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 stockbroker or other registered dealer 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, you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities in China Chief Cable TV Group Limited.

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8153)

MAJOR TRANSACTION
Acquisition of an 80% interest in
Nanjing Everyday Buy Trading Co., Ltd.
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
PROPOSED REFRESHMENT OF GENERAL MANDATE
TO ISSUE SHARES

Financial Adviser to China Chief Cable TV Group Limited

Hercules

Hercules Capital Limited

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

SC

South China Capital Limited

A letter from the Independent Board Committee is set out on page 23 of this circular and a letter from South China Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the refreshment of general mandate is set out on pages 24 to 31 of this circular.

A notice convening a special general meeting of China Chief Cable TV Group Limited to be held on Wednesday, 7 November 2007 at 5:30 p.m. in Conference Room, 5/F., Mei Ah Centre, 28 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong is set out on pages 98 to 100 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon, and to lodge it with the share reistrar of the Company, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment of the meeting should you so wish.

22 October 2007

* *For identification purpose only*

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

CONTENTS

In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:

"Acquisition"	the acquisition of an 80% equity interest in the Target by Sparkle View from the Vendors
"AGM"	the annual general meeting of the Company held on 6 August 2007
"Agreement"	the conditional sale and purchase agreement entered into on 17 September 2007 between the Company, Sparkle View and the Vendors in relation to the Acquisition
"Announcement"	the announcement of the Company dated 21 September 2007 in relation to the Acquisition and the proposed increase in authorised share capital
"associate"	has the meaning ascribed to it under the GEM Listing Rules
"BMI"	BMI Appraisals Limited, an independent professional valuer
"Board"	the board of Directors
"Bye-laws"	the existing bye-laws of the Company adopted on 20 March 2001 and as amended on 22 July 2004
"Company"	China Chief Cable TV Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on GEM
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Agreement
"connected person"	has the meaning ascribed to it under the GEM Listing Rules
"Consideration"	the consideration of RMB350 million (equivalent to HK$364 million) payable by Sparkle View for the Acquisition and to be satisfied in the manner as described in this circular

"Consideration Shares"	156,000,000 new Shares to be issued by the Company at the Issue Price as part of the Consideration pursuant to the Agreement
"Conversion Price"	the price at which holder(s) of the Convertible Bonds may convert the principal amount outstanding under the Convertible Bonds into Shares, at HK$0.32 per Conversion Share (subject to adjustment)
"Conversion Shares"	new Shares falling to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds
"Convertible Bonds"	the convertible bonds in the principal amount of HK$282,880,000 to be issued by the Company in favour of the Vendors at Completion to satisfy part of the Consideration
"Directors"	the directors of the Company
"Enlarged Group"	the Group as enlarged by the Acquisition
"Exclusive Agreement"	the exclusive agreement entered into on 3 August 2007 between the Vendors and Sparkle View in relation to the possible Acquisition
"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
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Financial Adviser" or "South China Capital"	South China Capital Limited, a deemed licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the refreshment of the Previous Issue Mandate

"Independent Shareholders"	Shareholders other than Mr. Law Kwok Leung, Mr. Chan Kwok Sun, Dennis, Mr. Feng Xiao Ping and Mr. Tong Hing Chi and their respective associates
"Issue Price"	the issue price of HK$0.32 per Consideration Share
"Jiangsu Digital"	江蘇廣電數字傳媒有限公司 (Jiangsu Digital Media Company Limited), a company incorporated in the PRC
"JV Agreement"	the joint venture agreement entered into on 28 July 2007 between the Target and Jiangsu Digital in relation to the joint investment and operation of the JV Company
"JV Company"	a joint venture company to be established and tentatively named as 江蘇廣電時尚傳媒有限公司 (JiangSu BCTV Fashion Media Limited Company) in the PRC
"Last Trading Day"	14 September 2007, the last trading day of the Shares on GEM of the Stock Exchange immediately before the publication of the Announcement
"Latest Practicable Date"	17 October 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"New Issue Mandate"	the mandate proposed to be sought at the SGM to authorise the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company on the date of SGM
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Previous Issue Mandate"	the issue mandate granted to the Directors on the AGM to exercise the power of the Company to issue new shares
"SFO"	the Securities and Futures Ordinance (Chpater 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held on Wednesday, 7 November 2007 at 5:30 p.m. in Conference Room, 5/F., Mei Ah Centre, 28 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong

"Share(s)"	the share(s) of HK$0.01 each in the issued share capital of the Company
"Shareholders"	holders of the Shares
"Sparkle View"	Sparkle View Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Code on Takeovers and Mergers
"Target"	南京天天購貿易有限公司 (Nanjing Everyday Buy Trading Co., Ltd.) (formerly know as 度量衡(南京)商品管理咨詢服務有限公司 (Precision (Nanjing) Commodity Inspection & Consulting Co. Ltd.)), a company incorporated in the PRC and wholly-owned by the Vendors
"Vendors"	Mr. Lin Fang Chih (林芳智先生) and Mr. Law Kwok Keung (羅國強先生)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States
"%"	per cent.

In this circular, conversion of RMB into HK$ is calculated at the exchange rate of RMB1.0 to HK$1.04 according to the Agreement.

The English translations of the Chinese names are included for information purpose only and should not be regarded as their official English translations.

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. Tong Hing Chi *(Chairman)*
Mr. Law Kwok Leung
Mr. Feng Xiao Ping

Non-executive Director:
Mr. Chan Kwok Sun, Dennis

Independent non-executive Directors:
Mr. Sousa Richard Alvaro
Mr. Carl Chang

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business:
1st Floor, Mei Ah Centre
28 Chun Choi Street
Tseung Kwan O Industrial Estate
Kowloon
Hong Kong

22 October 2007

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
Acquisition of an 80% interest in
Nanjing Everyday Buy Trading Co., Ltd.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

1. INTRODUCTION

On 21 September 2007, the Board announced that on 17 September 2007, Sparkle View, the Company and the Vendors entered into the Agreement to acquire from the Vendors an 80% interest in the Target. The aggregate consideration is RMB350 million which will be satisfied as to RMB30 million by cash, as to RMB48 million by the issue of the Consideration Shares and as to RMB272 million by the issue of the Convertible Bonds. The Acquisition constitutes a major transaction for the Company under the GEM Listing Rules and is conditional upon approval by the Shareholders at the SGM.

* *For identification purpose only*

The Board also proposes to (i) seek the approval by way of an ordinary resolution at the SGM by the Shareholders of an increase in the authorised share capital of the Company from HK$7,000,000 divided into 700,000,000 Shares to HK$20,000,000 divided into 2,000,000,000 Shares by creating an additional 1,300,000,000 unissued Shares; and (ii) refresh the Previous Issue Mandate for the Directors to issue and allot Shares not exceeding 20% of the issued share capital of the Company as at the date of the SGM.

