China Chief Cable TV Group Limited

(Incorporated in Bermuda with limited liability)
Websites: http://www.m21.com.hk

INTERIM REPORT 2005

Six months ended
30th September 2005

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

INTERIM RESULTS

The board of directors (the "Board") of China Chief Cable TV Group Limited (the "Company") present the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months and six months ended 30th September 2005 (the "Relevant Periods") together with the comparative unaudited figures for the corresponding periods in 2004 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE THREE MONTHS AND SIX MONTHS ENDED 30TH SEPTEMBER 2005

		Unaudited Three months ended 30th September		**Unaudited Six months ended 30th September**	
		2005	2004	**2005**	2004
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*2*	**4,104**	3,088	**7,335**	6,026
Cost of sales		**(3,721)**	(1,933)	**(6,577)**	(3,276)
Gross profit		**383**	1,155	**758**	2,750
Other revenue		**468**	–	**906**	–
General, administrative and other expenses		**(5,542)**	(2,651)	**(10,461)**	(4,064)
Operating loss	*3*	**(4,691)**	(1,496)	**(8,797)**	(1,314)
Finance costs	*4*	**(780)**	(79)	**(1,499)**	(79)
Loss attributable to shareholders		**(5,471)**	(1,575)	**(10,296)**	(1,393)
Basic loss per share	*7*	**(1.84 cents)**	(0.5 cent)	**(3.29 cents)**	(0.45 cent)

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH SEPTEMBER 2005 AND 31ST MARCH 2005

		Unaudited 30th September 2005	Audited 31st March 2005
	Note	***HK$'000***	*HK$'000*
Non-current assets			
Fixed assets	*8*	**22,419**	25,407
Intangible assets		**5,358**	5,056
		27,777	30,463
Current assets			
Inventories		**1,592**	1,432
Accounts receivable	*9*	**3,259**	3,570
Other receivables and deposits	*10*	**33,135**	30,391
Bank balances and cash		**1,871**	1,701
		39,857	37,634
Current liabilities			
Accounts payable	*11*	**767**	1,171
Other payables and accrued charges		**7,124**	1,267
Amounts due to related companies		**4,331**	100
Bank and other loans		**500**	500
		12,722	10,196
Net current assets		**27,135**	27,438
Total assets less current liabilities		**54,912**	57,901
Financed by:			
Share capital	*12*	**3,125**	3,125
Reserves		**(1,853)**	6,943
Shareholders' funds		**1,272**	10,068
Non-current liabilities			
Deferred tax liabilities		**643**	643
Bank and other loans		**52,997**	47,190
		54,912	57,901

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2005

	Unaudited Six months ended 30th September 2005 HK$'000	2004 HK$'000
Net cash (outflow)/inflow from operating activities	**(4,538)**	4,102
Net cash used in investing activities	**(1,099)**	(361)
Net cash from financing activities	**5,807**	1,499
Increase in cash and cash equivalents	**170**	5,240
Cash and cash equivalents at 1st April	**1,701**	438
Cash and cash equivalents at 30th September	**1,871**	5,678
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	**1,871**	5,678

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2005

	Note	Unaudited Six months ended 30th September 2005 *HK$'000*	2004 *HK$'000*
Share capital			
Brought forward and carried forward	*12*	**3,125**	3,125
Share premium			
Brought forward and carried forward		**27,783**	27,783
Merger reserve			
Brought forward and carried forward		**(197)**	(197)
Capital reserve			
Brought forward		**–**	–
Share-based payments for the period		**1,500**	–
Carried forward		**1,500**	–
Accumulated losses			
Brought forward		**(20,643)**	(11,675)
Loss for the period		**(10,296)**	(1,393)
Carried forward		**(30,939)**	(13,068)
Shareholders' funds		**1,272**	17,643

NOTES TO CONDENSED ACCOUNTS

1. Basis of preparation and principal accounting policies

The condensed consolidated interim accounts have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These condensed accounts should be read in conjunction with the 2005 annual accounts.

