position of the Group since 31 March 2009 (being the date to which the latest published audited financial statements of the Group have been made up) and up to the Latest Practicable Date.

C. WORKING CAPITAL STATEMENT

The Directors, after due and careful consideration, are of the opinion that taking into account the present internal resources of the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular in the absence of any unforeseen circumstances.

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street, Central,
Hong Kong

The Directors
China Chief Cable TV Group Limited

Dear Sirs,

We set out below our report on the financial information regarding Kang Yuan Universal Investment Limited (the "Company") and its subsidiary (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2006, 2007, 2008 and the six months ended 30 June 2009 (the "Relevant Periods") (the "Financial Information"), and the six months ended 30 June 2008 (the "30 June 2008 Financial Information") for inclusion in the circular of China Chief Cable TV Group Limited ("CCC Group") dated 30 December 2009 (the "Circular") in relation to the proposed acquisition of the entire equity interest in the Company by CCC Group.

The Company is an investment holding company incorporated in Hong Kong with limited liability on 2 April 2002. The Company had direct interests in a subsidiary, Jiangsu Kedi Modern Agricultural Company Limited. The principal activities of the subsidiary are set out in Note 1 of Section II of this report. The Company and its subsidiary have adopted 31 December as their financial year end date for statutory reporting purpose. Subsequent to the Relevant Period, in August 2009, the Group entered into an agreement to acquire another subsidiary, Zheng Zhou Rui Hao Tobacco Technology Company Limited, with a cash consideration of RMB1,650,000.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "HKFRS Consolidated Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which were audited by us in accordance with Hong Kong Standards on Auditing ("HKSAs").

The directors of the Company are responsible for the preparation of the Financial Information which gives, for the purpose of this report, a true and fair view, and the contents of the Circular in which this report is included. In preparing the Financial Information that gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are reasonable.

The 30 June 2008 Financial Information has been prepared solely for the purpose of this report. The directors of the Company are responsible for preparing this comparative financial information. It is our responsibility to form an independent review conclusion, based on our review on the comparative financial information and to report our conclusion to you.

PROCEDURES PERFORMED IN RESPECT OF THE FINANCIAL INFORMATION

The Financial Information has been prepared from the HKFRS Consolidation Financial Statements. For the purpose of this report, we have carried out independent audit procedures on the Financial Information in accordance with HKSAs issued by the HKICPA, and have carried out such additional procedures as we consider necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. It is our responsibility to form an independent opinion, based on our procedures, on the Financial Information and to report our opinion thereon.

PROCEDURES PERFORMED IN RESPECT OF THE 30 JUNE 2008 FINANCIAL INFORMATION

For the purpose of this report, we have also performed a review on the 30 June 2008 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists principally of making enquiries of the management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit conducted in accordance with HKSAs and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the 30 June 2008 Financial Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006, 2007, 2008 and 30 June 2009, and of the consolidated results and cash flows of the Group for the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE 30 JUNE 2008 FINANCIAL INFORMATION

Based on our review, which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that 30 June 2008 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

I. FINANCIAL INFORMATION

Consolidated Income Statements

		Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*6*	—	—	234,802	—	324,835
Cost of sales		—	—	(133,284)	—	(184,987)
Gross profit		—	—	101,518	—	139,848
Other income	*6*	3	3	57	—	363
Selling and marketing expenses		—	—	(8,190)	—	(24,565)
Administrative expenses		(125)	(961)	(4,556)	(421)	(17,821)
Other expenses		(67)	(37)	(69)	(50)	(604)
Finance costs	*7*	—	—	—	—	(3,636)
Profit/(loss) before tax	*8*	(189)	(995)	88,760	(471)	93,585
Income tax expense	*10*	—	—	—	—	—
Profit/(loss) for the year/period		(189)	(995)	88,760	(471)	93,585
Attributable to:						
Owners of the Company		(140)	(995)	88,760	(471)	93,585
Minority interests		(49)	—	—	—	—
		(189)	(995)	88,760	(471)	93,585

Consolidated Statements of Comprehensive Income

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit/(loss) for the year/period	(189)	(995)	88,760	(471)	93,585
Other comprehensive income:					
Exchange difference on translating foreign operations	180	3,476	3,714	3,906	(85)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX	(9)	2,481	92,474	3,435	93,500
Attributable to:					
Owners of the Company	(7)	2,481	92,474	3,435	93,500
Minority interests	(2)	—	—	—	—
	(9)	2,481	92,474	3,435	93,500

Consolidated Statements of Financial Position

		As at 31 December			As at 30 June
		2006	2007	2008	2009
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*11*	42,199	64,525	78,035	134,275
Prepaid land lease payment	*12*	—	9,865	9,664	37,968
Total non-current assets		42,199	74,390	87,699	172,243
CURRENT ASSETS					
Inventories	*14*	—	—	6,179	28,393
Trade receivables	*15*	—	—	74,239	384,794
Prepayments, deposits and other receivables	*16*	877	—	62,276	112,990
Pledged deposits	*17*	—	—	—	105,000
Cash and cash equivalents	*17*	91	66	3,460	18,246
Total current assets		968	66	146,154	649,423
CURRENT LIABILITIES					
Trade and bills payables	*18*	—	31	34,861	271,568
Other payables and accruals	*19*	32,183	71,909	104,002	123,108
Interest-bearing bank loans	*20*	—	—	—	238,500
Total current liabilities		32,183	71,940	138,863	633,176
NET CURRENT ASSETS/ (LIABILITIES)		(31,215)	(71,874)	7,291	16,247
TOTAL ASSETS LESS CURRENT LIABILITIES		10,984	2,516	94,990	188,490
Net assets		10,984	2,516	94,990	188,490

		As at 31 December			As at 30 June
		2006	**2007**	**2008**	**2009**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY					
Equity attributable to owners of the Company					
Issued capital	*21*	10	10	10	10
Retained profits/ (accumulated losses)	*22*	(155)	(1,150)	78,734	162,960
Reserves	*22*	180	3,656	16,246	25,520
		35	2,516	94,990	188,490
Minority interests		10,949	—	—	—
Total equity		10,984	2,516	94,990	188,490

Consolidated Statements of Changes in Equity

	Attributable to owners of the Company						
	Issued capital RMB'000	Retained profits/ (accumulated losses) RMB'000	Reserves RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2006	10	(15)	—	—	(5)	—	(5)
Loss for the year	—	(140)	—	—	(140)	(49)	(189)
Contributions from minority interests	—	—	—	—	—	10,998	10,998
Exchange difference on translating foreign operations	—	—	—	180	180	—	180
At 31 December 2006 and 1 January 2007	10	(155)	—	180	35	10,949	10,984
Loss for the year	—	(995)	—	—	(995)	—	(995)
Acquisition of minority interests	—	—	—	—	—	(10,949)	(10,949)
Exchange difference on translating foreign operations	—	—	—	3,476	3,476	—	3,476
At 31 December 2007 and 1 January 2008	10	(1,150)	—	3,656	2,516	—	2,516
Profit for the year	—	88,760	—	—	88,760	—	88,760
Transfer to reserve	—	(8,876)	8,876	—	—	—	—
Exchange difference on translating foreign operations	—	—	—	3,714	3,714	—	3,714
At 31 December 2008 and 1 January 2009	10	78,734	8,876	7,370	94,990	—	94,990
Profit for the period	—	93,585	—	—	93,585	—	93,585
Transfer to reserve	—	(9,359)	9,359	—	—	—	—
Exchange difference on translating foreign operations	—	—	—	(85)	(85)	—	(85)
At 30 June 2009	10	162,960	18,235	7,285	188,490	—	188,490
Six months ended 30 June 2008							
At 1 January 2008	10	(1,150)	—	3,656	2,516	—	2,516
Loss for the period	—	(471)	—	—	(471)	—	(471)
Exchange difference on translating foreign operations	—	—	—	3,906	3,906	—	3,906
At 30 June 2008	10	(1,621)	—	7,562	5,951	—	5,951

Consolidated Cash Flow Statements

		Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Operating activities						
Profit/(loss) before tax		(189)	(995)	88,760	(471)	93,585
Adjustments to reconcile profit before tax to net cash flows						
Depreciation	*8*	—	3	4	2	1,090
Amortisation of prepaid land lease payments	*8*	—	184	201	85	338
Finance costs	*7*	—	—	—	—	3,636
Bank interest income	*6*	(3)	(1)	—	—	(43)
Operating profit/(loss) before working capital changes		(192)	(809)	88,965	(384)	98,606
Working capital adjustments:						
Increase in trade receivables		—	—	(74,239)	—	(310,555)
Decrease/(increase) in prepayments, deposits and other receivables		(877)	877	(62,276)	(384)	(50,714)
Increase in inventories		—	—	(6,179)	—	(22,214)
Increase in pledged deposits		—	—	—	—	(105,000)
Increase/(decrease) in trade and bills payables		—	31	34,830	(31)	236,707
Increase in other payables and accruals		32,304	32,253	35,807	785	30,019
Cash generated from/(used in) operations		31,235	32,352	16,908	(14)	(123,151)
Interest income received		3	1	—	—	43
Net cash inflow/(outflow) from operating activities		31,238	32,353	16,908	(14)	(123,108)

		Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Investing activities						
Purchase of property, plant and equipment	*11*	(42,199)	(22,329)	(13,514)	—	(57,330)
Prepaid land lease payments	*12*	—	(10,049)	—	—	(28,642)
Net cash outflows from investing activities		(42,199)	(32,378)	(13,514)	—	(85,972)
Financing activities						
Proceeds from borrowings		—	—	—	—	238,500
Interest paid		—	—	—	—	(3,636)
Capital contribution from minority shareholders		10,998	—	—	—	(10,998)
Net cash inflows from financing activities		10,998	—	—	—	223,866
Net increase/ (decrease) in cash and cash equivalents		37	(25)	3,394	(14)	14,786
Cash and cash equivalents at beginning of year		54	91	66	66	3,460
Cash and cash equivalents at end of year	*15*	91	66	3,460	52	18,246

Statements of Financial Position

		As at 31 December			As at 30 June
		2006	2007	2008	2009
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Interests in a subsidiary	*13*	31,121	64,488	79,663	79,745
Total non-current assets		31,121	64,488	79,663	79,745
CURRENT ASSETS					
Cash and cash equivalents	*17*	55	53	48	49
Total current assets		55	53	48	49
CURRENT LIABILITIES					
Other payables	*19*	31,183	64,549	79,720	79,811
Total current liabilities		31,183	64,549	79,720	79,811
NET CURRENT LIABILITIES		(31,128)	(64,496)	(79,672)	(79,762)
TOTAL ASSETS LESS CURRENT LIABILITIES		(7)	(8)	(9)	(17)
Net liabilites		(7)	(8)	(9)	(17)
EQUITY					
Equity attributable to equity holders of the parent					
Issued capital		10	10	10	10
Reserves	*22*	(17)	(18)	(19)	(27)
Total equity		(7)	(8)	(9)	(17)

II. NOTES TO FINANCIAL INFORMATION

1. Corporate information

The Company was incorporated in Hong Kong on 2 April 2002 with limited liability. The registered office of the Company is located at Room 601, 6/F Pearl Oriental Tower, 225 Nathan Road, Hong Kong.

The principal activities of the Company is investment holding and the directors consider the ultimate holding company of the Company is Cyberland (China) Limited, which is incorporated in Hong Kong.

During the Relevant Periods, the Company had 100% direct equity interest in its subsidiary, Jiangsu Kedi Modern agriculture Company Limited, which is established in the People's Republic of China with registered capital of RMB$11,600,000. Its principal activities is manufacturing and trading of tobacco drying machines and agricultural antibiotic fertilizer.

Subsequent to the Relevant Periods and up to the date of this report, the Group has entered into an agreement to acquire the entire equity interest in a company from a third party. Further details are set out in note 27.

2.1 Basis of preparation and presentation

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong.

The Financial Information has been prepared under the historical cost convention, and is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

All HKFRSs effective for the accounting periods commencing from 1 January 2006, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the Financial Information for the Relevant Periods.

The Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

2.2 Impact of issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs — The Additional Exemptions for First-time Adopters[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items[1]

Apart from the above, the HKICPA has also issued Improvements to HKFRSs in May 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Improvements to HKFRSs issued in May 2009 contains amendments to

HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, Appendix to HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 which are effective for annual periods beginning on or after 1 July 2009 and no transitional provisions for amendment to Appendix to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has been concluded that while the adoption of HKAS 27 (Revised) may result in changes in accounting policies, the other new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. Summary of significant accounting policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Group controls, directly or indirectly, so as to obtain benefits from its activities. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Foreign currencies

The Company's functional currency is in Hong Kong dollar while the presentation currency of these financial statements is in RMB. In the opinion of the directors, as the Group's operations are mainly in the PRC, the use of RMB as the presentation currency is more appropriate for the presentation of the Group's results and financial position. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain entities are currency other than the RMB. As at the financial position date, the assets and liabilities of these entities are translated into the presentation currency of the Group at the exchange rates ruling at the end of each of the Relevant Periods, and their statements of comprehensive income are translated into RMB at the weighted average rates for the year. The resulting exchange differences as including in a separate comprehensive of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of comprehensive income.

For the purpose of the consolidated cash flow statement, the cash flow of overseas subsidiary are translated into RMB at exchange rates ruling at the dates of cash flows. Frequently recurring cash flows of overseas subsidiary which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on delivery of the goods.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting 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 deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Employee benefits

In accordance with the rules and regulations in the PRC, the employees of the Group's subsidiaries which operate in the Mainland China are covered by government-regulated defined contribution retirement benefit plans under which the employees are entitled to a monthly pension. The Group and its employees are required to make monthly contributions calculated as a percentage of the employees' wages and salaries to these retirement benefit plans on a monthly basis, subject to certain ceilings and local practices set by the relevant municipal and provincial governments. Under these plans, the Group has no legal obligation for retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

Financial assets

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Financial liabilities

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities including trade and bills payable, other payable, loan and borrowings.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Property, plant and equipment and depreciation

Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal useful lives for this purpose are as follows:

Buildings	20 years
Plant and machinery	10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Construction in progress represents buildings and other assets under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Where the Group is the lessee, operating lease payments are recognised as an expense in the income statement on the straight-line basis over the lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate portion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in those expenses categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Cash and cash equivalents

For the purpose of the combined cash flow statements, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdraft which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of combined statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

4. Significant accounting judgements and estimates

Judgments

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognised in the consolidated financial statements:

Impairment of assets

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence.

Estimation and assumption

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of impairment requires management's judgements and estimates. Where the actual outcome is different from the original estimate, such differences will impact the carrying values of the trade receivables and impairment loss in the period in which such estimate has been changed.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed, at each financial year end date based on changes in circumstances.

5. Segment information

The Group is principally engaged in the business of manufacturing and trading of tobacco drying machines and agricultural antibiotic fertilizer. For management purposes, the Group operates in one business unit based on their products and has one reportable operating segment, which is tobacco drying machine segment. No operating segments have been aggregated to form the reportable operating segment.

The Group plans to commence a new business unit of manufacturing of agricultural antibiotic fertilizer in year 2010 which would be another reportable operating segment. The amounts of construction in progress and prepaid land lease payment attributable to this segment as at 31 December 2006, 2007 and 2008 and 30 June 2009 were RMB42 million, RMB64 million, RMB78 million and RMB78 million, respectively.

As over 90% of the Group's revenue is derived from customers based in the PRC and all the Group's identifiable assets and liabilities are located in the PRC, no geographical segment information is presented.

6. Revenue and other income

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue					
Sales of goods	—	—	234,802	—	324,835
Other income					
Bank interest income	3	1	—	—	43
Others	—	2	57	—	320
	3	3	57	—	363

7. Finance costs

	Year ended 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest on borrowings	—	—	—	—	3,636

8. Profit before tax

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

		Year ended 31 December			Six months ended 30 June	
		2006	2007	2008	2008	2009
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost of inventories sold		—	—	133,284	—	184,257
Depreciation	*11*	—	3	4	2	1,090
Auditors' remuneration		—	3	552	—	393
Amortisation of prepaid land lease payments*	*12*	—	184	201	85	338
Research and development costs*		—	500	963	100	3,951
Minimum lease payments under operating leases in respect of land and buildings**		—	—	1,065	75	1,582
Foreign exchange differences, net		67	37	(17)	—	—
Employee benefits expense:						
Wages and salaries		60	60	1,277	60	5,485
Social welfare and other costs		—	—	—	—	719

* The amortisation of prepaid land lease payments and research and development costs are included in "Administrative expenses" on the face of the income statements.

** The balance included the related party transactions set out in note 25.

9. Directors' remuneration and five highest paid employees

There has been no directors' fees and other emoluments for the Relevant Periods.

The five highest paid employees of the Group during the Relevant Periods are analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2006	**2007**	**2008**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	60	60	520	60	732

The remuneration of each of the above highest paid individuals for each of the Relevant Periods fell within the range of nil to RMB500,000.

10. Income tax expense

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Hong Kong profit tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

PRC corporate income tax

In accordance with the relevant tax laws in the PRC, the subsidiary is subject to a corporate income tax rate of 25% on its taxable income. However, in accordance with the relevant tax laws in the PRC, it is exempted from corporate income tax for its first two profit-making years (after deducting losses incurred in previous years) and is entitled to a 50% tax reduction for the succeeding three years. No provision for PRC corporate income tax has been made.