The purposes of this circular are:

(i) to provide you details of the Acquisition, the proposed increase in authorised share capital of the Company and the refreshment of the Previous Issue Mandate ;

(ii) to set out the recommendation of the Independent Board Committee in relation to the refreshment of the Previous Issue Mandate;

(iii) to set out a letter from South China Capital containing its advice to the Independent Board Committee in relation to the refreshment of the Previous Issue Mandate; and

(iv) to provide the Shareholders with a notice of the SGM and other information in accordance with the requirements with the GEM Listing Rules.

2. THE AGREEMENT DATED 17 SEPTEMBER 2007

Parties to the Agreement:

(1) Sparkle View (as purchaser);
(2) the Vendors (as vendors); and
(3) the Company

To the best of the knowledge, information and belief of the Board and having made all reasonable enquiries, the Vendors are third parties independent of the Company and its connected persons and the Company and its connected persons had no prior relationship or transactions with the Vendors.

Interest to be acquired:

80% equity interest in the Target

Consideration:

The consideration for the Acquisition is RMB350 million (equivalent to HK$364 million). The Consideration was negotiated between the parties at arm's length on normal commercial terms and represents a discount of approximately 8.9% to the fair market value of a 39.2% equity interest in the JV Company of RMB384.16 million. The fair market value was determined by BMI which has in its valuation applied the market approach by making reference to the price multiples of comparable listed companies as available in the relevant market and not based on any profit forecast.

The Consideration shall be satisfied in the following manners:

(i) a refundable deposit of RMB30 million (equivalent to HK$31.2 million) shall be paid within 7 days from the date of signing of the Agreement;

(ii) as to RMB48 million (equivalent to HK$49.92 million) by procuring the Company to allot and issue the Consideration Shares to the Vendors credited as fully paid at the Issue Price upon Completion; and

(iii) as to RMB272 million (equivalent to HK$282.88 million) by procuring the Company to issue the Convertible Bonds to the Vendors upon Completion.

The cash consideration was paid and funded by the internal resources of the Group.

Consideration Shares:

Based on the closing price of HK$1.70 per Share as quoted on the Stock Exchange on the Last Trading Day, the market value of the Consideration Shares amounts to HK$265.2 million.

Based on the average of the closing prices of approximately HK$1.70 per Share as quoted on the Stock Exchange over the last five consecutive trading days up to and including 14 September 2007, the market value of the Consideration Shares amounts to HK$265.2 million.

The Consideration Shares represents approximately 35.62% of the existing issued share capital and approximately 26.26% of the enlarged issued share capital of the Company as enlarged by the issue of the Consideration Shares (but before issue of any Conversion Shares).

Terms of the Convertible Bonds

Issue size

In the aggregate principal amount of HK$282,880,000.

Interest

The Convertible Bonds do not bear any interest.

Maturity

On the 5th anniversary of the date of issue of the Convertible Bonds.

Conversion price

HK$0.32 per Share, subject to the usual provisions for adjustments arising from events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and subsequent issue of securities at substantial discount.

Conversion

Holders of the Convertible Bonds have the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds (in the amount of HK$5,000,000 or integral multiples thereof) on any business day after the date of issuance of the Convertible Bonds up to the maturity date, provided always that (i) the holders of the Convertible Bonds and parties acting in concert (as defined in the Takeovers Code) with it will not become obliged to make a mandatory offer under Rule 26 of the Takeovers Code; and (ii) the holders of the Convertible Bonds shall not exercise the conversion rights if such conversion would result in the Company's non-compliance with the minimum public shareholding requirement stipulated under Rule 8.08 of the GEM Listing Rules or other requirements under the GEM Listing Rules. These restrictions on conversion will apply throughout the term of the Convertible Bonds. Accordingly, any subsequent conversion of the Convertible Bonds would not result in any holder of the Convertible Bonds and parties acting in concert (as defined in the Takeovers Code) with it having 30% or more shareholding in the Company and therefore would not result in a change in control of the Company. When a holder of the Convertible Bonds exercises the conversion rights attached to any Convertible Bonds, such holder of Convertible Bonds will be required to confirm in the conversion notice that the aforesaid restriction is complied with and the Company will not proceed with the issue of any Conversion Shares if the restriction is not compiled with.

The Company shall from time to time monitor the shareholding interest of holders of the Convertible Bonds and shall ensure compliance with the minimum shareholding requirement and other requirements of the GEM Listing Rules.

Conversion Shares

On the basis of the principal amount of HK$282,880,000 and the Conversion Price of HK$0.32 per Conversion Share, a total of 884,000,000 Conversion Shares will be issued upon full conversion of the Convertible Bonds.

The total of 884,000,000 Conversion Shares to be issued upon full conversion of the Convertible Bonds represent (i) approximately 201.83% of the existing share capital of the Company; (ii) approximately 148.82% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares; and (iii) approximately 59.81% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the Conversion Shares.

Ranking of Conversion Shares

Conversion Shares will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of such Shares and accordingly shall entitle the holders to participate in all dividends or other distributions declared, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant conversion date. A holder of Shares issued on conversion of the Convertible Bonds shall not be entitled to any rights the record date for which precedes the relevant conversion date.

Transferability

The Convertible Bonds are transferable in denominations of the principal amount of HK$5,000,000 subject to prior notification to the Company. The Company will disclose to the Stock Exchange any dealings by a connected person of the Company in the Convertible Bonds from time to time immediately upon the Company becoming aware of it.

Redemption at Maturity

115% of the principal amount of the outstanding Convertible Bonds on the maturity date.

Status

The Convertible Bond constitutes direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Listing

No application will be made for the listing of the Convertible Bonds.

The Issue Price and the Conversion Price

The Issue Price and the Conversion Price of the Convertible Bonds are the same at HK$0.32 per Share which represents:

(a) a discount of approximately 81.18% to the closing price of HK$1.70 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 81.18% to the average of the closing prices of approximately HK$1.70 per Share as quoted on the Stock Exchange over the last five consecutive trading days up to and including the Last Trading Day;

(c) a discount of approximately 78.81% to the average of the closing prices of approximately HK$1.51 per Share as quoted on the Stock Exchange over the last ten consecutive trading days up to and including the Last Trading Day;

(d) a premium of approximately 14.29% over the average of the closing prices of the Share for the sixty-two trading days in the first quarter of 2007 of HK$0.28 per Share; and

(e) a discount of approximately 71.93% to the closing price of HK$1.14 per Share on the Latest Practicable Date.