The accounting policies used in the preparation of these condensed consolidated interim accounts are consistent with those used in the 2005 annual accounts except that in the current period, the Group has changed certain of its accounting policies following its adoption, for the first time, of a number of new/revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standard ("HKAS") and Interpretations (hereby collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January 2005.

The adoption of these new HKFRSs has resulted in a change of certain Group's accounting policies that affected the results for the current or prior accounting periods. The changes to the Group's accounting policies and the effect of adopting these new HKFRSs are set out below.

Business combination

In previous periods, goodwill arising on acquisition was capitalised and amortised over its estimated useful life.

On application of HKFRS 3, goodwill arising on acquisition is measured at cost less accumulated impairment losses after initial recognition. No amortisation is allowed and accordingly no amortisation was provided for the six months ended 30th September 2005.

Share-based payments

In previous periods, share options granted were not recognised as compensation cost.

HKFRS 2, with retrospective application only to share options granted after 7th November 2002 and not vested at 1st January 2005, requires an expense to be recognised for the fair value of share options granted determined at the date of grant of the share options.

On adoption of HKFRS 2, the fair value of share options granted is expensed on a systematic basis and there is no retrospective application. The effect of such adoption is an increase of expenses of HK$1,500,000 for the six months ended 30th September 2005.

2. **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 in the People's Republic of China ("PRC") (collectively known as "TV digitalisation related services").

An analysis of the Group's revenues and results for the Relevant Periods by business segments is as follows:

	Unaudited Turnover For the six months ended 30th September		**Unaudited Segment results For the six months ended 30th September**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Provision of pre-mastering and other media services	**4,606**	2,732	**1,108**	753
Provision of audiovisual playout services	**2,388**	3,294	**20**	766
Provision of TV digitalisation related services	**341**	–	**(5,807)**	(799)
	7,335	6,026	**(4,679)**	720
Unallocated costs			**(4,118)**	(2,113)
Loss from operations			**(8,797)**	(1,393)
Finance costs			**(1,499)**	–
Loss attributable to shareholders			**(10,296)**	(1,393)

The Group is organised into three main business segments:

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

– Provision of audiovisual playout services – provision of audiovisual playout services on audiovisual data;

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

There are no sales and other transactions between the business segments. Unallocated costs represent corporate expenses.

3. **Operating loss**

Operating loss is stated after charging the following:

	Unaudited Six months ended 30th September	
	2005	2004
	HK$'000	*HK$'000*
Cost of inventories sold	**2,696**	1,311
Depreciation	**3,250**	1,859
Amortisation of goodwill	**–**	17
Amortisation of film rights	**532**	–
Amortisation of club membership	**3**	–

4. **Finance costs**

	Unaudited Six months ended 30th September	
	2005	2004
	HK$'000	*HK$'000*
Interest expenses on borrowings wholly repayable within five years	**1,499**	79

5. **Staff costs**

	Unaudited Six months ended 30th September	
	2005	2004
	HK$'000	*HK$'000*
Wages and salaries	**5,065**	2,543
Pension costs – defined contribution plans	**131**	87
	5,196	2,630

6. **Taxation**

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

7. **Loss per share**

The calculation of basic loss per share for the three months and six months ended 30th September 2005 was based on the Group's loss attributable to shareholders of approximately HK$5,471,000 and approximately HK$10,296,000 respectively (2004: approximately HK$1,575,000 and approximately HK$1,393,000) and on 312,500,000 (2004: 312,500,000) ordinary shares in issue during the periods.