11. Property, plant and equipment

Group

	Buildings	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2006						
Cost	—	—	—	—	42,199	42,199
Accumulated depreciation	—	—	—	—	—	—
Net carrying amount	—	—	—	—	42,199	42,199
At 31 December 2007						
Cost	—	—	21	—	64,507	64,528
Accumulated depreciation	—	—	(3)	—	—	(3)
Net carrying amount	—	—	18	—	64,507	64,525
At 31 December 2008						
Cost	—	—	39	—	78,003	78,042
Accumulated depreciation	—	—	(7)	—	—	(7)
Net carrying amount	—	—	32	—	78,003	78,035
At 30 June 2009						
Cost	40,560	12,061	1,173	3,570	78,008	135,372
Accumulated depreciation	(508)	(468)	(64)	(57)	—	(1,097)
Net carrying amount	40,052	11,593	1,109	3,513	78,008	134,275

	Buildings	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 December 2006	—	—	—	—	—	—
Additions	—	—	—	—	42,199	42,199
At 31 December 2006 and 1 January 2007, net of accumulated depreciation	—	—	—	—	42,199	42,199
Additions	—	—	21	—	22,308	22,329
Depreciation	—	—	(3)	—	—	(3)
At 31 December 2007 and 1 January 2008, net of accumulated depreciation	—	—	18	—	64,507	64,525
Additions	—	—	18	—	13,496	13,514
Depreciation	—	—	(4)	—	—	(4)
At 31 December 2008 and 1 January 2009, net of accumulated depreciation	—	—	32	—	78,003	78,035
Additions	40,560	12,061	1,134	3,570	5	57,330
Depreciation	(508)	(468)	(57)	(57)	—	(1,090)
At 30 June 2009, net of accumulated depreciation	40,052	11,593	1,109	3,513	78,008	134,275

As at 30 June 2009, certain of the Group's buildings with an aggregate net book value of approximately RMB28 million were pledged to secure certain bank loans granted to the Group (note 23(b)).

12. Prepaid land lease payments

	Group			
	As at 31 December			30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount as at 1 January	—	—	9,865	9,664
Additions	—	10,049	—	28,642
Amortisation during the year	—	(184)	(201)	(338)
Carrying amount as at 31 December/ 30 June	—	9,865	9,664	37,968

The Group's leasehold lands are held under medium term leases and are situated in Mainland China.

The Group's certain leasehold lands were pledged to a bank for securing the bank loans granted to Jiangsu Xintiandi Aminophenol Fertilizer Limited, a related company, and certain other bank loans granted to the Group (noted 23).

13. Interest in a subsidiary

	Company			
	As at 31 December			30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investment, at cost	31,121	64,488	79,663	79,745

The Company had interest in a subsidiary, Jiangsu Kedi Modern agriculture Company Limited, which is established in the People's Republic of China with registered capital of RMB11,600,000. Its principal activities included manufacturing and trading of tobacco drying machines and agricultural antibiotic fertilizer.

14. Inventories

	Group			
	As at 31 December			30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	—	—	204	3,550
Finished goods	—	—	5,975	14,624
Work in progress	—	—	—	10,219
	—	—	6,179	28,393

15. Trade receivables

	Group			
	As at 31 December			30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	—	—	74,239	384,794

The Group's customer base is diversified and there is no concentration of credit risk.

The Group normally grants credit periods of not more than 270 days to those long standing customers with good repayment history. A provision for doubtful debts is made when there is objective evidence that an impairment loss has been incurred. Trade receivables are non-interest-bearing. The carrying amounts of trade receivable approximate to their fair values.

An aged analysis of the trade receivable of the Group as at the reporting date is as follows:

	As at 31 December			30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	—	—	53,565	172,153
31 to 90 days	—	—	20,674	132,822
91 to 180 days	—	—	—	51,847
181 to 360 days	—	—	—	27,972
	—	—	74,239	284,794

All the trade receivables of the Group were neither past due nor impaired that are related to a large number of diversified customers for whom there was no recent history of default.

16. Prepayments, deposits and other receivables

	Group			
	As at 31 December			30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	877	—	15,425	43,360
Receivable from related parties *(note 25b)*	—	—	46,730	58,046
Other receivables	—	—	121	11,584
	877	—	62,276	112,990

The above balances are unsecured, interest-free and have no fixed terms of repayment.

17. Cash and cash equivalents

	Group			
	As at 31 December			30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	91	66	3,460	113,246
Time deposits placed with banks	—	—	—	10,000
	91	66	3,460	123,246
Less: Pledged deposits *(a)*	—	—	—	105,000
Cash and cash equivalents	91	66	3,460	18,246

	Company			
	As at 31 December			30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	55	53	48	49

(a) As at 30 June 2009, the Group's bank balances of RMB105,000,000 (31 December 2008: RMB Nil) were deposited at banks as guarantee deposits for the issuance of bank acceptance notes to suppliers.

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

18. Trade and bills payables

	Group			
	As at 31 December			30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	—	31	34,861	101,568
Bills payables	—	—	—	170,000
	—	31	34,861	271,568

The trade payables are non-interest bearing and normally settled within 60 to 90 days.

Terms and conditions relating to related parties are set out in note 25.

An aged analysis of the trade payables of the Group as at the reporting date is as follows:

	As at 31 December			30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	—	31	32,310	46,080
31 to 90 days	—	—	2,517	46,842
91 to 180 days	—	—	34	2,407
181 to 360 days	—	—	—	6,239
	—	31	34,861	101,568

19. Other payables and accruals

	Group			
	As at 31 December			30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued expenses	—	—	1,278	548
Due to a director	61	60	6,289	65
Due to related parties	32,062	71,293	82,633	81,799
Other payables	60	556	13,802	40,696
	32,183	71,909	104,002	123,108

	Company			
	As at 31 December			30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due to related parties	31,122	64,489	79,633	79,746
Due to a director	61	60	87	65
	31,183	64,549	79,720	79,811

The above balances due are unsecured, non-interest-bearing and have no fixed terms of repayment.

Terms and conditions relating to related parties are set out in note 25.

20. Interest-bearing bank loans

			Group			
			31 December			30 June
	Contractual		**2006**	**2007**	**2008**	**2009**
	interest rate	**Maturity**	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current						
Bank loans — secured *(note 23(b))*	4.77-5.84	2009-2010	—	—	—	238,500

As at 30 June 2009, all the Group's interest-bearing bank loans are repayable within one year.

Certain bank loans are secured by the Group's assets, details of which are disclosed in note 23.

The directors estimate the fair value of the bank loans by discounting their future cash flows at the market rate. The directors consider that the carrying amounts of the Group's current borrowings approximate to their fair values at the reporting date.

21. Issued capital

	As at 31 December			30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorised, issued and fully paid:				
10,000 ordinary shares of HK$1.00 each	10	10	10	10
	10	10	10	10

22. Reserves

Group

The amounts of the Group's reserves and the movements are presented in the statement of changes in equity set out in Section I of this report.

Company

	Accumulated losses
	RMB'000
At 1 January 2006	15
Loss for the year	2
At 31 December 2006 and 1 January 2007	17
Loss for the year	1
At 31 December 2007 and 1 January 2008	18
Loss for the year	1
At 31 December 2008 and 1 January 2009	19
Loss for the year	8
At 30 June 2009	27

23. Pledge of assets

(a) At each of the reporting dates, the following assets of the Group were pledged to a bank for securing the loans granted to Jiangsu Xintiandi Aminophenol Fertilizer Limited, a related company:

	Group			
	As at 31 December			30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepaid land lease payment	—	—	9,664	9,559

(b) At the reporting date, the following assets of the Group were pledged to certain banks for securing the loans granted to the Group:

	Group			
	As at 31 December			30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	—	—	—	27,981
Prepaid land lease payment	—	—	—	9,564
	—	—		37,545

24. Commitments

Operating lease commitments – as lessee

The Group has entered into commercial leases on certain properties, which are negotiated for terms ranging from 1 to 10 years. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at the reporting dates are as follows:

	Group			
	As at 31 December			30 June
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	—	—	2,400	2,625
In the second to fifth years, inclusive	—	—	9,600	10,020
After five years	—	—	11,200	9,600
	—	—	23,200	22,245

Capital commitments:

In addition to the operating lease commitments detailed above, the Group had the following commitments at each of the reporting dates:

	Group			
	As at 31 December			30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Construction in progress	33,847	11,882	—	552

25. Related party transactions and balances

The principal related parties with which the Group had transactions are as follows:

Name of the related party	Relationship
Jingsu Yucheng Agricultural Limited	Company controlled by a director
Jiangsu Xintiandi Aminophenol Fertilizer Limited	Company controlled by a director
Zhuhai Kedi Tobacco Agricultural Technology Limited	Fellow subsidiary
Yixing Kanyuang Pure Water Limited	Company controlled by a director
Jiangsu Kedi New Energy Limited	Company controlled by a director
Mr. Shan Xiaochang	Director
Mr. Cheng YoungJun	Director
Cyberland (China) Limited	Ultimate holding company

(a) Significant related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties:

	Group				
	Year end 31 December			Six months ended 30 June	
	2006	2007	2008	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Purchase of goods from Jiangsu Yucheng Agricultural Limited	—	—	43,648	—	—
Purchase of fixed asset from Yixing Kanyuang Pure Water Limited	—	—	—	—	47,000
Lease of properties and land from Yixing Kanyuang Pure Water Limited	—	—	800	—	1,200
	—	—	44,448	—	48,200

(b) Outstanding balances with related parties

	Group			
	As at 31 December			30 June
	2006	2007	2008	2009
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other receivable due from				
Zhuhai Kedi Tobacco Agricultural Technology Limited	—	—	46,730	40,754
Mr. Shan Xiaochang	—	—	—	14,468
Jiangsu Kedi New Energy Limited	—	—	—	1,546
Jiangsu Yucheng Agricultural Limited	—	—	—	1,278
	—	—	46,730	58,046
Trade payable due to				
Jiangsu Yucheng Agricultural Limited	—	—	5,622	—
Other payable due to				
Jiangsu Xintiandi Aminophenol Fertilizer Limited	940	6,804	2,170	2,170
Yixing Kanyuang Pure water Limited	—	—	800	100
Mr. Shan Xiaochang	—	—	6,232	—
Mr. Cheng YuongJun	61	60	87	65
Cyberland (China) Limited	31,122	64,489	79,663	79,746
	32,123	71,353	88,952	82,081

Terms and conditions of transactions with related parties

The purchases from related parties are made at normal market prices. Outstanding balances at the period-end are unsecured, interest-free. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 30 June 2009, the Group has not recorded any impairment of receivables related to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

26. Financial risk management objectives and policies

The Group's principal financial instruments comprise interest-bearing bank loans, cash and cash equivalents, trade, and other payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as trade and other receivables, trade and bill payables and cash and bank balances which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's comprehensive income is affected by changes in interest rates due to the impact of such changes on interest expenses from interest-bearing bank loans. The Group's policy is to obtain the most favorable interest rates available. The effective interest rates and terms of repayment of the interest-bearing bank borrowings of the Group are set out in note 20 to this report. During the Relevant Periods, the Group did not have any debt obligations with floating interest rates. Accordingly, the Group had no significant interest rate risk.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks.

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, prepayments, and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank credit and borrowings.

The maturity profile of the Group's financial liabilities as at the reporting date, based on the contracted undiscounted payments, is as follows:

Year ended 30 June 2009

	Within 1 year
	RMB'000
Interest-bearing bank loans	244,578
Trade and bill payables	271,568
Other payables	40,696
	556,842

Year ended 31 December 2008

	Within 1 year
	RMB'000
Trade payables	34,861
Other payables	13,802
	48,663

Year ended 31 December 2007

	Within 1 year
	RMB'000
Other payables	556

Year ended 31 December 2006

	Within 1 year
	RMB'000
Other payables	60

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group's policy is to keep at a healthy capital level in order to support its businesses. The Group includes within net debt, interest bearing loans and borrowings, trade and bills payable, and other payables, less cash and cash equivalents and pledged deposits. Capital represents the total equity.

	Group			
	As at 31 December			**30 June**
	2006	**2007**	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing loans and borrowings	—	—	—	238,500
Trade and bill payables	—	31	34,861	271,568
Other payables and accurals	32,183	71,909	104,002	123,108
Less: Cash and cash equivalents	91	66	3,460	18,246
Less: Pledged deposits	—	—	—	105,000
Net debt	32,092	71,874	135,403	509,930
Total equity	10,984	2,516	94,990	188,490
Gearing ratio	292%	2,857%	143%	271%

27. Post balance sheet events

In August 2009, the Group entered into an agreement to acquire the entire equity interest in a company from a third party which was located in Henan province, with a cash consideration of RMB1,650,000.

28. Subsequent financial statements

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2009.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

浩理會計師事務所有限公司
KL CPA LIMITED

2/F., Kam Chung Commercial Building,
19-21 Hennessy Road, Wan Chai, Hong Kong
Room 303, Carpo Commercial Building,
18-20 Lyndhurst Terrace, Central, Hong Kong

28 December 2009

The Directors
China Chief Cable TV Group Limited
19/F., CMA Building,
64-66 Connaught Road Central,
Hong Kong.

Dear Sirs,

We report on the unaudited pro forma financial information of China Chief Cable TV Group Limited (the "Company") and its subsidiaries (collectively, the "Group"), which has been prepared by the directors of the Company, solely for illustrative purposes, to provide information about how the Group's proposed acquisition of 100% equity interest in Kang Yuan Universal Investment Limited (the "Target Company") and its subsidiary, Jiangsu Kedi Modern Agriculture Company Limited (collectively, the "Target Group") might have affected the financial information of the Group presented, for inclusion in Appendix IV of the circular of the Company dated 28 December 2009 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages 118 to 127 to the Circular. The resulting group comprising the Group and the Target Group after the above transactions is referred to as the Enlarged Group.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to 7.31(1) of the GEM Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

— the financial position of the Enlarged Group as at 30 June 2009 or any future date; or

— the financial results and cash flows of the Enlarged Group for the six months' period ended 30 June 2009 or any further periods.

OPINION

In our opinion:

a. the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of Chapter 4 of the GEM Rules.

Yours faithfully,
KL CPA Limited
Certified Public Accountants
Hong Kong

Lee Ho Yee
Practising Certificate number P04767

PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP AFTER THE PROPOSED ACQUISITION

(A) Introduction

The following is the unaudited pro forma financial information of the Enlarged Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition of 100% equity interest in Kang Yuan Universal Investment Limited (the "Target Company") and its subsidiary, Jiangsu Kedi Modern Agriculture Company Limited (collectively, the "Target Group").

The unaudited pro forma consolidated income statement and cash flow statement of the Enlarged Group are prepared based on the audited consolidated income statement and cash flow statement of the Group for the year ended 31 March 2009 and the audited consolidated income statement and cash flow statement of the Target Group for the year ended 31 December 2008, as extracted from the Financial Information of the Group set out in Appendix I and the respective accountants' reports set out in Appendix III to this Circular respectively.

The unaudited pro forma consolidated balance sheet of the Enlarged Group is prepared based on the audited consolidated balance sheet of the Group as at 31 March 2009 and the audited consolidated balance sheet of the Target Group as at 31 December 2008, as extracted from the Financial Information of the Group set out in Appendix I and the respective accountants' reports set out in Appendix III to this Circular respectively.

The unaudited pro forma financial information of the Enlarged Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Enlarged Group, it may not give a true picture of the actual financial position, results of operation and cash flows of the Enlarged Group that would have been attained had the acquisition actually occurred on the date indicated therein. Furthermore, the unaudited pro forma financial information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position, results of operation and cash flows.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the Financial Information of the Group and of the Target Group as set out in Appendix I and III to this Circular, and other financial information included elsewhere in this Circular.

(B) Unaudited Pro Forma Consolidated Income Statement of the Enlarged Group

As the unaudited pro forma consolidated income statement of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Group for the year ended to which it is made up to or for any future period.

	The Group for the year ended 31 March 2009	**The Target Group for the year ended 31 December 2008**	**Pro forma adjustment**		**Pro forma Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*		*Note*	
Turnover	28,741	266,820			295,561
Cost of sales	(30,465)	(151,459)			(181,924)
Gross profit/(loss)	(1,724)	115,361			113,637
Other revenue	730	65			795
General, administrative and other expenses	(38,439)	(14,562)			(53,001)
Profit/(loss) from operations	(39,433)	100,864			61,431
Finance costs	(875)	—	(13,980)	7	(14,855)
Share of loss of an associated company	(10,026)	—			(10,026)
Impairment loss of goodwill	(235,806)	—			(235,806)
Profit/(loss) for the year	(286,140)	100,864			(199,256)
Attributable to:					
Equity holders of the Company	(283,421)	100,864	(13,980)		(196,537)
Minority interests	(2,719)	—			(2,719)
	(286,140)	100,864			(199,256)

(C) Unaudited Pro Forma Consolidated Balance Sheet of the Enlarged Group

As the unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as at the date to which it is made up to or at any future date.