The Issue Price and the Conversion Price of HK$0.32 per Share is at substantial discounts to the current and recent market prices of the Shares. However, the Directors note that the price of the Shares has increased from the low range of about HK$0.24 per Share at the beginning of 2007 to its last closing price of HK$1.70 per Share on 14 September 2007. The Directors are not aware of the reasons for such surge in Share price, but consider that the surge could be speculative due to the prevailing high liquidity of the stock market. In view of (i) the Company had an audited consolidated net deficit of HK$21.5 million as at 31 March 2007 representing a net deficit per Share of approximately HK$0.06 (based on 385,000,000 Shares in issue as at the date of the Announcement); (ii) the consecutive losses made by the Company in recent years; (iii) the allotment and issue of the Consideration Shares is the most cost efficient and beneficial way to financing the Acquisition as it saves the costs of borrowing and eliminates the burden of the Company arising through the usage of cash; and (iv) the Consideration Shares and the Conversion Shares will be subject to lock-up arrangement of 18 months, the Directors therefore consider the Issue Price as well as the Conversion Price to be fair and reasonable.

The Consideration Shares and the Conversion Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, the record date for which falls on or after the date of such allotment and issue.

Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consideration Shares and the Conversion Shares which may fall to be issued upon conversion of the Convertible Bonds.

Lock-up on disposal of Shares

The Vendors have undertaken that they shall not sell, transfer or otherwise dispose of the Consideration Shares and the Conversion Shares (if any) for a period of 18 months commencing from the date of Completion unless with the prior written consent of Sparkle View and the Company.

Conditions and Completion

Completion of the Acquisition is conditional upon:

(a) Sparkle View being satisfied with the results of the due diligence review of the assets, liabilities, operations and affairs of the Target and the JV Company including but not limited to the due establishment of the JV Company and the ownership of its 49% equity interest by the Target;

(b) all necessary consents and approvals required to be obtained on the part of the Vendors and Sparkle View in respect of the Agreement and the transactions contemplated thereunder having been obtained;

(c) all necessary consents and approvals required to be obtained from all relevant PRC government authorities in respect of the Agreement and the transactions contemplated thereunder having been obtained;

(d) Shareholders' approval of the Agreement and the transactions contemplated thereunder having been obtained at the SGM;

(e) the obtaining of a PRC legal opinion (in form and substance satisfactory to Sparkle View) in relation to the transactions contemplated under the Agreement;

(f) the warranties by the Vendors under the Agreement remaining true and accurate in all respects;

(g) the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares; and

(h) the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares.

Completion shall take place on the date falling two business days after the date on which all the conditions under the Agreement are satisfied or waived, or such later date as the Vendors and Sparkle View may agree in writing.

If all the conditions have not been satisfied or waived (provided that conditions (b), (c), (d), (g), and (h) cannot be waived) on or before 17 January 2008 (or such other date as the Vendors and Sparkle View may agree in writing) then the Vendors shall forthwith refund all moneys paid under this Agreement to Sparkle View (without interest or compensation) and the Agreement will lapse and no party shall make any claim against the other, save for any antecedent breach.

None of the conditions have been fulfilled or waived as at the Latest Practicable Date. Notwithstanding the fact that condition (a) can be waived, the Directors see no justification for waiving condition (a) under the present circumstances. It is intended that the Company would not proceed to acquire the Target if the JV Company cannot be established.

INFORMATION ON THE TARGET

The Target is a wholly foreign-owned enterprise incorporated in the PRC on 2 June 2006 with registered capital of US$1.35 million. The Target is beneficially owned as to 33% by Mr. Lin Fang Chih and 67% by Mr. Law Kwok Keung. The Target has not carried on any business since its incorporation except entering into the legally binding JV Agreement on 28 July 2007 with Jiangsu Digital for the joint investment and operation of the JV Company.

Set out below are the audited results of the Target for the period from 2 June 2006 (being the date of incorporation) to 31 August 2007 extracted from Appendix II to the Circular:

	Period from 2 June 2006 to 31 August 2007 *RMB*
Revenue	—
Loss before income tax	(239,411)
Loss for the period	(239,411)

The loss for the aforesaid period was attributable to the start up-costs during the relevant period.

The audited net liabilities of the Target as at 31 August 2007 was RMB197,916.

FINANCIAL AND TRADING PROSPECT OF THE TARGET

Business Review

The Target has not commenced any business operation during the period under review, except for entering into the JV agreement on 28 July 2007 with Jiangsu Digital for the joint investment and operation of the JV Company. No turnover was recorded during the period under review.

Results

The loss of RMB239,411 for the period was attributable to the start up costs. The net liabilities for the company were RMB197,916.

Capital structure, liquidity and financial resources

The registered capital of the Target was USD5,000. There was a current liability of RMB1,309,553 representing mainly the shareholders' loan to the Target. The shareholders' loan is unsecured, interest free and has no fix repayment date. The shareholders' loan was intended to be capitalized in the future as capital investment. The gearing ratio is 118% based on the total liabilities of RMB1.3 million and total assets of RMB1.1 million. The Target's borrowings and expenses were denominated in Renminbi and has no exposure to foreign currency fluctuations. The Target has no material contingent liabilities.

Material Investment, Acquisition and Disposal

The commitment of the Target under the JV Agreement was RMB40 million (including the registered capital) being the total investment amount by the Target in the JV Company, of which RMB20 million shall be made prior to 31 December 2008 and the balance to be made prior to 31 December 2010. The Target shall own 49% of the equity interest in the JV Company. As at 31 August 2007, the JV Company had not yet been established.

A deposit payment of RMB1,000,000 to Jiangsu Digital has been made in the period pursuant to the JV Agreement, and this amount has been included in the other receivables.

Human Resources

During the period, the company had five full-time employees. Employee costs amounted to approximately RMB98,000. Remuneration is reviewed annually and employees are rewarded on a performance related basis.

INFORMATION ON THE JV COMPANY

The JV Company has not yet been established as at the Latest Practicable Date. Upon its establishment by end November, the registered capital of the JV Company shall be RMB10 million and shall be owned as to 49% by the Target and 51% by Jiangsu Digital. It is expected that the JV Company will commence business immediately after its establishment.

The total investment amount by the Target in the JV Company shall be RMB40 million in cash (including the registered capital), of which RMB20 million shall be contributed before 31 December 2008 and the balance shall be contributed before 31 December 2010. The RMB10 million registered capital of the JV Company shall be paid prior to Completion and would not be contributed by the Company or Sparkle View.

The term of the JV Company shall last for an initial period of 20 years from the date of registration of the transfer of a 49% ownership in the JV Company to the Target. The Board of the JV Company will consist of a total of five directors including three appointees of Jiangsu Digital and two appointees of the Target. The chairman of the JV Company will be appointed by Jiangsu Digital. Profits of the JV Company will be distributed in accordance with the proportion of the equity interest held by the Target and Jiangsu Digital in the ratio of 49% and 51% respectively.