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

8. Capital expenditure

	Film rights HK$'000	Club membership HK$'000	Fixed assets HK$'000
Six months ended 30th September 2005			
Opening net book amount	889	160	25,407
Additions	837	–	262
Amortisation/depreciation charge	(532)	(3)	(3,250)
Closing net book amount	1,194	157	22,419

9. Accounts receivable

The Group's credit term granted to trade debtors generally ranges from 30 to 90 days. At 30th September 2005, details of the ageing analysis of accounts receivable were as follows:

	Unaudited 30th September 2005 HK$'000	Audited 31st March 2005 HK$'000
Current	**572**	2,163
31–60 days	**243**	95
61–90 days	**188**	114
Over 90 days	**2,256**	1,198
	3,259	3,570

10. Other receivables and deposits

Included in the balance is a deposit of HK$24,500,000 (2004: Nil) paid for the purchase of Cable TV set top boxes in relation to the TV digitalisation network operations.

11. Accounts payable

Details of the ageing analysis of accounts payable were as follows:

	Unaudited 30th September 2005 HK$'000	Audited 31st March 2005 HK$'000
Current	**270**	541
31–60 days	**109**	252
Over 60 days	**388**	378
	767	1,171

12. Share capital

	Unaudited 30th September 2005 HK$'000	Audited 31st March 2005 HK$'000
Authorised		
700,000,000 ordinary shares of HK$0.01 each	**7,000**	7,000
Issued and fully paid		
312,500,000 ordinary shares of HK$0.01 each	**3,125**	3,125

13. Capital Commitments

At 30th September 2005, the Group had capital commitments in respect of the following:

	Unaudited 30th September 2005 HK$'000	Audited 31st March 2005 HK$'000
Authorised but not contracted for:		
Hunan Cable TV digitalisation network system	**30,322**	30,322
Contracted for but not provided for		
– Hunan Cable TV digitalisation network system	**7,368**	7,368
– Purchase of other fixed assets	**2,404**	–
	40,094	37,690

14. Commitments under operating leases

At 30th September 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Unaudited 30th September 2005 HK$'000	Audited 31st March 2005 HK$'000
Not later than one year	**350**	813
Later than one year and not later than five years	**128**	649
	478	1,462

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months and six months ended 30th September 2005.

BUSINESS REVIEW AND FINANCIAL REVIEW

Change of Company name

On 5th August 2005, the shareholders of the Company has approved the change of name of the Company from "M21 Technology Limited" to "China Chief Cable TV Group Limited" to better reflect the Company's current business development in the digital television network. The Directors foresee that income from such business will continually and progressively increase during the process of launching digital television network across the Peoples' Republic of China ("PRC"). All the necessary documentation and registration procedures were completed on 29th August 2005.

Financial review

For the six months ended 30th September 2005, the Group recorded a turnover of approximately HK$7,335,000 (2004: approximately HK$6,026,000). The increase was mainly due to the increased demand of playout, pre-mastering and post-production services generated from various new Pay TV channels launched and turnover contribution from TV digitalisation services (a new business segment acquired by the Group in August 2004) of HK$341,000 (2004: Nil).

Income from pre-mastering and other media services ("Media Services") accounted for approximately 63% (2004: approximately 45%) of the Group's turnover. Such increase was mainly contributed to the increased demand from TV channels as mentioned above. Income from the provision of audiovisual playout services ("Playout Services") accounted for approximately 33% (2004: approximately 55%) of the Group's turnover. The number of playout channels increased while the percentage to the Group's turnover decreased, this was attributed to the discount granted to a customer whose number of playout channels operating with the Company was continuously increasing. Despite such discount, increased channels has brought along ancillary services such as editing, subtitling, sound mixing etc, this has in turn led to an increase in the income from Media Services.

Income from provision of TV digitalisation related services amounted to approximately HK$341,000 (2004: Nil). The business of Sky Dragon Group has been launched since the fourth quarter of 2004 and the income will be further increased as a result of the process of launching digital television network across the PRC by the PRC government.