	The Group as at 31 March 2009	**The Target Group as at 31 December 2008**	**Pro forma adjustment**		**Pro forma Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*		*Note*	
Non-current assets					
Property, plant and equipment	21,546	88,676			110,222
Goodwill	81,400	—	1,290,057	*4*	1,371,457
Other intangible assets	182,419	10,982			193,401
	285,365	99,658			1,675,080
Current assets					
Inventories	3,651	7,022			10,673
Accounts receivable	7,772	84,362			92,134
Other receivables and deposits	38,083	70,768			108,851
Financial assets at fair value through profit or loss	3,078	—			3,078
Bank balances and cash	6,976	3,932			10,908
	59,560	166,084			225,644
Current liabilities					
Accounts payable	3,928	39,615			43,543
Other payables and accrued charges	17,598	118,184			135,782
Amount due to related companies	6,674	—			6,674
Amount due to a director	6,065	—			6,065
Other loans	15,125	—			15,125
	49,390	157,799			207,189
Net current assets	10,170	8,285			18,455

	The Group as at 31 March 2009	The Target Group as at 31 December 2008	Pro forma adjustment		Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Note 1)	*(Note 2)*		*Note*	
Total assets less current liabilities	295,535	107,943			1,693,535
Non-current liabilities					
Convertible bond	—	—	1,030,350	*3*	1,030,350
Deferred tax liabilities	—	—	60,662	*8*	60,662
	—	—			1,091,012
Net assets	295,535	107,943			602,523
Capital and reserves					
Share capital	17,593	11	(11)	*5*	17,593
Reserves	251,590	107,932	199,056	*6*	558,578
Equity attributable to equity holder of the Company	269,183	107,943			576,171
Minority interests	26,352	—			26,352
	295,535	107,943			602,523

(D) Unaudited Pro Forma Consolidated Cash Flow Statement of the Enlarged Group

As the unaudited pro forma consolidated cash flow statement of the Enlarged Group has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Group for the year ended to which it is made up to or for any future period.

	The Group for the year ended 31 March 2009	The Target Group for the year ended 31 December 2008	Pro forma adjustment		Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*Note*	*HK$'000*
	(Note 1)	*(Note 2)*			
Cash flows from operating activities					
Profit/(loss) before income tax	(286,140)	100,864	(13,980)		(199,256)
Adjustment for:					
Share of results of an associate company	10,026	—			10,026
Interest expenses	875	—	13,980	*7*	14,855
Interest income	(182)	—			(182)
Written off of other receivables	876	—			876
Written down of inventories	900	—			900
Provision for share-based payment	1,382	—			1,382
Depreciation and amortization	6,043	233			6,276
Impairment of goodwill	235,806	—			235,806
Loss on financial assets at fair value through profit or loss	1,482	—			1,482
	257,208	233			271,421

	The Group for the year ended 31 March 2009	The Target Group for the year ended 31 December 2008	Pro forma adjustment		Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*Note*	*HK$'000*
	(Note 1)	*(Note 2)*			
Operating loss before working capital change	(28,932)	101,097			72,165
Increase in inventories	(541)	(7,022)			(7,563)
Increase in accounts receivable	(3,876)	(84,363)			(88,239)
Decrease/(Increase) in other receivables and deposits	44,058	(70,767)			(26,709)
Increase in account payable	1,532	39,580			41,112
(Decrease)/Increase in other payable and accrued charges	(18,271)	40,689			22,418
Decrease in amounts due to related companies	(406)	—			(406)
Increase in amount due to a director	1,201	—			1,201
Cash used in operations	(5,235)	19,214			13,979
Interest received	182	—			182
Interest paid	(875)	—			(875)
Net cash outflow from operating activities	(5,928)	19,214			13,286
Cash flows from investing activities					
Purchases of property, plant and equipment	(12,545)	(15,357)			(27,902)
Purchases of film rights	(225)	—			(225)
Purchases of financial assets at fair value through profit or loss	—	—			—
Net cash outflow from acquisition of subsidiaries	(54,626)	—			(54,626)
Proceeds on disposal of fixed assets	10	—			10
Investments in an associated company	(4,545)	—			(4,545)

	The Group for the year ended 31 March 2009 HK$'000 (Note 1)	The Target Group for the year ended 31 December 2008 HK$'000 (Note 2)	Pro forma adjustment HK$'000	Note	Pro forma Enlarged Group HK$'000
Net cash outflow from investing activities	(71,931)	(15,357)			(87,288)
Net cash inflow from financing activities					
Bank and other loans raised	3,409	—			3,409
Repayment of bank and other loans	—	—			—
Proceeds from issuance of shares	7,368	—			7,368
Contribution by minority shareholders of subsidiaries	2,574	—			2,574
	13,351	—			13,351
Net (decrease)/increase in cash and cash equivalents	(64,508)	3,857			(60,651)
Cash and cash equivalents at the beginning of year	72,316	75			72,391
Translation differences	(832)	—			(832)
Cash and cash equivalents at the end of year	6,976	3,932			10,908
Analysis of balances of cash and cash equivalents					
Bank balances and cash	6,976	3,932			10,908

Notes:

(1) The figures have been extracted from the audited consolidated income statement, consolidated balance sheet and consolidated cash flow statement of the Group as at 31 March 2009 as disclosed in the published annual report of the Company for the year ended 31 March 2009.

(2) The figures have been extracted from the audited consolidated income statement, consolidated balance sheet and consolidated cash flow statement of the Group as at 31 March 2009. For the purpose of preparation of the unaudited pro forma financial information, the financial information of the Target Group as at 31 December 2009 denominated in RMB have been translated into HK$ at an exchange rate of HK$1 to RMB0.88 which was the exchange rate prevailing as at 31 December 2008. Details of the audited accounts of the Target Group as at 31 December 2008 was disclosed in Appendix III of the Circular.

(3) The adjustment reflects the settlement of the total estimated cost of the acquisition of approximately HK$1,398,000,000. The consideration will be settled by a combination of cash of not exceeding HK$350,000,000 and the issue of convertible bond or issue of convertible bond only, subject to the sole discretion of the Company.

The convertible bond represents convertible redeemable bond in the principal amount of not exceeding HK$1,398,000,000, with coupon interest rate of 1% per annum payable semi-annually in arrears from the date of issue and convertible at any time and from to time after the second anniversary of the date of issue until the maturity date at a conversion price of HK$0.43 per share at the discretion of the holder, to be issued on the date of completion of the proposed acquisition.

The value of the Convertible Bond is split into a debt component of approximately HK$1,030,350,000, which is carried in the unaudited pro forma consolidated balance sheet as a non-current liability, and an equity component of approximately HK$367,650,000, which is recognized in equity. The fair value of the debt component of the convertible bond is calculated by discounting the future cash flow stream from the bonds using an estimated effective interest rate, which equal 7.5% per annum, at which the directors of the Group believe the Company could borrow funds of similar amount, similar terms of maturity and similar repayment schedule without any conversion option attached. The difference between the face value and the fair value of the debt component derived is taken as the equity component of the bond. The split of the convertible bond between the debt and equity components are in accordance with the Hong Kong Accounting Standard 32 "Financial Instruments: Presentation".

(4) The adjustment represents the goodwill of approximately HK$1,290,057,000 arising from the acquisition, representing the excess of the total cost of the acquisition of HK$1,398,000,000 over 100% of the net asset of the Target Group as at 31 December 2008 of approximately HK$107,943,000 as if the acquisition had been completed on 31 March 2009. For the purpose of preparation of the unaudited pro forma financial information, it has been assumed that the carrying amount of the net assets of the Target Group as at 31 December 2008 approximate the fair value of the assets, liabilities and contingent liabilities of the Target Group as at the date of completion of the acquisition.

Since the actual fair values of the total cost of the acquisition and the actual fair values of the Target Group as at the date of completion of the acquisition may be different from their estimated fair values used in the preparation of the unaudited pro forma financial information presented above, the actual goodwill arising from the acquisition may be different from the estimated amount shown in this Appendix.

(5) The pro forma adjustment of HK$11,000 represents the elimination of share capital of the Target Group upon consolidation of the unaudited pro forma financial information of the Enlarged Group as if the Acquisition was completed on 31 March 2009.

(6) The pro forma adjustment of approximately HK$107,989,000 represents the net effect of the elimination of the pre-acquisition reserves and equity component of the Bond as if the Acquisition was completed on 31 March 2009.

(7) The pro forma adjustment represents the annual finance cost of the interest expenses of approximately HK$13,980,000 of the Bond to be expensed in the consolidated income statement of the Enlarged Group. These interest expenses shall have the continuing effect on the financial statements of the Enlarged Group in subsequent years.

(8) The pro forma adjustment represents the deferred tax effect of approximately HK$60,662,000 of the Bond for the year ended 31 March 2009.

The basis of the deferred tax effect is set out as follows:

	HK$'000
Face amount of the Bond	1,398,000
Less: Carrying amount of Bond at 31 March 2009	(1,030,350)
Temporary difference as at 31 March 2009	367,650
Deferred tax liabilities as at 31 March 2009, at a tax rate of 16.5%	60,662

A. MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

Set out below are the management discussion and analysis on the Group as largely extracted from the interim report of the Company for the six months ended 30 September 2009 and the annual reports of the Company for the three years ended 31 March 2009 (the "**Financial Information**"). Terms used below shall have the same meanings as those defined in the Financial Information. Furthermore, all pages/sections/appendices mentioned in the below text are referred to those of the Financial Information:

For the six months ended 30 September 2009

Business pursuits and prospects

The Group has acquired a new business for the provision of TV digitalization related services in August 2004 in order to expand and grapped the opportunities of network digitalization business in the PRC. At present, the digital network signals is completely covered throughout the Hu Nan province and the TV digitalization related services continue to maintain a healthy growth rate and steady increase of audience base.

In August 2009, State Administration of Radio Film and Television ("SARFT"), which is an executive branch under the State Council of the People's Republic of China ("PRC") released a notice called "The Views on Accelerating the Development of the Radio and Television Cable Networks". The Group Management team ("The management") suggests that the release of the notice is a positive signal that the PRC government is dedicated to support the further development of broadcasting digital networks, and information technology. With such encouraging government policy, the management is optimistic and confident about the future of the digital television market in the PRC and will continue to explore new business opportunities for the segment.

In view of the market potential in direct TV sales, TV advertising and program production in the increasingly affluent PRC market, the management believes it is a good opportunity to capitalize on its expertise and experience in digitalization related services. In April 2008, the Group completed the acquisition of 80% equity interest in Nanjing Everyday Buy Trading Co., Ltd ("NJ Everyday Buy"). Hence, the Group leverages its digital network service in the direct TV sales and TV advertising market in the PRC.

However, The PRC was affected by the outbreak of the financial turmoil in the second half of 2008, which adversely impacted the general consumer spending sentiment. During the year, new foreign exchange and broadcasting regulations imposed by the PRC also crucially affected the operation of NJ Everyday Buy. Under the new foreign exchange regulation, foreign currency can not be remitted for domestic re-investment purposes. In other words, Hong Kong dollar being remitted into NJ Everyday Buy could not be reinvested in the joint venture as an investment. In addition, a new broadcasting regulation has announced that TV sales program is considered as advertisement and is prohibited to be broadcasted on pay TV channels. NJ Everyday Buy owns a pay TV channel with program that is used for promoting consuming products. Given the new regulations, NJ Everyday Buy is conducting under an impairment investment. Due to these force majeure reasons, the Group will slow down the activities in TV sale business and intend to scale down the overall direct TV business of NJ Everyday Buy this year.

As to diversify its existing business portfolio and to broaden its source of income, the Group completed the acquisition of 100% equity interest in Hong Kong New Success International Group Investment Company Limited ("New Success") and its subsidiaries ("New Success Group") in November 2008. The management believes that the acquired cordycepts-related business can provide a new source of income to the Group. The cordycepts-related products have exceptional advantages in the prevention of cancer, anti-cancer, enhance immunity, and other aspects. Currently, New Success Group is in the process of improving the production line, in order to uplift the production capacity, New Success Group has built a new production line at Yongchun County in the PRC. The Group is in the process of commencing to distribute those products including considering opening retail stores in various main cities in the PRC.

The Group will continue to endeavour its best effort in keeping its established brand name and have umpteen confident in the enormous potential market in the PRC an positive approach towards the bright market in the PRC.

Liquidity and financial resources

As at 30 September 2009, the gearing ratio of the Group, based on the total bank and other loans of approximately HK$15,110,000 and the net assets of HK$283,962,000, was 5.3%.

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

Capital commitment

The capital commitment of the Group amounted to approximately HK$13.75 million as at 30 September 2009.

Treasury policies

The Group had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the six months ended 30 September 2009.

Exchange rate exposure

The Group had no significant exchange rate exposure as at 30 September 2009.

Charge of assets

The Group had not pledged any asset for the six months ended 30 September 2009.

Contingent liabilities

The Group had no material contingent liabilities as at 30 September 2009.

Employee information

As at 30 September 2009, the Group had 248 full-time employees. Employee costs, including directors' emoluments for the period amounted to approximately HK$25,359,000. Remuneration is reviewed annually and employees are rewarded on a performance related basis. In addition to the basic salaries, a wide range of benefits, including medical coverage, provident funds, training and development programmes and long service awards are also provided on an ongoing basis to employees of the Group. The Group has a share option scheme whereby qualified employees may be granted options to acquire shares of the Company.

For the year ended 31 March 2009

Business review and financial review

Financial review

For the year ended 31 March 2009, the Group recorded a turnover of approximately HK$28,741,000 (2008: approximately HK$12,954,000). The increase was mainly due to the turnover contributed by newly acquired businesses.

Income from pre-mastering and other media services ("Media Services") accounted for approximately 57% (2008: approximately 73%) of the Group's turnover.

Income from the provision of audiovisual playout services ("Playout Services") amounted to approximately HK$4,070,000 (2008: HK$3,170,000) of the Group's turnover. One channel was launched in last year which lead to an increase in the Playout Service income.

Income from provision of TV digitalisation related services amounted to approximately HK$593,000 (2008: HK$274,000). The business of Sky Dragon Group will be further improved as a result of the process of launching digital television network across the PRC by the PRC government.

Income from direct TV sales amounted to approximately HK$1,513,000 (2008: Nil). The business is newly acquired in April 2008.

Income from sale of cordyceps related product amounted to approximately HK$6,231,000 (2008: Nil). The business is newly acquired in November 2008.

The Group generated a gross loss of approximately HK$1,724,000 (2008: HK$1,473,000) out of a total turnover of approximately HK$28,741,000 (2008: approximately HK$12,954,000). The gross loss margin has been improved from 11% in 2008 to 6% in the current year, mainly due to the incorporation of result of cordyceps related business which has a high profit margin and level off the gross loss generated from Media Services.

The Group posted a loss attributable to equity holders of the Company of approximately HK$283,421,000 (2008: HK$25,687,000) for the current year. The significant increase of net loss was mainly attributable to the impairment loss on goodwill arising from acquisitions.

Business pursuits and prospects

The Group acquired a new business for the provision of TV digitalisation related services in August 2004 in order to expand its business scope in the PRC and grabbed the opportunities of network digitalisation in the PRC. At present, the business continues to deliver a stable growth for the year. Its fiber-optic trunk network has expanded to all major districts in Hunan Province and has a satisfactory increasing number of audience bases. The TV digitalisation related services are expected to sustain a healthy growth rate and generate steady cash inflow in the coming years after the process of the network restructuring, equipment upgrade and marketing strategy.

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. Management believed that it is a good opportunity to capitalise on its expertise and experience in audiovisual technology, and to pursue the concept of providing media service as a whole. In April 2008, the Group completed the acquisition of 80% equity interest in Nanjing Everyday Buy Trading Co. Ltd. In view of the market potentials in direct TV sales, television advertising and programme production in the increasingly affluent PRC market, the Group has an opportunity to leverage on its expertise and network in the PRC television market and to form a strategic alliance with its joint venture partner to tap into the growth potential of the television advertising and direct TV sales market in the PRC. However, the PRC was hit by several natural disasters and the outbreak of the financial turmoil in the second half of the year, which adversely impacted the general consumer spending sentiments. As a result, overall direct TV sales of NJ Everyday Buy slowed down. The managements hope this would be short-lifted.

In view of the rapid economic growth in the PRC economy in the recent decade, the PRC consumption market exhibited a solid growth potential. As to diversify its existing business portfolio and to broaden its source of income, the Group completed the acquisition of 100% equity interest in Hong Kong New Success International Group Investment Company Limited ("New Success") and its subsidiaries ("New Success Group") in November 2008. The Directors believe that the acquired cordyceps-related business can provide a new source of income to the Group. In the PRC marketplace, nutraceuticals and functional foods have become a multi-billion dollar industry. Our managements believe rare nutraceuticals such as cordyceps and other related health products will represent the most attractive markets for nutraceutical industry in the PRC. In particular, in view of the escalating demand, and hence prices, for high-end consumer products, the Directors are optimistic about the future prospect of the demand for cordyceps-related businesses in the PRC.

New Success is one of the Group's subsidiaries owns the patent of foliage clone. We are honored to have Yangtze Delta Region Institute of Tsinghua University to become our strategic partner to develop the cultivated cordyceps-related products. The cordyceps-related products have exceptional advantages in the prevention of cancer, anti-cancer, enhance immunity, and other aspects. The Group believes that New Success has ample potential to generate attractive returns to the Group in the future.

The Group will continue to endeavour its best effort in keeping its established brand in Hong Kong and will also adopt an positive approach towards the bright market in the PRC.

Liquidity and financial resources

The Group used to finance its operation using internally generated cashflows. However, the acquisition of its subsidiaries and related capital investments in certain digital television equipments and machineries induce the need for certain debt financing and fund raising. At the balance sheet date, the Group's other borrowings amounted to HK$15,125,000 (2008: HK$11,664,000). Cash and deposit at bank amounted to HK$6,976,000 (2008: HK$72,316,000) and net debt HK$8,149,000 (2008: net cash HK$60,652,000). The significant decrease of cash and deposit at bank was mainly attributable to cash outflow for additional capital injection to NJ Everyday Buy in October 2008, acquisition of New Success Group in November 2008 and general working capital of the Group. The gearing ratio became 5% (2008: 10%) based on the other loans of approximately HK$15,125,000 (2008: HK$11,664,000) and the total net assets of HK$295,535,000 (2008: HK$112,020,000).