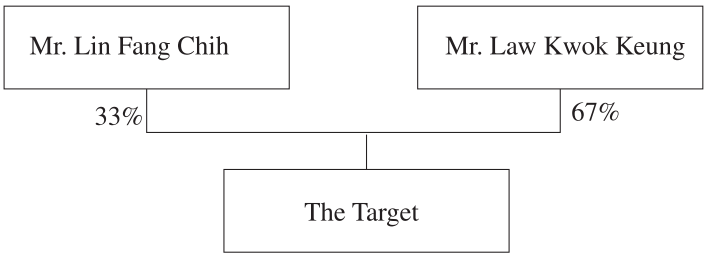
The JV Company will be principally engaged in direct TV sales, programmes production, advertising agency, design and production. Jiangsu Digital has been authorised by Jiang Su Broadcasting Corporation（江蘇省廣播電視總台）to operate Channel Dressy（江蘇靚妝頻道）. Jiangsu Digital agreed to grant to the JV Company the sole and exclusive right for the supply of television programmes and all revenues deriving from Channel Dressy（江蘇靚妝頻道）for 20 years.

The principal business activities of Jiangsu Digital comprise the development of digital new media for the Jiang Su Broadcasting Corporation（江蘇省廣播電視總台）, the operations of all digital channels for the Jiang Su TV group, including Channel Dressy（江蘇靚妝頻道）. Pursuant to the JV Agreement, Jiangsu Digital shall be responsible for the specification, programming, editing and broadcast of television programmes on Channel Dressy（江蘇靚妝頻道）. In addition, Jiangsu Digital guaranteed that Channel Dressy（江蘇靚妝頻道）has over 2 million free subscribers nationwide.

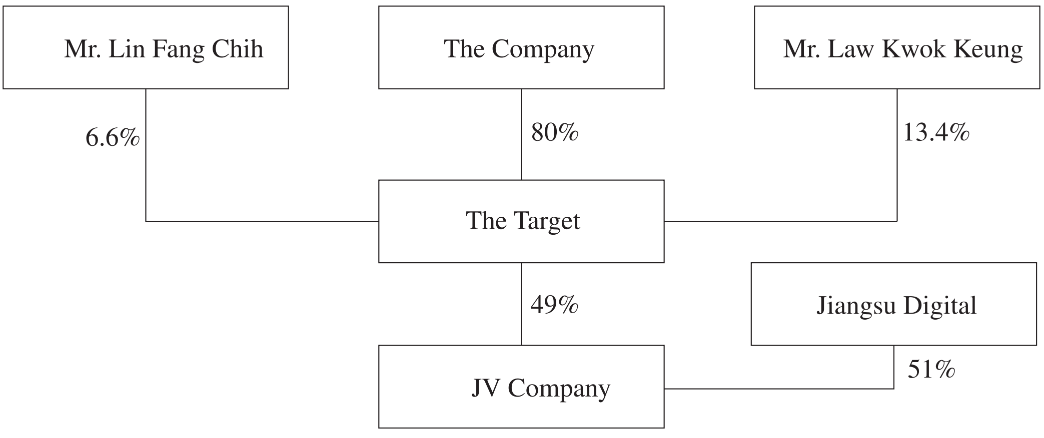
To the best of the knowledge, information and belief of the Board and having made all reasonable enquiries, Jiangsu Digital is a third party independent of the Company and its connected persons and the Company and its connected persons had no prior business relationship with Jiangsu Digital.

SHAREHOLDING STRUCTURE OF THE TARGET BEFORE AND UPON COMPLETION

The diagram below shows the shareholding structure of the Target before Completion:



The diagram below shows the shareholding structure of the Target upon Completion:



SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a summary of the shareholding in the Company (i) as at the Latest Practicable Date; (ii) immediately after the issue of the Consideration Shares upon Completion; (iii) after Completion and upon full conversion of the Conversion Bonds; and (iv) immediately after the issue of the Consideration Shares and upon partial conversion of the Convertible Bonds, each prepared on the basis that there would be no changes in the issued share capital of the Company after the Latest Practicable Date other than as stated in each scenario. Shareholders should nevertheless note that the analysis under scenario (iii) is shown for illustration purpose only and will not materialise, for the reason that the Vendors would otherwise hold approximately 70.37% of the enlarged issued share capital of the Company in that scenario, thus exceeding the threshold of 30% triggering a mandatory general offer obligation under the present provisions of the Takeovers Code. However, the terms and conditions of the Convertible Bonds stipulate that holders of the Convertible Bonds have the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds provided that the holders of the Convertible Bonds and parties acting in concert (as defined in the Takeovers Code) with it will not become obliged to make a mandatory offer under Rule 26 of the Takeovers Code.

Shareholders	As at the Latest Practicable Date		After issue of Consideration Shares but before conversion of Convertible Bonds		After issue of Consideration Shares and conversion of all Convertible Bonds		After issue of Consideration Shares and partial conversion of Convertible Bonds to the extent allowed by the conversion restrictions	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Sino Regal Holding Limited[1]	80,000,000	18.27	80,000,000	13.47	80,000,000	5.41	80,000,000	12.80
Law Kwok Leung[2]	7,380,500	1.69	7,380,500	1.24	7,380,500	0.50	7,380,500	1.18
Feng Xiao Ping[2]	41,718,750	9.52	41,718,750	7.02	41,718,750	2.82	41,718,750	6.67
Tong Hing Chi[2]	7,812,500	1.78	7,812,500	1.32	7,812,500	0.53	7,812,500	1.25
Vendors	0	0.00	156,000,000	26.26	1,040,000,000	70.37	187,250,000	29.95
Public Shareholders	301,088,250	68.74	301,088,250	50.69	301,088,250	20.37[4]	301,088,250	48.15
Total	438,000,000	100.00	594,000,000	100.00	1,478,000,000	100.00	625,250,000	100.00

Notes:

1. Sino Regal Holding Limited is owned by Mr. Law Kwok Leung and Mr. Chan Kwok Sun, Dennis as to 70% and 30% respectively, both being the Directors.

2. Being an executive Director.

3. To the best of the knowledge, information and belief of the Board and having made all reasonable enquiries:

   (i) other than being the Directors, there is no relationship between Mr. Law Kwok Leung, Mr. Feng Xiao Ping and Mr. Tong Hing Chi;

   (ii) other than being the shareholders of the Target, there is no relationship between the Vendors;

   (iii) the Vendors are not acting in concert with Sino Regal Holding Limited, Mr. Law Kwok Leung, Mr. Chan Kwok Sun, Dennis or Mr. Feng Xiao Ping; and

   (iv) each of the Vendors has no relationship with Sino Regal Holding Limited, Mr. Law Kwok Leung, Mr. Chan Kwok Sun, Dennis or Mr. Feng Xiao Ping.

4. This scenario is shown for illustration purpose only and will not materialise for the reason that the terms and conditions of the Convertible Bonds stipulate that holders of the Convertible Bonds have the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds provided always that (a) the holders of the Convertible Bonds and parties acting in concert (as defined in the Takeovers Code) with it will not become obliged to make a mandatory offer under Rule 26 of the Takeovers Code, and (b) the holders of the Convertible Bonds shall not exercise the conversion rights if such conversion would result in the Company's non-compliance with the minimum public shareholding requirement stipulated under Rule 8.08 of the GEM Listing Rules or other requirements under the GEM Listing Rules.