The Group generated a gross profit of approximately HK$758,000 (2004: approximately HK$2,750,000) out of a total turnover of approximately HK$7,335,000 (2004: approximately HK$6,026,000). The gross profit margin has been decreased from 46% in 2004 to 10% in the current period, mainly because not much income has been generated from the provision of TV digitalisation related services yet while certain direct costs such as depreciation and salary expenses were incurred and the discount granted to a customer of Playout Services as mentioned above. Despite that, the Directors expect that the projected increase in income from the provision of TV digitalisation related services will improve the gross profit margin of the Group accordingly.

During the period under review, the loss attributable to shareholder was approximately HK$10,296,000 (2004: approximately HK$1,393,000). Such loss was mainly attributable to the provision of TV digitalisation related services whose business requires heavy investment, including machinery and manpower. However, the Directors believe that such loss will be diminished with a view to the gradual but finally complete roll out of digital television network across the PRC.

BUSINESS PURSUITS AND PROSPECTS

In August 2004, the Group acquired the Sky Dragon Group, a new business for the provision of TV digitalisation related services in order to expand its business scope in the PRC and grabbed the opportunities of network digitalisation 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 will be digitalised. With such large hinterland, immense population, encouraging government policy, the Directors are therefore optimistic and confident about the future of the digital television market in PRC.

Hunan TV, the authorised digital television network operator in Hunan Province, owns and operates a fibre optic trunk network covering 14 major districts in Hunan (the "First Tier Network"). The First Tier Network is connected to fibre optic trunk networks in 108 cities and counties in Hunan (the "Second Tier Network"). The First Tier Network and the Second Tier Network together form a nation-wide cable television network in Hunan, covering over 4 million households in the territory which is the source of income by virtue of sharing of the subscription fee from these households with Hunan TV after deducting a fee to Second Tier Network Operators. In order to provide digital television services to subscribers, the Second Tier Network Operators must enter into agreement with Hunan TV on the sharing of subscription fee. As required by the circular dated 4th November 2004, the number of Second Tier Network Operators who has not yet reached agreement with Hunan TV is 82 as at the date of this report.

The income from our core business, Media Services are growing continuously due to the increase in number of playout channels related to the boom in Pay TV industry started in 2004, which created demand for the Group's services and generated opportunities for the Group to take on more channels at an optimal cost. The Directors expect that the number of channels will further increase in Hong Kong in current year and due to the complete success in the Hong Kong market, the Group has considered the feasibility of managing playout channels in the South East Asia countries (especially those with large Chinese-related population) and is pleased to announce that the Group is now managing a playout channel in Malaysia started from early September 2005. 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 Directors believe 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.

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

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

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

Liquidity, financial resources and charges on group assets

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 30th September 2005, the Group has unsecured external borrowing of approximately HK$52,997,000 and secured borrowing of HK$500,000. In turn, the gearing ratio became 420% based on the total bank and other loans of approximately HK$53,497,000 and the shareholders' funds of HK$1,272,000.

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.

Contingent liabilities

The Group had no material contingent liabilities as at 30th September 2005.

Employee information

As at 30th September 2005, the Group had 108 full-time employees. Employee costs, including directors' emoluments for the period amounted to approximately HK$5,196,000. 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.

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

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

(a) Ordinary shares of HK$0.01 each in China Chief Cable TV Group Limited

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

Note:

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

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

(b) Share option

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

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

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

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

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

Notes:

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SHARE OPTION SCHEME

Details of the share option scheme (the "Scheme") approved by the shareholders of the Company pursuant to the written resolutions dated 20th March 2001 were disclosed in the Company's 2005 annual report. During the period, no options was granted under the Scheme.

CORPORATE GOVERNANCE

The Company has been in compliance with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules as at 30th September 2005.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company continued to adopt a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors.

COMPETING BUSINESS

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

AUDIT COMMITTEE

The Company has established an audit committee comprising three independent non-executive directors and has adopted the terms of reference governing the authority and duties of the audit committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control of the Group. This report has been reviewed by the audit committee.

On Behalf of the Board
Tong Hing Chi
Chairman

Hong Kong, 11th November 2005