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

Treasury policies

The Group had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the year ended 31 March 2009.

Exchange rate exposure

The Group had no significant exchange rate exposure as at 31 March 2009.

Charge of assets

The Group had not pledged any asset for the year ended 31 March 2009.

Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2009.

Capital commitment

Details of the capital commitment are set out in note 33 to the financial statements.

Employee information

As at 31 March 2009, the Group had 260 full-time employees. Employees costs, including directors' emoluments and share-based payment for the year amounted to approximately HK$15,931,000. Remuneration is reviewed annually and employees are rewarded on a performance related basis. In addition to the basic salaries, a wide range of benefits, including medical coverage, provident funds, training and development programmes and long service awards are also provided on an ongoing basis to employees of the group. The Group has a share option scheme whereby qualified employees may be granted options to acquire shares of the Company.

For the year ended 31 March 2008

Business review and financial review

Financial review

For the year ended 31 March 2008, the Group recorded a turnover of approximately HK$12,954,000 (2007: approximately HK$13,303,000). The decrease was mainly due to the decreased demand of playout, pre-mastering and post-production services generated from Pay TV channels launched.

Income from pre-mastering and other media services ("Media Services") accounted for approximately 73% (2007: approximately 69%) of the Group's turnover.

Income from the provision of audiovisual playout services ("Playout Services") accounted for approximately 25% (2007: approximately 30%) of the Group's turnover. Three channels were terminated in last year which resulted in no related income during the current year and lead to the drop in the Playout Service income.

Income from provision of TV digitalisation related services amounted to approximately HK$274,000 (2007: HK$175,000). The business of Sky Dragon Group has been launched since the fourth quarter of 2004 and the income will be further improved as a result of the process of launching digital television network across the PRC by the PRC government.

The Group generated a gross loss of approximately HK$1,473,000 (2007: gross profit of approximately HK$925,000) out of a total turnover of approximately HK$12,954,000 (2007: approximately HK$13,303,000). The gross profit margin has been decreased from 7% in 2007 to gross loss of 11% in the current year, mainly due to the decrease in playout income and equipment rental expenses incurred to lease high definition equipments to maintain its competitiveness in the market during the year. Besides, not much income has been generated from the provision of TV digitalisation related services, which has been acquired by the Group since August 2004, yet while certain direct costs such as depreciation and salary expenses has to be incurred contributed to the decrease in gross profit margin.

Business pursuits and prospects

The Group acquired a new business for the provision of TV digitalisation related services in August 2004 in order to expand its business scope in the PRC and grabbed the opportunities of network digitalisation in the PRC. 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, the cable television networks in the direct-controlled cities and provinces in the eastern, middle and western parts of the PRC (including Hunan Province) will be digitalised in the near future. With such large hinterland, immense population, encouraging government policy, the management is optimistic and confident about the future of the digital television market in PRC and will continue to explore new business opportunities for this segment.

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 province-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. The number of Second Tier Network Operators who has not yet reached agreement with Hunan TV is 53 as at the date of this announcement.

In order to enlarge the audience base and increase popularity, we are exploring opportunities to enrich the content of programs for the channel. On the other hand, we are waiting for the process of the network restructure throughout the province by the relevant authority. Management expects that after the process of the network restructuring, the number of the subscribers will then increase progressively.

Due to the success in the Hong Kong market, the Group has considered the feasibility of managing playout channels in the South East Asia countries especially those with large Chinese-related population. The Group is now managing a playout channel in Singapore. The channel was running smoothly since then. This encouraging start has further strengthen the confidence of the Group on targeting the South East Asia 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 management believed that it is a good opportunity to capitalise on its expertise and experience in audiovisual technology, and to pursue the concept of providing media service as a whole. In September 2007, the Group entered into an agreement to acquire 80% interest in Nanjing Everyday Buy Trading Co. Ltd. which has obtained shareholders approval in a special general meeting held in November 2007. Following the completion of acquisition on 28 April 2008, the Group has an opportunity to leverage on its expertise and network in the PRC television market and to tap into the growth potential of the television advertising and direct TV sales market in the PRC.

Following the fund raising exercise in July and October 2007, the Group raised funds of approximately HK$159 million to enhance the working capital of the Group.

The Group will continue to endeavour its best effort in keeping its established brand in Hong Kong and will also adopt a positive approach towards the bright digital television market in the PRC.

Liquidity and financial resources

The Group used to finance its operation using internally generated cashflows. However, the acquisition of its subsidiaries and related capital investments in certain digital television equipments and machineries induce the need for certain debt financing and fund raising. At the balance sheet date, the Group's bank and other borrowings amounted to HK$11,664,000 (2007: HK$58,637,000) including nil secured borrowing (2007: borrowing of HK$500,000 which was secured by the Group's certain property, plant and equipment with net book value HK$2,601,000). Cash and deposit at bank amounted to HK$72,316,000 (2007: HK$296,000) and net cash HK$60,652,000 (2007: net borrowings HK$58,341,000). The significant increase of cash and deposit at bank was mainly attributable to the net proceeds of HK$159 million from the two shares subscriptions in July and October 2007. The total proceeds from the two subscriptions are aggregated for the expansion of Pay TV market and general working capital of the Group. In turn, the gearing ratio became 10% (2007: 100%) based on the total bank and other loans of approximately HK$11,664,000 (2007: HK$58,637,000) and the total net assets of HK$112,020,000 (2007: total assets of HK$58,217,000).

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

Treasury policies

The Group had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the year ended 31 March 2008.

Exchange rate exposure

The Group had no significant exchange rate exposure as at 31 March 2008.

Charge of assets

The Group had not pledged any asset for the year ended 31 March 2008.

Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2008.

Capital commitment

Details of the capital commitment are set out in note 28 to the financial statements.

Employee information

As at 31 March 2008, the Group had 74 full-time employees. Employees costs, including directors' emoluments for the year amounted to approximately HK$10,204,000. Remuneration is reviewed annually and employees are rewarded on a performance related basis. In addition to the basic salaries, a wide range of benefits, including medical coverage, provident funds, training and development programmes and long service awards are also provided on an ongoing basis to employees of the group. The Group has a share option scheme whereby qualified employees may be granted options to acquire shares of the Company.

For the year ended 31 March 2007

Business review and financial review

Financial review

For the year ended 31 March 2007, the Group recorded a turnover of approximately HK$13,303,000 (2006: approximately HK$17,799,000). The decrease was mainly due to the decreased demand of playout, pre-mastering and post-production services from Pay TV channels.

Income from pre-mastering and other media services ("Media Services") accounted for approximately 69% (2006: approximately 70%) of the Group's turnover. There was no new Pay TV channel launched during this year. Thus, the demand for Media Services decreased.

Income from the provision of audiovisual playout services ("Playout Services") accounted for approximately 30% (2006: approximately 27%) of the Group's turnover. During the year, three channels were terminated which leads to the drop in the Playout Service income.

Income from provision of TV digitalisation related services amounted to approximately HK$175,000 (2006: HK$420,000). The business of Sky Dragon Group has been launched since the fourth quarter of 2004 and the income will be further improved as a result of the process of launching digital television network across the PRC by the PRC government.

Hunan Digital Television Technology Company Limited ("Hunan Digital"), a subsidiary of Sky Dragon, has entered into a Technical Support Agreement and a Supplemental Agreement (the "Agreements") on 2 August 2004 and 26 August 2004 respectively with Hunan Provincial Television Network Company Limited ("Hunan TV") pursuant to the Agreements Hunan Digital will provide digitalisation-related technical support services and packed TV programs to Hunan TV. As Hunan TV owns 30% interest of Hunan Digital, the transactions under the Agreements constitutes Continuing Connected Transactions (the "Transactions") under the GEM Listing Rules. Independent shareholders' approval has been obtained in a special general meeting held on 20 November 2004. Details of the Transactions have been set out in the circular dated 4 November 2004. Income contributed by the above Transactions amounted to approximately HK$164,000 for the year ended 31 March 2007 (2006: HK$46,000).

The Group generated a gross profit of approximately HK$925,000 (2006: approximately HK$4,701,000) out of a total turnover of approximately HK$13,303,000 (2006: approximately HK$17,799,000). The gross profit margin has been decreased from 26% in 2006 to 7% in the current year, mainly due to the fact that not much income has been generated from the provision of TV digitalisation related services, which has been acquired by the Group since August 2004, yet while certain direct costs such as depreciation and salary expenses has to be incurred. This, together with the decreased demand of Media Services as mentioned, contributed to the decrease in gross profit margin.

Business pursuits and prospects

The Group acquired a new business for the provision of TV digitalisation related services in August 2004 in order to expand its business scope in the PRC and grabbed the opportunities of network digitalisation in the PRC. 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 (including Hunan Province) will be digitalised. With such large hinterland, immense population, encouraging government policy, the management are optimistic and confident about the future of the digital television market in PRC and will continue to explore new business opportunities for this segment.

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 province-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 4 November 2004, the number of Second Tier Network Operators who has not yet reached agreement with Hunan TV is 50 as at the date of this report.

In order to enlarge the audience base and increase popularity, we are exploring opportunities to enrich the content of programs for the channels. On the other hand, we are waiting for the process of launching digital television network throughout the province by the relevant authority. Management expects that after the launching of digital television network, the number of the subscribers will then increase progressively.

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. Management believed that it is a good opportunity to capitalise on its expertise and experience in audiovisual technology, and to pursue the concept of providing media service as a whole. In fact, the Group's capacity of media service and digitised platform is near saturation. Therefore, the Group is considering to further invest in related servers and equipment to satisfy such growing demand.

The Group will continue to endeavour its best effort in keeping its established brand in Hong Kong and will also adopt a positive approach towards the bright digital television market in the PRC.

Liquidity and financial resources

The group used to finance its operation using internally generated cashflows. However, the acquisition of Sky Dragon and the related capital investments in certain digital television equipments and machineries, together with the increased number of playout channels induce the need for certain debt financing. Therefore, as at 31 March 2007, the Group has unsecured external borrowing of approximately HK$58,137,000 and secured borrowing of HK$500,000 which is secured by the Group's certain fixed assets with net book value of approximately HK$2.6 million. In turn, the gearing ratio is 100% (2006: 83%) based on the total bank and other loans of approximately HK$58,637,000 million and the total assets of HK$58,217,000.

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

Capital commitment

Details of the capital commitment are set out in note 29 to the financial statements.

Treasury policies

The Group had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the year ended 31 March 2007.

Exchange rate exposure

The Group had no significant exchange rate exposure as at 31 March 2007.

Charge of assets

The Group had not pledged any asset for the year ended 31 March 2007.

Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2007.

Employee information

As at 31 March 2007, the Group had 93 full-time employees. Employees costs, including director's emoluments for the year amounted to approximately HK$10,251,000. Remuneration is reviewed annually and employees are rewarded on a performance related basis. In addition to the basic salaries, a wide range of benefits, including medical coverage, provident funds, training and development programmes and long service awards are also provided on an ongoing basis to employees of the group. The Group has a share option scheme whereby qualified employees may be granted options to acquire shares of the Company.

B. MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

For the six months ended 30 June 2009 and the three years ended 31 December 2008, 2007 and 2006

Business review

The Target Company is an investment holding company incorporated in Hong Kong with limited liability on 2 April 2002 and is beneficially and wholly-owned by the Vendor. The principal asset of the Target Company up to the Latest Practicable Date was its 100% equity interest in the PRC Company.

The PRC Company is incorporated in the PRC on 20 June 2006 with limited liability and is wholly-owned by the Target Company. The PRC Company is principally engaged in the production of drying machines, mainly the tobacco drying machines.

After 30 June 2009, in August 2009, the Target Company acquired the entire interest in Zhengzhou Ruihao with an aggregate consideration of RMB1,650,000. Zhengzhou Ruihao is incorporated in the PRC on 16 August 2008 with limited liability and is principally engaged in the development of the tobacco technology products. The considerations of acquiring Zhengzhou Ruihao were determined after arm's length negotiations between the Target Company and the respective owners of Zhengzhou Ruihao. The Vendor confirmed that the said acquisitions had not yet been completed as at the Latest Practicable Date. According to the unaudited financial information of Zhengzhou Ruihao as provided by the management of Zhengzhou Ruihao, Zhengzhou Ruihao had recorded turnover of approximately RMB705,981, net loss of approximately RMB90,866 and net asset value of approximately RMB478,784 for the ten months ended 31 October 2009.

Financial review

The PRC Company has commenced the formal sale and production since the 2008 financial year.

According to the audited financial accounts of the Target Group prepared under the Hong Kong Financial Reporting Standards, the turnover, cost of sales, gross profit, selling and marketing expenses, and expenses on research and development were approximately RMB324,835,000, RMB184,987,000, RMB139,848,000, RMB24,565,000 and RMB3,951,000 respectively for the six months ended 30 June 2009 and the turnover, cost of sales, gross profit, selling and marketing expenses and expenses on research and development were approximately RMB234,802,000, RMB133,284,000, RMB101,518,000, RMB8,190,000 and RMB963,000 respectively for the year ended 31 December 2008. As such, the gross profit margin was approximately 43.05% and 43.24% for the six months ended 30 June 2009 and the year ended 31 December 2008 respectively. Besides that, the Target Group's selling and marketing expenses represented approximately 7.56% and 3.49% of the Target Group's turnover for the six months ended 30 June 2009 and the year ended 31 December 2008 respectively, while the Target Group's expenses on research and development represented approximately 1.22% and 0.41% of the Target Group's turnover for the six months ended 30 June 2009 and the year ended 31 December 2008 respectively. The inventory turnover and payable turnover of the Target Group was approximately 10.70 times and 1.35 times respectively for the six months ended 30 June 2009 and approximately 43.14 times and 7.99 times respectively for the year ended 31 December 2008.

In 2009, the PRC Company has obtained several contracts from bidding for production of the tobacco drying machines in Sichuan Province, Henan Province, Guizhou Province, Heilongjiang Province, Shanxi Province and Yunnan Province.

In addition, the net profit before and after taxation of the Target Group were approximately RMB93,585,000 and RMB93,585,000 respectively for the six months ended 30 June 2009, the net profit before and after taxation of the Target Group were approximately RMB88,760,000 and RMB88,760,000 respectively for the year ended 31 December 2008, the net loss before and after taxation of the Target Group were approximately RMB955,000 and RMB955,000 respectively for the year ended 31 December 2007, while the turnover, net loss before and after taxation of the Target Group were approximately nil, RMB189,000 and RMB189,000 respectively for the year ended 31 December 2006. As such, the net profit margin was approximately 28.81 % and 37.80% for the six months ended 30 June 2009 and the year ended 31 December 2008 respectively.

The net assets of the Target Group were approximately RMB188,490,000, RMB94,990,000, RMB2,516,000 and RMB10,984,000 as at 30 June 2009, 31 December 2008, 2007 and 2006 respectively.

Liquidity and financial resources

Set out below is a summary of the financial information relating to the assets and liabilities of the Target Group as extracted from Appendix III to this circular:

As at the 30 June 2009, 31 December of 2008, 2007 and 2006, the Target Group had interest-bearing bank loans of RMB238,500,000, nil, nil and nil with other payables and accruals of RMB123,108,000, RMB104,002,000, RMB71,909,000 and RMB32,183,000 respectively. The gearing ratio of the Target Group, expressed as a percentage of interest-bearing bank loans over net assets, as at 30 June 2009, 31 December 2008, 2007 and 2006 was approximately 127%, 0%, 0%, 0% respectively. As at 30 June 2009, 31 December 2008, 2007 and 2006, the total cash and bank balance of the Target Group amounted to approximately RMB18,246,000, RMB3,460,000, RMB66,000 and RMB91,000 respectively.

The aging analysis of the accounts receivable of the Target Group with its outstanding balance were scheduled to be approximately RMB172,153,000 within 30 days, RMB132,822,000 from 31 to 90 days, RMB51,847,000 from 91 to 180 days and RMB27,972,000 from 181 to 360 days for the six months ended 30 June 2009, while such outstanding balance were scheduled to be approximately RMB53,565,000 within 30 days, RMB20,674,00 from 31 to 90 days, nil from 91 to 180 days and nil from 181 to 360 days for the year ended 31 December 2008.

The aging analysis of accounts payable of the Target Group with its outstanding balance were scheduled to be approximately RMB46,080,000 within 30 days, RMB46,842,000 from 31 to 90 days, RMB2,407,000 from 91 to 180 days and RMB6,239,000 from 181 to 360 days for the six months ended 30 June 2009, while such outstanding balance were scheduled to be approximately RMB32,310,000 within 30 days, RMB2,517,000 from 31 to 90 days, RMB34,000 from 91 to 180 days and nil from 181 to 360 days for the year ended 31 December 2008.

As at 30 June 2009 and 31 December 2008, the Target Group's net current asset were approximately RMB16,247,000 and RMB7,291,000 respectively, and as at 31 December 2007 and 2006, the Target Group's net current liabilities were approximately RMB71,874,000 and RMB31,215,000 respectively. As at 30 June 2009, 31 December 2008, 2007 and 2006, the current ratio of the Target Group was approximately 103%, 105%, 0.09%, 3% respectively.