REASONS FOR THE ACQUISITION

The Company is an investment holding company. The principal activities of the Company's subsidiaries comprise 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 services, sales and rental of set-top boxes, development of program database, design and manufacture of digital television equipment and facilities in the PRC.

The Board believes that the Acquisition will present the Group with an opportunity to leverage on its expertise and network in the PRC television market and to form a strategic alliance with Jiangsu Digital, a leading Chinese television operator, to tap into the growth potential of the television advertising and direct TV sales market in the PRC. Taking into account the market potentials of the JV Company in direct TV sales, television advertising and programme production in the increasingly affluent PRC market, the Board is of the view that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Upon Completion, the Target will become a subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group. The financial statements of the JV Company will be equity accounted for in the Group's consolidated financial statements. Currently the Vendors are the only directors of the Target. The Company intends to appoint at least three directors into the board of the Target upon Completion.

There is no provision contained in the Agreement which gives the right for the Vendors to nominate Directors as a result of the Acquisition. Upon Completion, the Group will continue its existing businesses and diversify into television advertising and direct TV sales business. The Board is given to understand that the Vendors have no present intention of (i) changing the composition of the Board; (ii) nominating themselves to serve as Directors; or (iii) changing the principal activities of the Group mentioned above.

The Directors (including independent non-executive Directors) consider the terms of the Agreement to be on normal commercial terms and fair and reasonable insofar as the Shareholders are concerned and that the Agreement is in the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Upon Completion, the Target will become an 80% owned subsidiary of the Company. The Group will be able to consolidate its profit/loss and assets/liabilities into the Group's financial statements.

Effect on net asset value

As at 31 March 2007, the audited net deficit of the Group amounted to approximately HK$21.5 million. As at 31 August 2007, the Target recorded a net deficit of approximately HK$197,916. Upon completion of the Acquisition, the pro forma net asset value of the Enlarged Group would have improved to HK$28.4 million as the Acquisition is funded in part by the issue of the Consideration Shares.

Effect on earnings

For the period from 2 June 2006 (being the date of incorporation) to 31 August 2007, the Target recorded net loss of HK$239,411. For the year ended 31 March 2007, loss attributable to equity holders of the Company was approximately HK$17.1 million.

The Target had not conducted any business activities since its incorporation to 31 August 2007 and therefore, no revenue was generated for the period. The net loss was mainly due to the start up-costs during the relevant period. After the establishment of the JV Company, the Directors expect that the Target will be able to generate stable revenue and will strengthen the Group's financial position.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to seek the approval by way of an ordinary resolution at the SGM by the Shareholders of an increase in the authorised share capital of the Company from HK$7,000,000 divided into 700,000,000 Shares to HK$20,000,000 divided into 2,000,000,000 Shares by creating an additional 1,300,000,000 unissued Shares. Such new Shares, upon issue, shall rank pari passu in all respects with the existing Shares of the Company. Save for the Consideration Shares and the Conversion Shares, the Company did not have any present intention of issuing any part of the aforesaid capital as at the Latest Practicable Date.

REFRESHMENT OF GENERAL MANDATE

At the AGM, the Directors were granted the Previous Issue Mandate to allot, issue and deal with new Shares up to 20% of the aggregate issued share capital of the Company as at the date of such meeting. As at the AGM, 385,000,000 Shares were in issue and accordingly, a maximum of 77,000,000 Shares can be issued under the Previous Issue Mandate.

During the period from the date of the AGM to the Latest Practicable Date, certain of the Previous Issue Mandate has been utilised as a result of completion of the top-up placing of 53,000,000 new Shares on 5 October 2007. Accordingly, only 24,000,000 new Shares can be issued, representing approximately 5.48% of the issued share capital of the Company as at the Latest Practicable Date.

The Company wishes to seek approval of Shareholders at the SGM to refresh the Previous Issue Mandate in order to provide flexibility and discretion to the Directors to issue new Shares for future business development, expansion and/or equity fundraising. Based on the issued share capital of the Company as at the Latest Practicable Date of 438,000,000 Shares and assuming there is no change in the issued share capital until the date of the SGM, the New Issue Mandate will allow the Directors to issue and allot up to 87,600,000 new Shares. Save for the Consideration Shares and the Conversion Shares, the Company did not have any plans for any new issue of Shares as at the Latest Practicable Date.

There has not been any refreshment of general mandate to issue new Shares since the AGM. The following table summarises the use of the general mandate to issue Shares granted at the AGM:

Date of announcement	Event	Net proceeds (approximate)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
4 July 2007	Top-up placing of 62,500,000 Shares	HK$69.4 million	General working capital of the Group and/or possible investment in home shopping channel	As to (i) $32 million for investment in home shopping channel; (ii) $22.6 million for general working capital; and (iii) $14.8 million remain unutilised in bank deposit
25 September 2007	Top-up placing of 53,000,000 Shares	HK$81.3 million	General working capital and/or possible investment	Not yet utilised and the proceeds were placed in a call account to earn interest

PROCEDURES FOR DEMANDING A POLL

Pursuant to the Clause 66 of the By-laws of the Company, a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

(a) by the chairman of the meeting; or

(b) by at least three members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the time being to vote at the meeting; or

(c) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

(d) by a member or members present in person or in the case of a members being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than on-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a member.

GENERAL

The Acquisition constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules. The Agreement and transactions which it contemplates are therefore subject to approval by the Shareholders at the SGM. No Shareholder would be required to abstain from voting on the Agreement and transactions which it contemplates at the SGM.

No Shareholder would be required to abstain from voting on the proposed increase in authorised share capital of the Company.

Pursuant to the GEM Listing Rules, the refreshment of the Previous Issue Mandate will be subject to the Shareholders' approval by way of a poll at which the controlling shareholders of the Company and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution to be proposed in respect of the refreshment of the Previous Issue Mandate. As at the Latest Practicable Date, 80,000,000 Shares, representing approximately 18.26% of the existing issued share capital of the Company, were held by Sino Regal Holding Limited, which is beneficially owned by Mr. Law Kwok Leung and Mr. Chan Kwok Sun, Dennis, both being the Directors. Also, Mr. Law Kwok Leung, Mr. Feng Xiao Ping and Mr. Tong Hing Chi, all being executive Directors, are interested in 7,380,500 Share, 41,718,750 Shares and 7,812,500 Shares respectively, representing 1.69%, 9.52% and 1.78% of the existing issued share capital of the Company respectively. Accordingly, the Company did not have any controlling Shareholder. Mr. Law Kwok Leung, Mr. Chan Kwok Sun, Dennis, Feng Xiao Ping and Tong Hing Chi and their respective associates will abstain from voting in favour of resolution to refresh the Previous Issue Mandate at the SGM.

In accordance with the GEM Listing Rules, South China Capital has been appointed by the Company to advise Independent Board Committee and the Independent Shareholders on the refreshment of the Previous Issue Mandate.

THE SGM

The SGM will be held on Wednesday, 7 November 2007 at 5:30 p.m. in Conference Room, 5/F., Mei Ah Centre, 28 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong for the purpose of considering, and if thought fit, approving the Acquisition, the increase in authorised share capital of the Company and the refreshment of the Issue Mandate. A notice of the SGM is set out on pages 98 to 100 of this circular.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy and return the name to the Company's branch registrar Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time of the SGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the Secretary at the SGM (or any adjournment thereof) should the Shareholders so wish.

RECOMMENDATION

The Board considers that the terms of the Acquisition, the increase in authorised share capital of the Company and the refreshment of the Issue Mandate are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions as set out in the notice of the SGM.

ADDITIONAL INFORMATION

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

(i) the letter from the Independent Board Committee;

(ii) the letter from South China Capital;

(iii) financial information of the Group;

(iv) the accountants' report on the Target;

(v) the valuation report from BMI;

(vi) general information;

(vii) the SGM notice.

By order of the Board
China Chief Cable TV Group Limited
Tong Hing Chi
Chairman

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the terms of the refreshment of the Previous Issue Mandate.

CHINA CHIEF CABLE TV GROUP LIMITED
中 國 3C 集 團 有 限 公 司 *
(Incorporated in Bermuda with limited liability)
(Stock Code: 8153)

22 October 2007

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED REFRESHMENT OF GENERAL MANDATE

We have been appointed as members of the Independent Board Committee to advise you in connection with the proposed refreshment of the Previous Issue Mandate, details of which are set out in the letter from the Board contained in the circular (the "Circular") of the Company dated 22 October 2007. Terms defined in the Circular shall have the same meanings herein, unless the context otherwise requires.

Having taken into account the advice and recommendation of South China Capital as set out on pages 24 to 31 of the Circular, we are of the opinion that the proposed refreshment of the Previous Issue Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the proposed refreshment of the Previous Issue Mandate.

Yours faithfully,
Mr. Sousa Richard Alvaro **Mr. Carl Chang**
Independent Board Committee

* *For identification purpose only*

Set out below is the text of a letter received from South China Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the refreshment of the Previous Issue Mandate for the purpose of inclusion in this circular.

South China Capital Limited
28/F., Bank of China Tower
No. 1 Garden Road
Central
Hong Kong

22 October 2007

To: The independent board committee and the independent shareholders of China Chief Cable TV Group Limited

Dear Sirs,

REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the refreshment of the Previous Issue Mandate, details of which are set out in the letter from the Board (the "Board Letter") contained in the circular dated 22 October 2007 issued by the Company to the Shareholders (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As at the Latest Practicable Date, only a further of 24,000,000 new Shares can be issued under the Previous Issue Mandate which was granted to the Directors at the AGM, representing approximately 5.48% of the issued share capital of the Company. The Board therefore proposes to seek approval of the Independent Shareholders for the refreshment of the Previous Issue Mandate so that the Directors will be granted the authority to issue, allot and deal with new Shares of not exceeding 20% of the total issued share capital of the Company as at the date of passing the relevant ordinary resolution at the SGM.

Pursuant to Rule 17.42A(1) and Rule 17.47(4)(b) of the GEM Listing Rules, the refreshment of the Previous Issue Mandate requires approval of the Shareholders taken on a vote by way of poll whereby any controlling shareholders of the Company and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution at the SGM. As at the Latest Practicable Date, the Company did not have any controlling Shareholder and 80,000,000 Shares, representing approximately 18.26% of the issued share capital of the Company, were held by Sino Regal Holding Limited, which is beneficially owned by Mr. Law Kwok Leung and Mr. Chan Kwok Sun, Dennis, both being the Directors. Moreover, Mr. Tong Hing Chi, Mr. Law Kwok Leung and Mr. Feng Xiao Ping, are all executive Directors and shareholders of the Company. Accordingly, Mr. Tong Hing Chi, Mr. Law Kwok Leung, Mr. Feng Xiao Ping, Mr. Chan Kwok Sun, Dennis and their respective associates shall abstain from voting in favor of the ordinary resolution for approving the refreshment of the Previous Issue Mandate. According to the Company, Mr. Tong Hing Chi, Mr. Law Kwok Leung, Mr. Feng Xiao Ping, Mr. Chan Kwok Sun, Dennis and their respective associates have indicated that they have no intention to vote against the ordinary resolution for approving the refreshment of the Previous Issue Mandate.

An Independent Board Committee comprising Mr. Sousa Richard Alvaro and Mr. Carl Chang (both being independent non-executive Directors) has been formed to advise the Independent Shareholders on the refreshment of the Previous Issue Mandate. We, South China Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true, complete and accurate in all material respects at the time when they were made and continue to be so as at the date of the despatch of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful considerations. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our recommendation in compliance with Rule 17.92 of the GEM Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquires, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or their respective subsidiaries or associates. In addition, we have no obligation to update this opinion to take into account events occurring after the issue of this letter. Nothing contained in this letter should be constructed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the refreshment of the Previous Issue Mandate, we have taken into consideration the following principal factors and reasons:

(1) Background of and reasons for the proposed refreshment

The Directors are authorized to issue and allot up to 77,000,000 new Shares under the Previous Issue Mandate which was granted to the Directors at the AGM.

On 24 September 2007, Sino Regal Holding Limited, holding 80,000,000 Shares which represented approximately 18.26% of the issued share capital of the Company as at the Latest Practicable Date, entered into (i) the placing agreement with Grand Vinco Capital Limited and Cheong Lee Securities Co. Limited (the "Joint Placing Agents") (the "Placing Agreement"); and (ii) the conditional subscription agreement with the Company (the "Subscription Agreement") (altogether, the "Top-up Placing"). Pursuant to the Placing Agreement, the Joint Placing Agents have agreed to place, on a best effort basis, to not less than six independent placees for up to 53,000,000 existing Shares at a price of HK$1.57 per Share, for and on behalf of Sino Regal Holding Limited. Whereas under the Subscription Agreement, Sino Regal Holding Limited has conditionally agreed to subscribe for 53,000,000 new Shares as is equal to the number of Shares successfully placed by the Joint Placing Agents at a price of HK$1.57 per Share. Further details of the Placing Agreement and the Subscription Agreement were disclosed in the announcement of the Company dated 25 September 2007.

The Top-up Placing was completed on 5 October 2007. Upon completion of the Top-up Placing, 53,000,000 new Shares will be issued under the Previous Issue Mandate, representing approximately 68.83% of the Previous Issue Mandate.