Capital commitment

The capital commitment of the Target Group amounted to approximately RMB552,000, nil, RMB11,882,000 and RMB33,847,000 as at 30 June 2009, 31 December 2008, 2007 and 2006 respectively.

Treasury policies

The Target Group had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the six months ended 30 June 2009 and the three years ended 31 December 2008, 2007 and 2006.

Exchange rate exposure

The Target Group had no exchange rate exposure.

Charge of assets

The Target Group has pledged certain leasehold land to a bank for securing the loans granted to Jiangsu Xintiandi Aminophenol Fertilizer Limited, which amounted to approximately RMB9,559,000, RMB9,664,000, nil and nil for the six months ended 30 June 2009 and the three years ended 31 December 2008, 2007 and 2006; while the Target Group has pledged certain properties and leasehold land to certain banks for securing the loans granted to the Target Group, which amounted to approximately RMB37,545,000, nil, nil and nil for the six months ended 30 June 2009 and the three years ended 31 December 2008, 2007 and 2006 respectively.

Contingent liabilities

The Target Group did not have any contingent liabilities as at 30 June 2009, 31 December 2008, 2007 and 2006.

Significant investments, material acquisition and disposal

In August 2009, the Target Group acquired the entire equity interest in a company from a third party which was located in Henan Province, the PRC, with a consideration of RMB1,650,000. Save and except for the said acquisition, the Target Group did not have any significant investments, material acquisition or disposal for the six months ended 30 June 2009 and the three years ended 31 December 2008, 2007 and 2006.

Employees

The employee costs of the Target Group, including directors' emoluments, amounted to approximately RMB5,485,000, RMB1,277,000, RMB60,000 and RMB60,000 as at 30 June 2009, 31 December 2008, 2007 and 2006 respectively. Remuneration is reviewed annually and employees are rewarded on a performance related basis.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 31 October 2009 of the properties leased by the Group in Hong Kong and the PRC and the properties held or leased by the Target Group in the PRC.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

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The Directors
China Chief Cable TV Group Limited
19th Floor, CMA Building
64-66 Connaught Road Central
Hong Kong

28 December 2009

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from China Chief Cable TV Group Limited (the "Company") for us to value the properties leased by the Company and/or its subsidiaries (together referred to as the "Group") located in Hong Kong and the People's Republic of China (the "PRC") and the properties held or leased by Kang Yuan Universal Investment Limited (the "Target Company") and its wholly-owned subsidiary, Jiangsu Kedi Modern Agriculture Company Limited (the "PRC Company") (together referred to as the "Target Group") in the PRC. We confirm that we have conducted inspections, made relevant enquiries and obtained such further information, as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 October 2009 (the "date of valuation").

BASIS OF VALUATION

Our valuations of the concerned properties have been based on the Market Value, which is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

PROPERTY CATEGORIZATION

In the course of our valuations, the portfolio of properties of the Group or the Target Group is categorized into the following groups:

Group I — Property leased by the Group in Hong Kong

Group II — Properties leased by the Group in the PRC

Group III — Property held by the Target Group for owner-occupation in the PRC

Group IV — Property held by the Target Group under development in the PRC

Group V — Properties leased by the Target Group in the PRC

VALUATION METHODOLOGY

For the properties held by the Target Group in the PRC, we have valued them by Depreciated Replacement Cost Approach due to the inherent nature of usage and lack of market sales comparables. Depreciated Replacement Cost is defined as "the aggregate amount of the value of the land for the existing use or a notional replacement site in the same locality and the new replacement cost of the buildings and other site works, from which appropriate deductions may then be made to allow for age, condition, economic or functional obsolescence and environmental factors, etc; all of these might result in the existing property being worth less to the undertaking in occupation than would a new replacement." This basis has been used due to the lack of an established market upon which to base comparable transactions. However, this approach generally furnishes the most reliable indication of value for assets without a known used market. This opinion of values does not necessarily represent the amount that might be realized from the dispositions of the subject assets in the open market and is subject to adequate potential profitability of the business.

In valuing the properties leased by the Group or the Target Group in Hong Kong and the PRC, we are of the opinion that they have no commercial value either because of the prohibitions against assignment and/or subletting contained in the respective tenancy agreements or the lack of marketable and/or substantial profit rents.

TITLE INVESTIGATION

For the properties held by the Target Group in the PRC, we have been provided with copies of title/legal documents and have been advised by the Target Group that no further relevant documents have been produced. Moreover, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. Therefore, in the course of our valuations, we have relied on the advice and information given by the Group's PRC legal advisor — Jun He Law Offices (君合律師事務所) and the Target Group, regarding the title of the properties in the PRC. All documents have been used for reference only.

In valuing the interests in the properties leased by the Group or the Target Group, we have been provided with copies of the tenancy agreements relating to the properties located in Hong Kong and the PRC. However, we have not searched the titles of the properties and have not scrutinized the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumptions that the properties are sold in the open market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the values of the properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no forced sale situation in any manner is assumed in our valuations.

In valuing the properties held by the Target Group, we have relied on the advice given by the Target Group that they have valid and enforceable titles to the properties which are freely transferable, and have free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

VALUATION CONSIDERATIONS

We have inspected the exterior and wherever possible, the interior of the properties. During the course of our inspections, we did not note any serious defects. However, no structural surveys have been made. We are, therefore, unable to report whether the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group or the Target Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, completion dates of buildings, particulars of occupancy, site/floor areas, identification of the properties and other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the properties but have assumed that the site/floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group or the Target Group and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group or the Target Group and we have relied on your confirmation that no material facts have been omitted from the information so supplied.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK$) for Hong Kong property and Renminbi (RMB) for the PRC properties and no allowances have been made for any exchange transfer.

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C.H. Cheng
BSc., MUD, MBA(Finance), MSc.(Eng), PhD(Econ), MHKIS, MCIArb, AFA, SIFM, FCIM, MASCE, MIET, MIEEE, MASME, MIIE
Managing Director

Joannau W.F. Chan
BSc., MSc., MRICS, MHKIS, RPS(GP)
Senior Director

Jeff P.H. Leung
BSc., MRICS, MHKIS, RPS(GP)
Valuation Manager

Notes:

Dr. Tony C.H. Cheng is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 16 years' experience in valuations of properties in Hong Kong and the People's Republic of China.

Ms. Joannau W.F. Chan is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 16 years' experience in valuations of properties in Hong Kong and over 10 years' experience in valuations of properties in the People's Republic of China.

Mr. Jeff P.H. Leung is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 6 years' experience in valuations of properties in Hong Kong and over 2 years' experience in valuations of properties in the People's Republic of China.

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at 31 October 2009	Interest attributable to the Group	Value attributable to the Group as at 31 October 2009
		HK$		*HK$*
Group I — Property leased by the Group in Hong Kong				
1.	19th Floor of CMA Building, No. 64 Connaught Road Central & No. 133 Des Voeux Road Central, Hong Kong	No Commercial Value	N/A	Nil
	Sub-total:	**Nil**		**Nil**

No.	Property	Market Value in existing state as at 31 October 2009 *RMB*	Interest attributable to the Group	Value attributable to the Group as at 31 October 2009 *RMB*
Group II — Properties leased by the Group in the PRC				
2.	Portion of 1st Floor of Factory No. 2 located at Liuan Industrial District, Yongchun County, Quanzhou City, Fujian Province, the PRC 中國福建省泉州市永春縣留安工業區2號廠房第一層之部份	No Commercial Value	N/A	Nil
3.	An unit on 1st Floor of Hongmian Court, Wenlingxincheng, Fengze District, Quanzhou City, Fujian Province, the PRC 中國福建省泉州市豐澤區溫陵新城紅棉閣一層之單位	No Commercial Value	N/A	Nil
4.	Portions of an industrial building located at Nos. 17-27 Beiqing West Road, Fengze District, Quanzhou City, Fujian Province, the PRC 中國福建省泉州市豐澤區北清西路17-27號工業用建築物之若干部份	No Commercial Value	N/A	Nil

No.	Property	Market Value in existing state as at 31 October 2009 *RMB*	Interest attributable to the Group	Value attributable to the Group as at 31 October 2009 *RMB*
5.	3rd Floor and 4th Floor of No. 14 Yuxin Road, Taocheng Town, Yongchun County, Fujian Province, the PRC 中國福建省永春縣桃城鎮育心路14號三、四樓	No Commercial Value	N/A	Nil
6.	5th Floor of No. 14 of Block 50, Taodong New Village, Yongchun County, Fujian Province, the PRC 中國福建省永春縣桃東新村50棟14號5樓	No Commercial Value	N/A	Nil
7.	Factory located at Meizhong Village, Penghu Village, Yongchun County, Fujian Province, the PRC 中國福建省永春縣蓬壺鎮美中村之廠房	No Commercial Value	N/A	Nil

No.	Property	Market Value in existing state as at 31 October 2009 *RMB*	Interest attributable to the Group	Value attributable to the Group as at 31 October 2009 *RMB*
8.	The 2nd Floor of an office building, Hunan Broadcast and Television Bureau South Wing, Hunan Province, the PRC 中國湖南省廣電局南院辦公樓第二層	No Commercial Value	N/A	Nil
	Sub-total:	**Nil**		**Nil**
	Total:	**Nil**		**Nil**

No.	Property	Market Value in existing state as at 31 October 2009 *RMB*	Interest attributable to the Target Group	Value attributable to the Target Group as at 31 October 2009 *RMB*
Group III — Property held by the Target Group for owner occupation in the PRC				
9.	An industrial complex located at Luping Village, Xinjie Town, Yixing City, Jiangsu Province, the PRC 中國江蘇省宜興市新街鎮陸平村之工業城	31,300,000	100%	31,300,000
	Sub-total:	**31,300,000**		**31,300,000**
Group IV — Property held by the Target Group under development in the PRC				
10.	Land parcels and buildings located at Guijing Village, Xinjie Town, Yixing City, Jiangsu Province, the PRC 中國江蘇省宜興市新街鎮歸徑村之土地及建築物	26,900,000	100%	26,900,000
	Sub-total:	**26,900,000**		**26,900,000**

No.	Property	Market Value in existing state as at 31 October 2009 *RMB*	Interest attributable to the Target Group	Value attributable to the Target Group as at 31 October 2009 *RMB*
Group V — Properties leased by the Target Group in the PRC				
11.	Unit No. 712 of Hanhua International Hotel Office Tower, No. 26 Anwaixibinhe Road, Dongcheng District, Beijing, the PRC 中國北京市東城區安外西濱河路26號漢華國際飯店寫字樓712室	No Commercial Value	N/A	Nil
12.	Unit Nos. 07-18 on 10th Floor of Shunchi First International Building, No. 14 Shangwuwaihuan Road, Zhengdong New District, Zhengzhou City, Henan Province, the PRC 中國河南省鄭州市鄭東新區商務外環路14號順馳第一國際10層07-18號房	No Commercial Value	N/A	Nil

No.	Property	Market Value in existing state as at 31 October 2009	Interest attributable to the Target Group	Value attributable to the Target Group as at 31 October 2009
		RMB		*RMB*
13.	Land and buildings located at Zhongsuo Village, Gaojian Town, Xichang City, Sichuan Province, the PRC 中國四川省西昌市高梘鄉中所村之土地及建築物	No Commercial Value	N/A	Nil
14.	Unit No. 1 of Block 46, Laohaiting Community, Binhainan Road, Xichang City, Liangshan Prefecture, Sichuan Province, the PRC 中國四川省涼山州西昌市濱海南路老海亭社區46幢1號	No Commercial Value	N/A	Nil

No.	Property	Market Value in existing state as at 31 October 2009 *RMB*	Interest attributable to the Target Group	Value attributable to the Target Group as at 31 October 2009 *RMB*
15.	A building located at the south of Yiguang Highway, Luping Village, Xinjie Town, Yixing City, Jiangsu Province, the PRC 中國江蘇省宜興市新街鎮陸平村宜廣公路南側之建築物	No Commercial Value	N/A	Nil
16.	Residential units located at the south of Yiguang Highway, Luping Village, Xinjie Town, Yixing City, Jiangsu Province, the PRC 中國江蘇省宜興市新街鎮陸平村宜廣公路南側之樓房	No Commercial Value	N/A	Nil

No.	Property	Market Value in existing state as at 31 October 2009 *RMB*	Interest attributable to the Target Group	Value attributable to the Target Group as at 31 October 2009 *RMB*
17.	A factory located at Guijing Village, Xinjie Town, Yixing City, Jiangsu Province, the PRC 中國江蘇省宜興市新街鎮歸徑村之廠房	No Commercial Value	N/A	Nil
18.	Unit 1101 of Block 10, Yinhaiguomao Garden, Kunming City, Yunnan Province, the PRC 中國雲南省昆明市銀海國貿花園10幢1101號	No Commercial Value	N/A	Nil

No.	Property	Market Value in existing state as at 31 October 2009 *RMB*	Interest attributable to the Target Group	Value attributable to the Target Group as at 31 October 2009 *RMB*
19.	Units 6 and 7 on 13th Floor of Block A, Wanxiang International Building, No. 105 Zunyi Road, Guiyang City, Guizhou Province, the PRC 中國貴州省貴陽市遵義路105號萬象國際A座13層6、7號	No Commercial Value	N/A	Nil
	Sub-total:	**Nil**		**Nil**
	Total:	**58,200,000**		**58,200,000**

VALUATION CERTIFICATE

Group I — Property held by the Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2009 *HK$*
1.	19th Floor of CMA Building, No. 64 Connaught Road Central & No. 133 Des Voeux Road Central, Hong Kong	The property comprises the whole 19th Floor of a 24-storey office building which was completed in 1983. The gross floor area of the property is approximately 3,200 sq.ft. (or about 297.3 sq.m.). Pursuant to a tenancy agreement entered into between an independent third-party landlord and Goodside International Limited ("Goodside") dated 26 May 2008, the property is leased to Goodside for commercial use for a term commencing on 1 June 2008 and expiring on 31 May 2010 at a monthly rent of HK$92,800 exclusive of management fee, rates, government rent, air-conditioning charges and other outgoings.	The property is occupied by the Group for office purpose.	No Commercial Value

Note:

Pursuant to the aforesaid tenancy agreement, the tenant of the property is Goodside, which is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group II — Properties leased by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2009 *RMB*
2.	Portion of 1st Floor of Factory No. 2 located at Liuan Industrial District, Yongchun County, Quanzhou City, Fujian Province, the PRC 中國福建省泉州市永春縣留安工業區2號廠房第一層之部份	The property comprises a portion of the 1st Floor of a 6-storey industrial building which was completed in about 1996. The gross floor area of the property is approximately 1,154 sq.m. (or about 12,422 sq.ft.). Pursuant to a tenancy agreement entered into between an independent third-party landlord and Fujian Tianxin Biological Technology Co., Ltd ("Fujian Tianxin") dated 12 December 2007, the property is leased to Fujian Tianxin for a term commencing on 1 January 2008 and expiring on 31 December 2015. The annual rent currently paid by Fujian Tianxin is RMB45,000 exclusive of water, electricity and sanitary charges.	The property is occupied by the Group for office purpose.	No Commercial Value

Notes:

1. Pursuant to the aforesaid tenancy agreement, the tenant of the property is Fujian Tianxin, which is a 72% owned subsidiary of the Company.

2. The opinion given by the PRC legal advisor — Jun He Law Offices (君合律師事務所) dated 28 December 2009 to the Group is as follows:

   a. It is unable to determine whether the landlord has obtained the relevant title certificates of the property. Fujian Tianxin may be requested to terminate the tenancy if the landlord does not possess such certificates;

   b. It is unable to determine whether the existing use of the property is in compliance with its registered use. Fujian Tianxin may be requested to terminate the tenancy in case of non-compliance;

   c. The tenancy agreement is legally valid, enforceable and binding on the contracting parties; and

   d. The non-registration of the tenancy agreement will not affect its legality, validity and enforceability.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2009 *RMB*
3.	An unit on 1st Floor of Hongmian Court, Wenlingxincheng, Fengze District, Quanzhou City, Fujian Province, the PRC 中國福建省泉州市豐澤區溫陵新城紅棉閣一層之單位	The property comprises a residential unit on the 1st Floor of an 12-storey residential building which was completed in about 1995. The gross floor area of the property is approximately 50 sq.m. (or about 538 sq.ft.). Pursuant to a tenancy agreement entered into between an independent third-party landlord and Fujian Tianxin Biological Technology Co., Ltd ("Fujian Tianxin") dated 30 January 2009, the property is leased to Fujian Tianxin for a term commencing on 1 February 2009 and expiring on 1 February 2012 at a monthly rent of RMB800 exclusive of water, electricity, cable TV and management fees and tax.	The property is occupied by the Group for office purpose.	No Commercial Value

Notes:

1. Pursuant to the aforesaid tenancy agreement, the tenant of the property is Fujian Tianxin, which is a 72% owned subsidiary of the Company.

2. The opinion given by the PRC legal advisor — Jun He Law Offices (君合律師事務所) dated 28 December 2009 to the Group is as follows:

   a. It is unable to determine whether the landlord has obtained the relevant title certificates of the property. Fujian Tianxin may be requested to terminate the tenancy if the landlord does not possess such certificates;

   b. It is unable to determine whether the existing use of the property is in compliance with its registered use. Fujian Tianxin may be requested to terminate the tenancy in case of non-compliance;

   c. The tenancy agreement is legally valid, enforceable and binding on the contracting parties; and

   d. The non-registration of the tenancy agreement will not affect its legality, validity and enforceability.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2009 *RMB*
4.	Portions of an industrial building located at Nos. 17-27 Beiqing West Road, Fengze District, Quanzhou City, Fujian Province, the PRC 中國福建省泉州市豐澤區北清西路17-27號工業用建築物之若干部份	The property comprises a portion of the 1st Floor, 2nd Floor and 5th Floor of a 5-storey industrial building which was completed in about 2007. The total gross floor area of the property is approximately 1,459.4 sq.m. (or about 15,709 sq.ft.). Pursuant to a tenancy agreement entered into between an independent third-party landlord and Fujian Tianxin Biological Technology Co., Ltd ("Fujian Tianxin") in October 2008, the property is leased to Fujian Tianxin for office use for a term commencing on 30 December 2008 and expiring on 30 December 2028. The monthly rent currently paid by Fujian Tianxin is RMB40,000 exclusive of water, electricity, cable TV, telephone and management fees.	The property is occupied by the Group for office purpose.	No Commercial Value

Notes:

1. Pursuant to the aforesaid tenancy agreement, the tenant of the property is Fujian Tianxin, which is a 72% owned subsidiary of the Company.

2. The opinion given by the PRC legal advisor — Jun He Law Offices (君合律師事務所) dated 28 December 2009 to the Group is as follows:

   a. It is unable to determine whether the landlord has obtained the relevant title certificates of the property. Fujian Tianxin may be requested to terminate the tenancy if the landlord does not possess such certificates;

   b. It is unable to determine whether the existing use of the property is in compliance with its registered use. Fujian Tianxin may be requested to terminate the tenancy in case of non-compliance;

   c. The tenancy agreement is legally valid, enforceable and binding on the contracting parties; and

   d. The non-registration of the tenancy agreement will not affect its legality, validity and enforceability.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2009 *RMB*
5.	3rd Floor and 4th Floor of No. 14 Yuxin Road, Taocheng Town, Yongchun County, Fujian Province, the PRC 中國福建省永春縣桃城鎮育心路14號三、四樓	The property comprises the 3rd Floor and 4th Floor of a 6-storey residential building completed in about 1995. The gross floor area of the property is approximately 115 sq.m. (or about 1,238 sq.ft.). Pursuant to a tenancy entered into between an independent third-party landlord and Fujian Tianxin Biological Technology Co., Ltd. ("Fujian Tianxin"), the property is leased to Fujian Tianxin for residential use for a term of 1 year commencing on 5 May 2009 and expiring on 5 May 2010 at an annual rent of RMB8,740 exclusive of water and electricity fees.	The property is occupied by the Group for dormitory purpose.	No Commercial Value

Notes:

1. Pursuant to the aforesaid tenancy agreement, the tenant of the property is Fujian Tianxin, which is a 72% owned subsidiary of the Company.

2. The opinion given by the PRC legal advisor – Jun He Law Offices (君合律師事務所) dated 28 December 2009 to the Group is as follows:

   a. It is unable to determine whether the landlord has obtained the relevant title certificates of the property. Fujian Tianxin may be requested to terminate the tenancy if the landlord does not possess such certificates;

   b. It is unable to determine whether the existing use of the property is in compliance with its registered use. Fujian Tianxin may be requested to terminate the tenancy in case of non-compliance;

   c. The tenancy agreement is legally valid, enforceable and binding on the contracting parties; and

   d. The non-registration of the tenancy agreement will not affect its legality, validity and enforceability.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2009 *RMB*
6.	5th Floor of No. 14 of Block 50, Taodong New Village, Yongchun County, Fujian Province, the PRC 中國福建省永春縣桃東新村50棟14號5樓	The property comprises the 5th Floor of a 6-storey residential building completed in about 1998. The gross floor area of the property is approximately 120 sq.m. (or about 1,292 sq.ft.). Pursuant to a tenancy entered into between an independent third-party landlord and Fujian Tianxin Biological Technology Co., Ltd. ("Fujian Tianxin"), the property is leased to Fujian Tianxin for residential use for a term of half year commencing on 10 September 2009 and expiring on 9 March 2010 at an annual rent of RMB6,552 exclusive of water and electricity fees.	The property is occupied by the Group for dormitory purpose.	No Commercial Value

Notes:

1. Pursuant to the aforesaid tenancy agreement, the tenant of the property is Fujian Tianxin, which is a 72% owned subsidiary of the Company.

2. The opinion given by the PRC legal advisor – Jun He Law Offices (君合律師事務所) dated 28 December 2009 to the Group is as follows:

   a. It is unable to determine whether the landlord has obtained the relevant title certificates of the property. Fujian Tianxin may be requested to terminate the tenancy if the landlord does not possess such certificates;

   b. It is unable to determine whether the existing use of the property is in compliance with its registered use. Fujian Tianxin may be requested to terminate the tenancy in case of non-compliance;

   c. The tenancy agreement is legally valid, enforceable and binding on the contracting parties; and

   d. The non-registration of the tenancy agreement will not affect its legality, validity and enforceability.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2009 *RMB*
7.	Factory located at Meizhong Village, Penghu Village, Yongchun County, Fujian Province, the PRC 中國福建省永春縣蓬壺鎮美中村之廠房	The property comprises a low-rise factory building completed in about 1990s. The gross floor area of the property is approximately 3,890 sq.m. (or about 41,872 sq.ft.). Pursuant to a tenancy entered into between an independent third-party landlord and Quanzhou Liangxin Biological Technology Development Co., Ltd. ("Quanzhou Liangxin"), the property is leased to Quanzhou Liangxin for factory use for a term commencing on 1 December 2008 and expiring on 29 February 2012 at a monthly rent of RMB9,725 exclusive of water, electricity, cable TV, telephone and management fees.	The property is occupied by the Group for production and ancillary office purposes.	No Commercial Value

Notes:

1. Pursuant to the aforesaid tenancy agreement, the tenant of the property is Quanzhou Liangxin, which is a wholly-owned subsidiary of the Company.

2. The opinion given by the PRC legal advisor — Jun He Law Offices (君合律師事務所) dated 28 December 2009 to the Group is as follows:

   a. It is unable to determine whether the landlord has obtained the relevant title certificates of the property. Quanzhou Liangxin may be requested to terminate the tenancy if the landlord does not possess such certificates;

   b. It is unable to determine whether the existing use of the property is in compliance with its registered use. Quanzhou Liangxin may be requested to terminate the tenancy in case of non-compliance;

   c. The tenancy agreement is legally valid, enforceable and binding on the contracting parties; and

   d. The non-registration of the tenancy agreement will not affect its legality, validity and enforceability.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2009 *RMB*
8.	The 2nd Floor of an office building, Hunan Broadcast and Television Bureau South Wing, Hunan Province, the PRC 中國湖南省廣電局南院辦公樓第二層	The property comprises the whole 2nd Floor of a high-rise office building which was completed in about 2000s. The gross floor area of the property is approximately 1,063.45 sq.m. (or about 11,447 sq.ft.). Pursuant to a tenancy agreement entered into between an independent third-party landlord and Hunan Digital Television Technology Co., Ltd. (湖南數字電視技術有限公司) ("Hunan Digital") dated 19 May 2008, the property is leased to Hunan Digital for office use for a term commencing on 20 May 2008 and expiring on 19 May 2010 at a monthly rent of RMB12,761 exclusive of water, electricity, gas, air-conditioning and management fees.	The property is occupied by the Group for office purpose.	No Commercial Value

Notes:

1. Pursuant to the aforesaid tenancy agreement, the tenant of the property is Hunan Digital, which is a wholly-owned subsidiary of the Company.

2. The opinion given by the PRC legal advisor — Jun He Law Offices (君合律師事務所) dated 28 December 2009 to the Group is as follows:

   a. It is unable to determine whether the landlord has obtained the relevant title certificates of the property. Hunan Digital may be requested to terminate the tenancy if the landlord does not possess such certificates;

   b. It is unable to determine whether the existing use of the property is in compliance with its registered use. Hunan Digital may be requested to terminate the tenancy in case of non-compliance;

   c. The tenancy agreement is legally valid, enforceable and binding on the contracting parties; and

   d. The non-registration of the tenancy agreement will not affect its legality, validity and enforceability.

VALUATION CERTIFICATE

Group III — Property held by the Target Group for owner-occupation in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2009 *RMB*
9.	An industrial complex located at Luping Village, Xinjie Town, Yixing City, Jiangsu Province, the PRC 中國江蘇省宜興市新街鎮陸平村之工業城	The property comprises a leveled land parcel with a site area of approximately 24,004.4 sq.m. (or about 258,383 sq.ft.) and 6 single- to 4-storey buildings and various ancillary structures completed in 2006 erected thereon. The total gross floor area ("GFA") of the buildings is approximately 22,458.75 sq.m. (or about 241,746 sq.ft.). The buildings include 3 workshops, an office building, a dormitory and a canteen. The major ancillary structures mainly include roads, gates, walls, carport, etc. The land use rights of the property have been granted for a term expiring on 29 September 2053 for industrial use.	The property is occupied by the Target Group for industrial purpose.	31,300,000 (100% interest attributable to the Target Group: 31,300,000)

Notes:

1. Pursuant to a Housing Transfer Agreement (房屋轉讓協議) entered into between 宜興市康原純淨水有限公司 and the PRC Company dated 10 December 2008, the former agreed to transfer to the latter the property with a total GFA of approximately 22,458.75 sq.m. at a consideration of RMB47,000,000.

2. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用証), Yi Guo Yong (2009) Di No. 2860000 (宜國用(2009)第2860000號), issued by the People's Government of Yixing City (宜興市人民政府) dated 14 January 2009, the land use rights of the property with a site area of approximately 24,004.4 sq.m. have been granted to the PRC Company for a term expiring on 29 September 2053 for industrial use.

3. Pursuant to 4 Building Ownership Certificates (房屋所有權証) issued by the People's Government of Yixing City (宜興市人民政府) all dated 21 January 2009, the building ownership rights of 4 buildings with a total GFA of approximately 15,287.75 sq.m are legally owned by the PRC Company for industrial and storage uses. The details of which are summarized in the table below:

No.	Certificate No.	No. of Storeys	GFA *(sq.m.)*
1.	Yi Fang Quan Zheng Xin Jie Zi Di No. AE000713 (宜房權証新街字第AE000713號)	1	4,374.15
2.	Yi Fang Quan Zheng Xin Jie Zi Di No. AE000714 (宜房權証新街字第AE000714號)	1	1,597.2
3.	Yi Fang Quan Zheng Xin Jie Zi Di No. AE000715 (宜房權証新街字第AE000715號)	3	7.275.5
4.	Yi Fang Quan Zheng Xin Jie Zi Di No. AE000716 (宜房權証新街字第AE000716號)	4	2,040.9
		Total:	15,287.75

4. For the remaining 2 buildings with a total GFA of approximately 7,166 sq.m., we have not been provided with any title certificates.

5. As advised by the Target Group, there are 2 buildings with a total GFA of approximately 7,166 sq.m. without title certificates erected within the property as stated in Note 4. Thus we cannot attribute any commercial value to them. For your reference purposes, we are of the opinion that the depreciated replacement cost of such buildings would be in the sum of approximately RMB11,200,000 on the assumption that the aforesaid title documents have been obtained if the PRC Company can strictly comply with the stipulated procedures and submit all the required application documents. The details of the 2 buildings are summarized in the table below:

No.	Building	No. of Storeys	Year of Completion	GFA *(sq.m.)*
1.	3#車間	1	2006	6,365
2.	食堂	2	2006	806
			Total:	7,171

6. Pursuant to 2 Maximum Amount Mortgage Contracts (最高額抵押合同) entered into between the PRC Company and Agricultural Bank of China Limited — Yixing City Branch (中國農業銀行股份有限公司宜興市支行) both dated 12 November 2009, the former has mortgaged the building ownership rights of 4 buildings with a total GFA of approximately 15,287.75 sq.m. and the land use rights of the property with a site area of approximately 24,004.4 sq.m. to the latter as security for 2 loans with a total maximum loan amount of RMB1,450,000 for a common term commencing on 12 November and expiring on 11 November 2011. The details of the contracts are as follows:

Contract No.	Certificate No. of the Mortgaged Property	Maximum Loan Amount (RMB)
No. 32906200900008296	Yi Fang Quan Zheng Xin Jie Zi Di No. AE000713 (宜房權証新街字第AE000713號) Yi Fang Quan Zheng Xin Jie Zi Di No. AE000714 (宜房權証新街字第AE000714號) Yi Fang Quan Zheng Xin Jie Zi Di No. AE000715 (宜房權証新街字第AE000715號) Yi Fang Quan Zheng Xin Jie Zi Di No. AE000716 (宜房權証新街字第AE000716號)	830,000
No. 32906200900008297	Yi Guo Yong (2009) Di No. 2860000 (宜國用(2009)第2860000號)	620,000
	Total:	1,450,000

7. The status of title and grant of major approvals and licences in accordance with the information provided by the Target Group is as follows:

Transfer Agreement	Yes
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificates	Yes

8. The opinion given by the PRC legal advisor — Jun He Law Offices (君合律師事務所) dated 28 December 2009 to the Group is as follows:

a. The land use rights and building ownership rights of the property except the buildings mentioned in Note 5 are legally vested in the PRC Company;

b. The actual uses of the property are in compliance with its registered use;

c. The PRC Company has the rights to legally use the property; however, due to the property is subject to mortgage, the PRC Company cannot transfer, lease or dispose of the property without consent from the mortgagee;

d. The property is not subject to other material encumbrances except the mortgages mentioned in Note 6; and

e. The PRC Company is in the process of applying for Building Ownership Certificates of those buildings mentioned in Note 5 and the Construction Works Planning Permit (建設工程規劃許可証) of such buildings was obtained on 26 May 2009. However, the PRC Company is subject to a risk of forfeiting the land use rights of the property, pecuniary penalty and failure to obtain the relevant Building Ownership Certificates in the absence of the Construction Land Planning Permit (建設用地規劃許可証) and Construction Works Commencement Permit (建設工程施工許可証).

VALUATION CERTIFICATE

Group IV — Property held by the Target Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2009 *RMB*
10.	Land parcels and buildings located at Guijing Village, Xinjie Town, Yixing City, Jiangsu Province, the PRC 中國江蘇省宜興市新街鎮歸徑村之土地及建築物	The property comprises 2 leveled land parcels, namely Land Parcel I and Land Parcel II, with a total site area of approximately 84,422.3 sq.m. (or about 908,722 sq.ft.) and a single-storey warehouse completed in about 2008 (the "completed property") erected thereon. The site areas of the land parcels are tabulated as below: **Land Parcel** / **Site Area** *(sq.m.)* I: 30,425.0 II: 53,997.3 Total: 84,422.3 The gross floor area ("GFA") of the completed property is approximately 8,100 sq.m. (or about 87,188 sq.ft.). In addition to the completed property, the property also comprises 3 buildings under development (the "CIP"). The CIP is proposed to be developed into 3 workshops with a total planned GFA of approximately 26,892 sq.m. (or about 289,465 sq.ft.) upon completion. The estimated total construction cost is approximately RMB15,000,000, of which approximately RMB9,000,000 had been paid up to the date of valuation. The construction works of the CIP are scheduled to be completed in about January 2010. The land use rights of Land Parcel I and Land Parcel II have been granted for terms expiring on 30 December 2056 and 8 March 2059 respectively for industrial use.	The property is under development.	26,900,000 (100% interest attributable to the Target Group: 26,900,000)

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract (國有土地使用權出讓合同) entered into between Yixing City Land and Resources Bureau (宜興市國土資源局) and Jiangsu Xinye Biology Fertilizer Co., Ltd., which is the predecessor of the PRC Company dated 31 December 2006, the former agreed to transfer to the latter the land use rights of Land Parcel I with a site area of approximately 30,425 sq.m. at a land premium of RMB8,730,284.32 for a term of 50 years expiring on 30 December 2056 for industrial use.

2. Pursuant to a State-owned Construction Land Use Rights Grant Contract (國有建設用地使用權出讓合同) entered into between Yixing City Land and Resources Bureau (宜興市國土資源局) and the PRC Company dated 9 March 2009, the former agreed to transfer to the latter the land use rights of Land Parcel II with a site area of approximately 53,997.3 sq.m. at a land premium of RMB17,873,338 for a term of 50 years for industrial use.

3. Pursuant to 2 State-owned Land Use Rights Certificates (國有土地使用証) issued by the People's Government Yixing City (宜興市人民政府), the land use rights of the property with a total site area of approximately 84,422.3 sq.m. have been granted to the PRC Company for a term expiring 29 September 2053 for industrial use. The salient terms and conditions are summarized as follows:

Land Parcel	**Certificate No.**	**Date of Issue**	**Land Use Rights Expiry Date**	**Site Area** *(sq.m.)*
I	Yi Guo Yong (2007) Zi Di No. 000039 (宜國用(2007)字第000039號)	1 February 2007	30 December 2056	30,425.0
II	Yi Guo Yong (2009) Di No. 45600661 (宜國用(2009)第45600661號)	17 April 2009	8 March 2059	53,997.3
			Total:	84,422.3

4. For the completed property with a GFA of approximately 8,100 sq.m., we have not been provided with any title certificates.

5. As advised by the Target Group, there is a building without title certificates stated in Note 4. Thus, we cannot attribute any commercial value to it. For your reference purposes, we are of the opinion that the depreciated replacement cost of such building would be approximately RMB8,000,000 on the assumption that the aforesaid title certificates have been obtained if the PRC Company can strictly comply with the stipulated procedures and submit all the required application documents.