If the New Issue Mandate is not granted, only 24,000,000 new Shares may be further issued and allotted by the Directors under the Previous Issue Mandate. Given that the Previous Issue Mandate has almost been fully utilised as a result of the Top-up Placing, the Board proposes to seek approval of the Independent Shareholders for the refreshment of the Previous Issue Mandate so that the Directors will be granted the authority to issue, allot and deal with new Shares of not exceeding 20% of the total issued share capital of the Company as at the date of passing the relevant ordinary resolution at the SGM. As stated in the Board Letter, the Directors believe that the refreshment of the Previous Issue Mandate will provide the Company with flexibility for future business development, expansion and/or possible future fund raising.

As at the Latest Practicable Date, there were 438,000,000 Shares in issue (including the new Shares issued under the Top-up Placing). On the basis that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the Directors will be able to issue and allot up to 87,600,000 new Shares, representing 20% of the total issued share capital of the Company as at the date of passing the relevant ordinary resolution at the SGM.

(2) Flexibility in financing

As referred to in the Board Letter, the Company does not have any plans for any new issue of Shares at present besides the issue of the Consideration Shares and the Conversion Shares. Nevertheless, we consider that the refreshment of the Previous Issue Mandate could enhance the financing flexibility of the Company to raise equity and to strengthen the equity base of the Group. The refreshment of the Previous Issue Mandate would provide the Company with the flexibility as allowed under the GEM Listing Rules to issue and allot new Shares for equity fund raising activities, such as placing of new Shares, or as consideration for potential investments or acquisitions in the future as and when such opportunities arise. Furthermore, the additional amount of equity which may be raised after the refreshment of the Previous Issue Mandate would give the Group more financing options when assessing and negotiating on potential acquisitions in a timely manner.

With reference to the annual report of the Company for the year ended 31 March 2007, the PRC government is in the process of launching a digital television network in order to completely phase out the prevailing analog television network gradually in the PRC by 2015. Furthermore, the Directors also 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 optimistic and confident about the future of the digital television market in the PRC and will continue to explore new business opportunities for this segment. In light of the financing flexibility available to the Company to finance the Group's future business opportunities as discussed above, we are of the opinion that the refreshment of the Previous Issue Mandate is in the interests of the Company and the Shareholders as a whole.

(3) Other financing alternatives

The Company has not conducted any fund raising activity during the past 12 months save and except for the (i) the top-up placing of 62,500,000 Shares to not less than six independent placees at a price of HK$1.14 per Share in July 2007; and (ii) the Top-up Placing. The table below summarises the details of the aforementioned fund raising exercises as extracted from the Board Letter:

Date of announcement	Event	Net proceeds (approximate)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
4 July 2007	Top-up placing of 62,500,000 Shares	HK$69.4 million	General working capital for the Group and/or possible investment in home shopping channel	As to (i) HK$32 million for investment in home shopping channel; (ii) HK$22.6 million for general working capital; and (iii) HK$14.8 million remains unutilised as bank deposit
25 September 2007	Top-up placing of 53,000,000 Shares	HK$81.3 million	General working capital and/or possible investment	Not yet utilised and the proceeds were placed in a call account to earn interest

We have further enquired into and the Directors confirmed that apart from equity financing, the Group will also consider debt financing, such as bank borrowings, as possible fund raising method for the Group. In this regard, the Directors considered that the ability for the Group to obtain bank borrowings usually depends on the Group's profitability, financial position and the then prevailing market condition. In addition, such alternative may subject to lengthy due diligence and negotiations with the banks. Due to these reasons, the Directors considered that debt financing would be relatively uncertain, impracticable and time-consuming as compared to equity financing, such as placing of new Shares, for the Group to obtain additional funding.

In this relation, the Directors also confirmed that they will exercise due and careful consideration when choosing the best method of financing for the Group. Having the above being the case, along with the fact that the refreshment of the Previous Issue Mandate will provide the Company with an additional alternative and it is reasonable for the Company to have the flexibility in deciding the financing methods for the Group's future business development, we are of the view that the refreshment of the Previous Issue Mandate is in the interests of the Company and the Shareholders as a whole.

(4) Potential dilution to shareholdings of the Shareholders

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date (including the new Shares issued under the Top-up Placing); and (ii) upon full utilisation of the New Issue Mandate (assuming no other Shares are issued or repurchased by the Company):

	Shareholding in the Company as at the Latest Practicable Date (including the new Shares issued under the Top-up Placing)		**Shareholding in the Company upon full utilisation of the New Issue Mandate**	
	Number of Shares	*%*	*Number of Shares*	*%*
Sino Regal Holding Limited *(Note 1)*	80,000,000	18.26	80,000,000	15.22
Law Kwok Leung *(Note 2)*	7,380,500	1.69	7,380,500	1.40
Feng Xiao Ping *(Note 2)*	41,718,750	9.52	41,718,750	7.94
Tong Hing Chi *(Note 2)*	7,812,500	1.78	7,812,500	1.49
Public Shareholders	301,088,250	68.75	301,088,250	57.28
Shares to be issued under the New Issued Mandate	—	—	87,600,000	16.67
	438,000,000	100.00	525,600,000	100.00

Notes:

(1) Sino Regal Holding Limited is owned by Mr. Law Kwok Leung and Mr. Chan Kwok Sun, Dennis as to 70% and 30% respectively, both being the Directors.

(2) All being executive Directors.

The table above illustrates that the shareholding of the existing public Shareholders will decrease from approximately 68.75% as at the Latest Practicable Date to approximately 57.28% upon full utilisation of the New Issue Mandate (assuming no other Shares are issued or repurchased by the Company). Such potential dilution to the shareholding of the existing public Shareholders represents a dilution of approximately 11.47 percent point.

Taking into account the fact that the shareholding interests of all the Shareholders in the Company will be diluted in proportion to their respective shareholdings upon any utilisation of the New Issue Mandate, we are of the opinion that the potential dilution to the shareholdings of the existing public Shareholders as just mentioned is acceptable.

(5) Proposed refreshment of the Previous Issue Mandate

According to Rule 17.42A of the GEM Listing Rules, it is stipulated that an ordinary resolution shall be proposed at the SGM to obtain approval from the Shareholders to refresh the Previous Issue Mandate before the next annual general meeting of the Company to authorize the Directors to issue and allot new Shares of not exceeding 20% of the total number of issued share capital of the Company as at the date of the SGM. It is further required that such an approval should be taken on a vote by way of poll, and the controlling shareholders of the Company and their respective associates or, if there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favor of the ordinary resolution for approving the refreshment of the Previous Issue Mandate.

The GEM Listing Rule also stipulate that upon approval of the New Issue Mandate at the SGM, the Previous Issue Mandate will be revoked and the New Issue Mandate will be and continue to be effective until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held under the articles of association and bye-laws of the Company; and (iii) the revocation or variation of the authority given under the relevant resolution to be proposed by ordinary resolution of the Shareholders in general meeting. Such duration is in compliance with Rule 17.42 of the GEM Listing Rules.