6. As advised by the Target Group, the relevant Construction Works Planning Permit (建設工程規劃許可証) and Construction Works Commencement Permit (建築工程施工許可証) of the CIP have not been obtained. Thus, we cannot attribute any commercial value to it. For your reference purposes, the total cost spent on the CIP up to the date of valuation is approximately RMB9,000,000.

7. Pursuant to a Maximum Amount Mortgage Contract (最高額抵押合同), No. 32906200900005127, entered into between the PRC Company and Agricultural Bank of China Limited — Yixing City Branch (中國農業銀行股份有限公司宜興市支行) dated 22 July 2009, the former has mortgaged the land use rights of Land Parcel II with a site area of 53,997.3 sq.m. to the latter as a security for a maximum loan amount of RMB12,500,000 for a term of 2 years commencing on 22 July 2009 and expiring on 21 July 2011.

8. The status of title and grant of major approvals and licences in accordance with the information provided by the Group is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Construction Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificates	Yes
Building Ownership Certificates	Under Application

9. The opinion given by the PRC legal advisor — Jun He Law Offices (君合律師事務所) dated 28 December 2009 to the Group is as follows:

a. The land use rights are legally vested in the PRC Company;

b. The actual uses of the property are in compliance with its registered use;

c. The PRC Company has the rights to legally use the property; however, due to the property is subject to mortgage, the PRC Company cannot transfer, lease or dispose of the property without consent from the mortgagee;

d. The property is not subject to other material encumbrances except the mortgage mentioned in Note 7; and

e. The PRC Company has not obtained the Construction Works Planning Permit (建設工程規劃許可証) Construction Land Planning Permit (建設用地規劃許可証) and Construction Works Commencement Permit (建設工程施工許可証) of the building mentioned in Note 5 and the CIP. Therefore, the PRC Company is subject to a risk of forfeiting the land use rights of the property, pecuniary penalty and failure to obtain the relevant Building Ownership Certificates.

VALUATION CERTIFICATE

Group V — Properties leased by the Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2009 *RMB*
11.	Unit No. 712 of Hanhua International Hotel Office Tower, No. 26 Anwaixibinhe Road, Dongcheng District, Beijing, the PRC 中國北京市東城區安外西濱河路26號漢華國際飯店寫字樓712室	The property comprises an office unit on the 7th Floor of a 10-storey office building (the "building") completed in 2005. The total gross floor area of the property is approximately 133.7114 sq.m. (or about 1,439 sq.ft.). Pursuant to a tenancy agreement entered into between an independent third-party landlord and Cyberland China Limited ("Cyberland") dated 10 March 2008, the property together with other seven office units on the same floor are leased to Cyberland for office use for a term of 2 years commencing on 10 April 2008 and expiring on 9 April 2010 at a total monthly rent of RMB66,433.04 inclusive management fee but exclusive of electricity, phone and internet fees as well as other outgoings. The property was subsequently sublet to the PRC Company with same terms and conditions at a monthly rent of RMB20,056.71 pursuant to a certification letter issued by Cyberland.	The property is occupied by the Target Group for office purpose.	No Commercial Value

Notes:

1. Pursuant to the aforesaid tenancy agreement and certification letter, the tenant of the property is the PRC Company.

2. The opinion given by the PRC legal advisor — Jun He Law Offices (君合律師事務所) dated 28 December 2009 to the Group is as follows:

   a. The land use rights and building ownership rights of the property are legally vested in the landlord and the landlord has the right to lease the property to Cyberland;

   b. Cyberland has obtained permission from the landlord to legally sublease the property to the PRC Company;

   c. The actual use of the property is in compliance with its registered use;

   d. the PRC Company is entitled to legally use the property; and

   e. The non-registration of the tenancy agreement will not affect its legality, validity and enforceability. However, the PRC Company may be subject to pecuniary penalty or compulsory order of registration.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2009 *RMB*
12.	Unit Nos. 07-18 on 10th Floor of Shunchi First International Building, No. 14, Shangwuwaihuan Road, Zhengdong New District, Zhengzhou City, Henan Province, the PRC 中國河南省鄭州市鄭東新區商務外環路14號順馳第一國際10層07-18號房	The property comprises 12 office units on the 10th Floor of a 28-storey office building completed in about 2006. The gross floor area of the property is approximately 994.5 sq.m. (or about 10,705 sq.ft.). Pursuant to a tenancy agreement entered into between an independent third-party landlord and the PRC Company dated 27 October 2009, the property is leased to the PRC Company for office use for a term of 3 years commencing on 12 December 2009 and expiring on 11 December 2012 (with a rent free period from 28 October 2009 to 11 December 2009). The annual rent currently paid by the PRC Company is RMB344,842 exclusive of water, electricity, telephone, internet and management fees.	The property is occupied by the Target Group for office purpose.	No Commercial Value

Notes:

1. Pursuant to the aforesaid tenancy agreement, the tenant of the property is the PRC Company.

2. The opinion given by the PRC legal advisor — Jun He Law Offices (君合律師事務所) dated 28 December 2009 to the Group is as follows:

   a. The land use rights and building ownership rights of the property are legally vested in the landlord and the landlord has the right to lease the property to the PRC Company;

   b. The tenancy agreement is legally valid, enforceable and binding on the contracting parties;

   c. The actual use of the property is in compliance with its registered use;

   d. The PRC Company is entitled to legally use the property in accordance with the tenancy agreement; and

   e. The non-registration of the tenancy agreement will not affect its legality, validity and enforceability. However, the PRC Company may be subject to pecuniary penalty or compulsory order of registration.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2009 *RMB*
13.	Land and buildings located at Zhongsuo Village, Gaojian Town, Xichang City, Sichuan Province, the PRC 中國四川省西昌市高梘鄉中所村之土地及建築物	The property comprises a land parcel with a site area of approximately 6,148 sq.m. (or about 66,177 sq.ft.) and 10 single- to 2-storey industrial buildings completed in 2003 erected thereon. The total gross floor area of the buildings is approximately 1,153.8 sq.m. (or about 12,420 sq.ft.). Pursuant to a tenancy agreement entered into between an independent third-party landlord and the PRC Company dated 19 February 2009, the property is leased to the PRC Company for office, production and residential uses for a term of 5 years commencing on 1 March 2009 and expiring on 28 February 2014 at an annual rent of RMB120,000 exclusive of water and electricity fees.	The property is occupied by the Target Group for production and ancillary office purposes.	No Commercial Value

Notes:

1. Pursuant to the aforesaid tenancy agreement, the tenant of the property is the PRC Company.

2. The opinion given by the PRC legal advisor — Jun He Law Offices (君合律師事務所) dated 28 December 2009 to the Group is as follows:

   a. The land use rights and building ownership rights of the property are legally vested in the landlord and the landlord has the right to lease the property to the PRC Company;

   b. The tenancy agreement is legally valid, enforceable and binding on the contracting parties;

   c. The actual use of the property is in compliance with its registered use;

   d. The PRC Company is entitled to legally use the property in accordance with the tenancy agreement; and

   e. The non-registration of the tenancy agreement will not affect its legality, validity and enforceability. However, the PRC Company may be subject to pecuniary penalty or compulsory order of registration.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2009 *RMB*
14.	Unit No. 1 of Block 46, Laohaiting Community, Binhainan Road, Xichang City, Liangshan Prefecture, Sichuan Province, the PRC 中國四川省涼山州西昌市濱海南路老海亭社區46幢1號	The property comprises a duplex unit on the 1st Floor and 2nd Floor of a 2-storey residential building completed in about 2007. The gross floor area of the property is approximately 162 sq.m. (or about 1,744 sq.ft.). Pursuant to a tenancy agreement entered into between an independent third-party landlord and PRC Company dated 6 November 2008, the property is leased to PRC Company for residential use for a term of 2 years commencing on 1 December 2008 and expiring on 30 November 2010 at an annual rent of RMB25,000 exclusive of water, electricity, television, telephone, sanitary, security and management fees.	The property is occupied by the Target Group for dormitory purpose.	No Commercial Value

Notes:

1. Pursuant to the aforesaid tenancy agreement, the tenant of the property is Peng Jun, who is a representative of the PRC Company.

2. The opinion given by the PRC legal advisor — Jun He Law Offices (君合律師事務所) dated 28 December 2009 to the Group is as follows:

   a. The land use rights and building ownership rights of the property are legally vested in the landlord and the landlord has the right to lease the property to Peng Jun;

   b. As advised by the Target Group, Peng Jun has been authorized to enter into tenancy agreement on behalf of the PRC Company. Therefore, the aforesaid tenancy agreement is legally binding on the PRC Company;

   c. The actual use of the property is in compliance with its registered use;

   d. The PRC Company is entitled to legally use the property; and

   e. The non-registration of the tenancy agreement will not affect its legality, validity and enforceability. However, the PRC Company may be subject to pecuniary penalty or compulsory order of registration.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2009 *RMB*
15.	A building located at the south of Yiguang Highway, Luping Village, Xinjie Town, Yixing City, Jiangsu Province, the PRC 中國江蘇省宜興市新街鎮陸平村宜廣公路南側之建築物	The property comprises a 3-storey office building completed in about 1992. The total gross floor area of the property is approximately 998.55 sq.m. (or about 10,748 sq.ft.). Pursuant to a tenancy agreement entered into between an independent third-party landlord and the PRC Company dated 15 May 2009, the property is leased to the PRC Company for a term of one year commencing on 15 May 2009 and expiring on 14 May 2010 at an annual rent of RMB38,000 exclusive of water, electricity and gas fees.	The property is occupied by the Target Group for dormitory purpose.	No Commercial Value

Notes:

1. Pursuant to the aforesaid tenancy agreement, the tenant of the property is the PRC Company.

2. The opinion given by the PRC legal advisor — Jun He Law Offices (君合律師事務所) dated 28 December 2009 to the Group is as follows:

   a. The land use rights and building ownership rights of the property are legally vested in the landlord and the landlord has the right to lease the property to the PRC Company;

   b. The tenancy agreement is legally valid, enforceable and binding on the contracting parties;

   c. The actual use of the property is in compliance with its registered use;

   d. The PRC Company is entitled to legally use the property in accordance with the tenancy agreement; and

   e. The non-registration of the tenancy agreement will not affect its legality, validity and enforceability. However, the PRC Company may be subject to pecuniary penalty or compulsory order of registration.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2009 *RMB*
16.	Residential units located at the south of Yiguang Highway, Luping Village, Xinjie Town, Yixing City, Jiangsu Province, the PRC 中國江蘇省宜興市新街鎮陸平村宜廣公路南側之樓房	The property comprises 8 residential units on the 2nd Floor of a 2-storey commercial building completed in about 1992. The gross floor area of the property is approximately 490.88 sq.m. (or about 5,284 sq.ft.). Pursuant to a tenancy agreement entered into between an independent third-party landlord and the PRC Company dated 19 February 2009, the property is leased to the PRC Company for a term of one year commencing on 19 February 2009 and expiring on 19 February 2010 at an annual rent of RMB55,000 exclusive of water, electricity, maintenance and repairing fees as well as other outgoings.	The property is occupied by the Target Group for dormitory purpose.	No Commercial Value

Notes:

1. Pursuant to the aforesaid tenancy agreement, the tenant of the property is the PRC Company.

2. The opinion given by the PRC legal advisor — Jun He Law Offices (君合律師事務所) dated 28 December 2009 to the Group is as follows:

    a. The land use rights and building ownership rights of the property are legally vested in the landlord and the landlord has the right to lease the property to the PRC Company;

    b. The tenancy agreement is legally valid, enforceable and binding on the contracting parties;

    c. The actual use of the property is in compliance with its registered use;

    d. The PRC Company is entitled to legally use the property in accordance with the tenancy agreement; and

    e. The non-registration of the tenancy agreement will not affect its legality, validity and enforceability. However, the PRC Company may be subject to pecuniary penalty or compulsory order of registration.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2009 *RMB*
17.	A factory located at Guijing Village, Xinjie Town, Yixing City, Jiangsu Province, the PRC 中國江蘇省宜興市新街鎮歸徑村之廠房	The property comprises a block of single-storey factory building completed in about 2005. The gross floor area of the property is approximately 14,786.9 sq.m. (or about 159,166 sq.ft.). Pursuant to a tenancy agreement entered into between an independent third-party landlord and Jiangsu Xinye Biology Fertilizer Co., Ltd. ("Jiangsu Xinye"), the property is leased to Jiangsu Xinye for factory use for a term of 10 years commencing on 1 September 2008 and expiring on 31 August 2018 at an annual rent of RMB2,400,000.	The property is occupied by the Target Group for factory purpose.	No Commercial Value

Notes:

1. Pursuant to the aforesaid tenancy agreement, the tenant of the property is Jiangsu Xinye (the predecessor of the PRC Company.

2. The opinion given by the PRC legal advisor — Jun He Law Offices (君合律師事務所) dated 28 December 2009 to the Group is as follows:

    a. The land use rights and building ownership rights of the property are legally vested in the landlord and the landlord has the right to lease the property to Jiangsu Xinye;

    b. The tenancy agreement is legally valid, enforceable and binding on the contracting parties;

    c. The actual use of the property is in compliance with its registered use;

    d. Jiangsu Xinye is entitled to legally use the property in accordance with the tenancy agreement; and

    e. The non-registration of the tenancy agreement will not affect its legality, validity and enforceability. However, Jiangsu Xinye may be subject to pecuniary penalty or compulsory order of registration.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2009 *RMB*
18.	Unit 1101 of Block 10, Yinhaiguomao Garden, Kunming City, Yunnan Province, the PRC 中國雲南省昆明市銀海國貿花園10幢1101號	The property comprises an office unit on the 11th Floor of a 12-storey residential building completed in about 2003. As advised by the Target Group, the gross floor area of the property is approximately 193.36 sq.m. (or about 2,081 sq.ft.). Pursuant to a tenancy agreement entered into between an independent third-party landlord and Wang Weiwei dated 12 November 2009, the property is leased to Wang Weiwei for office use for a term of one year commencing on 12 November 2009 and expiring on 12 November 2010 at an annual rent of RMB55,000 exclusive of water, electricity, gas, sanitary, telephone and management fees.	The property is occupied by the Target Group for office purpose.	No Commercial Value

Notes:

1. Pursuant to the aforesaid tenancy agreement, the tenant of the property is Wang Weiwei, who is a representative of the PRC Company.

2. The opinion given by the PRC legal advisor — Jun He Law Offices (君合律師事務所) dated 28 December 2009 to the Group is as follows:

   a. The land use rights and building ownership rights of the property are legally vested in the landlord and the landlord has the right to lease the property to Wang Weiwei;

   b. As advised by the Target Group, Wang Weiwei has been authorized to enter into tenancy agreement on behalf of the PRC Company. Therefore, the aforesaid tenancy agreement is legally binding on the PRC Company;

   c. The actual use of the property is in compliance with its registered use;

   d. The PRC Company is entitled to legally use the property; and

   e. The non-registration of the tenancy agreement will not affect its legality, validity and enforceability. However, the PRC Company may be subject to pecuniary penalty or compulsory order of registration.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 October 2009 *RMB*
19.	Units 6 and 7 on 13th Floor of Block A, Wanxiang International Building, No. 105 Zunyi Road, Guiyang City, Guizhou Province, the PRC 中國貴州省貴陽市遵義路105號萬象國際A座13層6、7號	The property comprises the 2 office units on the 13th Floor of a 28-storey office building completed in about 2006. The gross floor area of the property is approximately 207 sq.m. (or about 2,228 sq.ft.). Pursuant to a tenancy agreement entered into between an independent third-party landlord and the PRC Company dated 20 November 2009, the property is leased to the PRC Company for office use for a term of 1 year commencing on 1 November 2009 and expiring on 31 October 2010 at a monthly rent of RMB6,000.	The property is occupied by the Target Group for office purpose.	No Commercial Value

Notes:

1. Pursuant to the aforesaid tenancy agreement, the tenant of the property is the PRC Company.

2. The opinion given by the PRC legal advisor — Jun He Law Offices (君合律師事務所) dated 28 December 2009 to the Group is as follows:

    a. The land use rights and building ownership rights of the property are legally vested in the landlord and the landlord has the right to lease the property to the PRC Company;

    b. The tenancy agreement is legally valid, enforceable and binding on the contracting parties;

    c. The actual use of the property is in compliance with its registered use;

    d. The PRC Company is entitled to legally use the property in accordance with the tenancy agreement; and

    e. The non-registration of the tenancy agreement will not affect its legality, validity and enforceability. However, the PRC Company may be subject to pecuniary penalty or compulsory order of registration.

PROPERTY INTEREST, PROPERTY VALUATION AND RECONCILIATION OF APPRAISED PROPERTY VALUES WITH NET BOOK VALUES (RULE 8.30)

BMI Appraisal Limited, an independent valuer, has valued the property interest held by the Enlarged Group as at 31 October 2009 and is of the opinion that the market value of the property interest is amounted to RMB58,200,000 as at 31 October 2009. Details of the valuation of the property interest as at 31 October 2009 are set out in Appendix VI to this circular.

Set forth below is the reconciliation of the valuation figure of the Enlarged Group's properties with the figures included in the Combined Financial Statements:

	The Group	**The Target Group**	**The Enlarged Group**
	RMB'000	*RMB'000*	*RMB'000*
Net book value of the buildings and structures as at 30 June 2009			
— Hostel	Nil	3,357	3,357
— Buildings	Nil	35,346	35,346
— Others	Nil	1,349	1,349
— Prepaid land lease payments	Nil	37,968	37,968
	Nil	78,020	78,020
Movement during the period (unaudited)			
Addition during the period	Nil	Nil	Nil
Depreciation during the period	Nil	(406)	(406)
Amortisation during the period	Nil	(265)	(265)
Net book value as at 31 October 2009	Nil	77,349	77,349
Valuation surplus	Nil	51	51
Valuation of the property interest	Nil	77,400	77,400
Valuation of the property interest as at 31 October 2009 as set out in the Valuation Report set out in Appendix VI	Nil	58,200	58,200
Add: Properties with pending issuance of title certificates — *Note*	Nil	19,200	19,200
	Nil	77,400	77,400

Note: As disclosed in more details in Note 5 on each of pages 170 and 173 in Appendix VI to the circular, the appraised value of properties without title certificates erected within the property would be RMB11,200,000 and RMB8,000,000 respectively; therefore these values should be added back to the total appraised value.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and following the Completion were and are expected to be as follows:

Authorised:		*HK$*
10,000,000,000	Shares	100,000,000
Issued and fully paid:		
1,850,298,244	Shares as at the Latest Practicable Date	18,502,982
3,251,162,790	Conversion Shares to be issued in its maximum amount pursuant to the Acquisition	32,511,628
Total (for illustrative purposes)		
5,101,461,034	Shares	51,014,610

All of the Shares in issue and to be issued will rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. The Shares and the Conversion Shares in issue and to be issued are or will be listed on the Stock Exchange.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director and chief executive of the Company is taken or deemed to have interests under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company pursuant to Section 352 of the SFO; or which (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the GEM Listing Rules are set out below:

Ordinary shares of HK$0.01 each in the Company

Name of directors	Personal interests	Corporate interests	Other interests
Mr. Feng Xiao Ping	—	41,718,750 *(Note (a))*	—

Note:

(a) 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. In addition, 10,000,000 Shares are held by Sky Dragon Digital Television and Movies Holdings Limited ("**Sky Dragon Holdings**"), a company which is indirectly owned as to 99% by Mr. Feng Xiao Ping.

Share options of the Company

Name of directors	Personal interests	Corporate interests	Other interests
Mr. Wong Man Hung, Patrick	25,000,000	—	—
Mr. Feng Xiao Ping	—	20,000,000 *(Note (a))*	—

Note:

(a) The share options are held by Sky Dragon Holdings.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the chief executive of the Company nor their associates had any other interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or which (c) were required to be notified to the Company or the Stock Exchange, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies contained in the GEM Listing Rules.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, the register of substantial shareholders maintained under Section 336 of the SFO shown that the Company has been notified of the following interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and the chief executive of the Company.

Name of Shareholders	**Number of Shares**	**Percentage of share capital** *(%)*
Mr. Law Kwok Keung *(Note (a))*	104,520,000	5.65
Keenway Holdings Limited *(Note (a))*	104,520,000	5.65
Mr. Lee Yuk Lun	219,298,244	11.85
Mr. Au Yeung Kai Wah	290,625,000	15.71

Note:

(a) The interests refer to the same parcel of Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had any other interests or short positions in the Shares or underlying Shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

4. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened against any members of the Enlarged Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, neither themselves nor the management shareholders of the Company or their respective associates (as defined in the GEM Listings Rules) had any interests in a business which competes or is likely to compete either directly or indirectly with the business of the Group or any other conflict of interest which any such person has or may have with the Group.

6. DIRECTORS' INTEREST IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors, directly or indirectly, had any interest in any assets which had since 31 March 2009 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

There was no contract or arrangement subsisting as at the Latest Practicable Date in which any of the Directors were materially interested and which was significant to the business of the Enlarged Group.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors had any existing service contract or proposed service contract with any member of the Enlarged Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

8. EXPERTS AND CONSENT

The followings are the qualification of the experts who have given advice which is contained in this circular:

Name	Qualification
BMI Appraisals Limited	Independent professional valuers
EY (China)	Certified public accountants
KL CPA Limited	Certified public accountants
Jun He Law Offices	Practicing lawyers in the PRC

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it appears.

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Enlarged Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, each of the above experts did not, directly or indirectly, had any interest in any assets which had since 31 March 2009 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

9. MATERIAL CONTRACTS

Save as disclosed below, as at the Latest Practicable Date, none of the members of the Enlarged Group had entered into any contracts, not being contracts entered into the ordinary course of business, which are or may be material within the two years immediately preceding the Latest Practicable Date:

(i) the framework agreement dated 2 July 2008 in relation to the acquisition of Hong Kong New Success International Group Investment Limited (the "**New Success Acquisition**") as set out in the announcement of the Company dated 2 July 2008;

(ii) the conditional agreement dated 28 August 2008 in relation to the New Success Acquisition as set out in the announcement of the Company dated 2 September 2008;

(iii) the placing agreement dated 16 March 2009 entered into between the Company and Cheong Lee Securities Limited as placing agent in relation to the placing of up to 12,000,000 new Shares;

(iv) the conditional subscription agreement dated 11 May 2009 entered into between the Company and Mr. Lee Yuk Lun in relation to the subscription of up to 50,000,000 new Shares;

(v) the placing agreement dated 15 May 2009 entered into between the Company and Cheong Lee Securities Limited as placing agent in relation to the placing of up to 16,500,000 new Shares;

(vi) the supplemental agreement dated 18 May 2009 entered into between the Company and Cheong Lee Securities Limited to amend the placing agreement dated 15 May 2009 entered into between the Company and Cheong Lee Securities Limited;

(vii) the termination agreement dated 19 May 2009 entered into between the Company and Cheong Lee Securities Limited to terminate the supplemental agreement dated 18 May 2009 entered into between the Company and Cheong Lee Securities Limited;

(viii) the equity transfer agreement dated 12 August 2009 entered into between Yang Kaihua and the PRC Company in relation to the transfer of 50,000 shares of Zhengzhou Ruihao by Yang Kaihua to the PRC Company for a consideration of RMB75,000;

(ix) the equity transfer agreement dated 18 August 2009 entered into between Wei Yuewei and the PRC Company in relation to the transfer of 20,000 shares of Zhengzhou Ruihao by Wei Yuewei to the PRC Company for a consideration of RMB30,000;

(x) the equity transfer agreement dated 19 August 2009 entered into between Yu Jianjun and the PRC Company in relation to the transfer of 100,000 shares of Zhengzhou Ruihao by Yu Jianjun to the PRC Company for a consideration of RMB150,000;

(xi) the equity transfer agreement dated 26 August 2009 entered into between Liu Guoshun and the PRC Company in relation to the transfer of 200,000 shares of Zhengzhou Ruihao by Liu Guoshun to the PRC Company for a consideration of RMB300,000;

(xii) the equity transfer agreement dated 27 August 2009 entered into between Fu Yunpeng and the PRC Company in relation to the transfer of 50,000 shares of Zhengzhou Ruihao Fu Yunpeng to the PRC Company for a consideration of RMB75,000;

(xiii) the equity transfer agreement dated 27 August 2009 entered into between Ye Xiefeng and the PRC Company in relation to the transfer of 50,000 shares of Zhengzhou Ruihao by Ye Xiefeng to the PRC Company for a consideration of RMB75,000;

(xiv) the equity transfer agreement dated 27 August 2009 entered into between Cui Hong and the PRC Company in relation to the transfer of 100,000 shares of Zhengzhou Ruihao by Cui Hong to the PRC Company for a consideration of RMB150,000;

(xv) the equity transfer agreement dated 27 August 2009 entered into between Shi Xiangdong and the PRC Company in relation to the transfer of 100,000 shares of Zhengzhou Ruihao by Shi Xiangdong to the PRC Company for a consideration of RMB150,000;

(xvi) the equity transfer agreement dated 27 August 2009 entered into between Zhao Mingqin and the PRC Company in relation to the transfer of 100,000 shares of Zhengzhou Ruihao by Zhao Mingqin to the PRC Company for a consideration of RMB150,000;

(xvii) the equity transfer agreement dated 27 August 2009 entered into between Zhang Guoqiang and the PRC Company in relation to the transfer of 50,000 shares of Zhengzhou Ruihao by Zhang Guoqiang to the PRC Company for a consideration of RMB75,000;

(xviii) the equity transfer agreement dated 27 August 2009 entered into between Zhang Jinling and the PRC Company in relation to the transfer of 50,000 shares of Zhengzhou Ruihao by Zhang Jinling to the PRC Company for a consideration of RMB75,000;

(xiv) the equity transfer agreement dated 27 August 2009 entered into between Shi Hongzhi and the PRC Company in relation to the transfer of 50,000 shares of Zhengzhou Ruihao by Shi Hongzhi to the PRC Company for a consideration of RMB75,000;

(xx) the equity transfer agreement dated 27 August 2009 entered into between Xu Zicheng and the PRC Company in relation to the transfer of 100,000 shares of Zhengzhou Ruihao by Xu Zicheng to the PRC Company for a consideration of RMB150,000;

(xxi) the equity transfer agreement dated 27 August 2009 entered into between Yang Yongfeng and the PRC Company in relation to the transfer of 30,000 shares of Zhengzhou Ruihao by Yang Yongfeng to the PRC Company for a consideration of RMB45,000;

(xxii) the equity transfer agreement dated 28 August 2009 entered into between Fu Jianmin and the PRC Company in relation to the transfer of 50,000 shares of Zhengzhou Ruihao by Fu Jianmin to the PRC Company for a consideration of RMB75,000;

(xxiii) the placing agreement dated 9 September 2009 entered into between the Company, Cheong Lee Securities Limited and Mr. Lee Yuk Lun in relation to the placing of up to 16,000,000 Shares;

(xxiv) the conditional subscription agreement dated 9 September 2009 entered into between the Company and Mr. Lee Yuk Lun in relation to the subscription of up to 16,000,000 new Shares; and

(xxvi) the Sale and Purchase Agreement.

10. GENERAL

(a) The registered address of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) The head office and principal place of business of the Company in Hong Kong is at 19/F., CMA Building, 64-66 Connaught Road Central, Hong Kong.

(c) The share registrar and transfer agent of the Company in Hong Kong is Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) The company secretary of the Company is Mr. Chan Lun Ho ("**Mr. Chan**"). Mr. Chan is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has over 15 years of auditing and accounting experience. Mr. Chan has joined the Company since August 2002.

(e) The audit committee of the Company (the "**Audit Committee**") comprises of Mr. Sousa Richard Alvaro, Mr. Lee Chi Hwa Joshua and Ms. Chan Mei Bo Mabel.

Mr. Sousa Richard Alvaro ("**Mr. Sousa**"), aged 48, was qualified as a solicitor of the High Court of Hong Kong in May 1996 and is now a solicitor of Messrs. Chan, Lau and Wai. Mr. Sousa was appointed as the independent non-executive Director on 30 January 2001.

Mr. Lee Chi Hwa Joshua ("**Mr. Lee**"), aged 36, is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lee has more than 8 years of experience in the fields of auditing, accounting and finance. He is an independent non-executive director of Global Resources Development (Holding) Limited (formerly known as Neolink Cyber Technology (Holding) Limited), a company listed on GEM. He joined the Group on 1 December 2007.

Ms. Chan Mei Bo Mabel ("**Ms. Chan**"), aged 37, is the sole proprietor of Mabel Chan & Co, Certified Public Accountants. Ms. Chan has 16 years' experience in professional accounting. Ms. Chan holds a Bachelor of Arts (Honours) Degree in Accountancy from the City University of Hong Kong and a Master degree of Business Administration from the Hong Kong University of Science and Technology. Ms. Chan was qualified as a member of the Association of Chartered Certified Accountants in 1996. She was also qualified as a practicing Certified Public Accountant of the Hong Kong Institute of Certified Public accountants in 1998. Ms. Chan is currently the vice president of the Society of Chinese Accountants and Auditors, a member of the Taxation Institute of Hong Kong, the honorary treasurer of the Hong Kong Professionals Advancement Association and a member of the Hong Kong Institute of Directors. Ms. Chan was also the past president of the Association of Women Accountants (Hong Kong). Ms. Chan was the independent non-executive director of China Properties Investment Holdings Limited, a company listed on the Stock Exchange, for the period from March 2007 to April 2009. Ms. Chan was appointed as the independent non-executive Director on 23 October 2009.

The Audit Committee has adopted the terms of reference governing the authority and duties of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control of the Group.

(f) The compliance officer of the Company is Mr. Law Kwok Leung.

Mr. Law Kwok Leung ("**Mr. Law**"), aged 48, is a founder, the Compliance Officer and Chief Executive Officer of the Group. Mr. Law is responsible for the formulation of corporate strategies, including initiation of video-compression-related research and development projects of the Group. Mr. Law holds an honoured Bachelor of Science degree in Mathematics with Operational Research from the University of London and a Master's degree in Business Administration from the University of Greenwich. Mr. Law is a member of the Chartered Institute of Marketing, a fellow member of the Institute of Analysts and Programmers and full member of the Institute of Management. He is also an independent non-executive director of BIG Media Group Limited, a company listed on GEM. Before establishing the Group, Mr. Law has been involved in the consultancy of audiovisual compression, transmission of audiovisual signals over the Internet and video-on-demand licensing. Mr. Law has over 20 years of experience in the advanced technology. Mr. Law joined the Group in February 1999.

(g) In any event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the head office and principal place of business in Hong Kong of the Company at 19/F., CMA Building, 64-66 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of SGM:

(a) the Bye-law of the Company;

(b) the Sale and Purchase Agreement;

(c) the audited annual reports of the Company for each of the financial years ended 31 March 2008 and 31 March 2009;

(d) the accountants' report on the Target Group for each of the three financial years ended 31 December 2009 and for the six months ended 30 June 2009 as set out in Appendix III of this circular;

(e) the report on unaudited pro forma financial information on the Enlarged Group regarding the Acquisition as set out in Appendix IV of this circular;

(f) the valuation report and certificate of BMI referred to in Appendix VI to this circular;

(g) the service contracts referred to under the section headed "Service contracts" in this Appendix;

(h) the material contracts referred to under the section headed "Material contracts" in this Appendix;

(i) the written consents referred to under the section headed "Experts and consent" in this Appendix; and

(j) this circular.

CHINA CHIEF CABLE TV GROUP LIMITED
中國3C集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 8153)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the "SGM") of China Chief Cable TV Group Limited (the "Company") will be held at Conference Room, 19th Floor, CMA Building, 64-66 Connaught Road Central, Hong Kong, on Friday, 15 January 2010, at 5:00 p.m., to consider and, if thought fit, to pass, with or without amendments, the following resolution:

ORDINARY RESOLUTIONS

1. "**THAT**:

(a) a sale and purchase agreement dated 30 November 2009 (the "**Agreement**") entered into between the Company and Cyberland (China) Limited ("**Cyberland**") in relation to acquisition of 10,000 of ordinary shares of HK$1.00 each in the share capital of Kang Yuan Universal Investment Limited at a consideration of HK$1,398,000,000, which (i) up to HK$350,000,000 will be satisfied in cash and the remaining balance will be satisfied by the issue of convertible bonds (the "**Convertible Bonds**") in the principal amount equivalent to the balance of the consideration after deducting the cash consideration payable thereof by the Company to Cyberland (or its nominees), or (ii) the total consideration of HK$1,398,000,000 will be satisfied in full by the issue of the Convertible Bonds by the Company to Cyberland (or its nominees), a copy of the Agreement is tabled at the meeting and marked "A" and initialled by the chairman of the meeting for identification purpose, be and is hereby confirmed, approved and ratified;

(b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised to execute the Agreement and all such other documents, instruments and agreements for and on behalf of the Company and to do all such acts or things

* *For identification purposes only*

and to sign and execute all such other or further documents (if any) and to take all such steps which in his/her opinion, may be necessary, appropriate, desirable or expedient to give effect to or in connection with the matters contemplated therein and to agree to any variation, amendment, supplement or waiver of matters relating thereto as are in his/her opinion, in the interest of the Company, to the extent that such variation, amendment, supplement or waiver do not constitute material changes to the material terms of the transactions contemplated under the Agreement;

(c) conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares (as defined in the circular of the Company dated 28 December 2009), the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares which may fall to be issued by the Company to Cyberland (or its nominees) upon the exercise of the conversion rights attaching to the Convertible Bonds be and are hereby confirmed and approved; and

(d) the directors of the Company be and are hereby authorised to issue the Convertible Bonds and the Conversion Shares pursuant to the terms of the Agreement and the directors of the Company be and are hereby also authorised to do all such acts and things they consider necessary or expedient in relation to the exercise of the conversion right attaching to the Convertible Bonds."

On behalf of the Board
China Chief Cable TV Group Limited
Wong Man Hung Patrick
Chairman

Hong Kong, 28 December 2009

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint a proxy to attend and vote in his stead. A proxy need not to be a member of the Company. In order to be valid, the form of proxy must be deposited with the share registrar of the Company in Hong Kong, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong together with any power of attorney or other authority, under which is signed, or a notary certified copy of that power or authority, not less than 48 hours before the time for the holding of the SGM.

2. As of the date of this notice, the executive directors of the Company are Mr. Wong Man Hung Patrick, Mr. Law Kwok Leung, Mr. Feng Xiao Ping and Mr. Stephen William Frostick, and the independent non-executive directors are Mr. Sousa Richard Alvaro, Mr. Lee Chi Hwa Joshua and Ms. Chan Mei Bo Mabel.