In view of the stringent provisions and requirements of the GEM Listing Rules as listed out above, we have reason to believe that there are sufficient control and measures to guide the refreshment of the Previous Issue Mandate and the continuity of the New Issue Mandate. Having this being the case, we are of the view that the refreshment of the Previous Issue Mandate is fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

Having taken into consideration the above factors and reasons, we are of the opinion that the refreshment of the Previous Issue Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the refreshment of the Previous Issue Mandate and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
South China Capital Limited
Graham Lam
Director

1. SUMMARY OF FINANCIAL INFORMATION

The following table summarises the financial results of the Group for the last three financial years ended 31 March 2007 and the assets and liabilities of the Group as at 31 March 2005, 2006 and 2007 as extracted from the relevant published financial statements of the Company. No qualified opinions have been issued by the Company's auditors for the last three financial years ended 31 March 2007.

Consolidated Income Statement
For the year ended 31 March

	2007	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	13,303	17,799	14,758
Cost of sales	(12,378)	(13,098)	(9,426)
Gross profit	925	4,701	5,332
Other revenue	82	154	833
Share-based payment	—	—	(6,000)
General, administrative and other expenses	(15,058)	(16,338)	(13,681)
Loss from operations	(14,051)	(11,483)	(13,516)
Finance costs	(3,653)	(3,194)	(1,433)
Loss before taxation	(17,704)	(14,677)	(14,949)
Taxation	643	—	(19)
Loss attributable to equity holders of the Company	(17,061)	(14,677)	(14,968)
Basic loss per share	(5.5 cents)	(4.7 cents)	(4.79 cents)

Consolidated Balance Sheet
As at 31 March

	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	15,009	20,910	25,407
Intangible assets	5,206	5,473	5,056
	20,215	26,383	30,463
Current assets			
Inventories	1,441	1,465	1,432
Accounts receivable	5,042	6,416	3,570
Other receivables and deposits	31,223	31,554	30,931
Bank balances and cash	296	598	1,701
	38,002	40,033	37,634
Current liabilities			
Accounts payable	1,182	1,075	1,171
Other payables and accrued charges	8,699	6,179	8,425
Amount due to related companies	7,552	5,625	100
Amount due to a director	3,665	2,465	—
Bank and other loans	52,487	10,482	500
	73,585	25,826	10,196
Net current (liabilities)/assets	(35,583)	14,207	27,438
Total assets less current liabilities	(15,368)	40,590	57,901
Non-current liabilities			
Bank and other loans	6,150	44,354	47,190
Deferred tax liabilities	—	643	643
	6,150	44,997	47,833
Net (liabilities)/assets	(21,518)	(4,407)	10,068
Equity			
Share capital	3,125	3,125	3,125
Reserves	(24,643)	(7,532)	6,943
	(21,518)	(4,407)	10,068

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following audited consolidated financial statements of the Group for the two years ended 31 March 2006 with accompanying notes as extracted from pages 26 to 66 of the 2007 annual report of the Company.

Consolidated Income Statement
Year ended 31 March 2007

		2007	2006
	Note	*HK$'000*	*HK$'000*
Turnover	*6*	13,303	17,799
Cost of sales		(12,378)	(13,098)
Gross profit		925	4,701
Other revenue	*6*	82	154
General, administrative and other expenses		(15,058)	(16,338)
Loss from operations	*7*	(14,051)	(11,483)
Finance costs	*8*	(3,653)	(3,194)
Loss before taxation		(17,704)	(14,677)
Taxation	*9*	643	—
Loss attributable to equity holders of the company	*10*	(17,061)	(14,677)
Basic loss per share	*11*	(5.5 cents)	(4.7 cents)

Consolidated Balance Sheet

As at 31 March 2007

	Note	**2007** *HK$'000*	**2006** *HK$'000*
Non-current assets			
Property, plant and equipment	*14*	15,009	20,910
Intangible assets	*15*	5,206	5,473
		20,215	26,383
Current assets			
Inventories	*17*	1,441	1,465
Accounts receivable	*18*	5,042	6,416
Other receivables and deposits	*19*	31,223	31,554
Bank balances and cash		296	598
		38,002	40,033
Current liabilities			
Accounts payable	*20*	1,182	1,075
Other payables and accrued charges		8,699	6,179
Amount due to related companies	*22*	7,552	5,625
Amount due to a director	*22*	3,665	2,465
Bank and other loans	*23*	52,487	10,482
		73,585	25,826
Net current (liabilities)/assets		(35,583)	14,207
Total assets less current liabilities		(15,368)	40,590
Non-current liabilities			
Bank and other loans	*23*	6,150	44,354
Deferred tax liabilities	*24*	—	643
		6,150	44,997
Net liabilities		(21,518)	(4,407)
Equity			
Share capital	*25*	3,125	3,125
Reserves	*27(a)*	(24,643)	(7,532)
		(21,518)	(4,407)

Balance Sheet
As at 31 March 2007

	Note	**2007** *HK$'000*	**2006** *HK$'000*
Non-current assets			
Interest in subsidiaries	*16*	11,804	11,804
Current assets			
Other receivables and deposits		118	118
Bank balances		6	6
		124	124
Current liabilities			
Other payables and accrued charges		411	268
Amount due to a subsidiary	*21*	2,633	2,171
		3,044	2,439
Net current liabilities		(2,920)	(2,315)
Net assets		8,884	9,489
Equity			
Share capital	*25*	3,125	3,125
Reserves	*27(b)*	5,759	6,364
		8,884	9,489

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Share capital	Share premium	Accumulated losses	Merger reserve	Share-based payment reserve	Exchange reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005, as restated	3,125	27,783	(26,643)	(197)	6,000	—	10,068
Exchange differences *(Note)*	—	—	—	—	—	202	202
Net loss for the year	—	—	(14,677)	—	—	—	(14,677)
At 31 March 2006 and 1 April 2006	3,125	27,783	(41,320)	(197)	6,000	202	(4,407)
Exchange differences *(Note)*	—	—	—	—	—	(50)	(50)
Net loss for the year	—	—	(17,061)	—	—	—	(17,061)
At 31 March 2007	3,125	27,783	(58,381)	(197)	6,000	152	(21,518)

Note: Exchange differences represent adjustments arising on translation of financial statements of subsidiary outside Hong Kong not recognized in the consolidated income statement.

Consolidated Cash Flow Statement
For the year ended 31 March 2007

	Note	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Loss before taxation		(17,704)	(14,677)
Adjustment for:			
Interest expenses		3,653	3,194
Interest income		(79)	(120)
Bad debts written off		29	—
Depreciation and amortisation		7,906	7,174
		11,509	10,248
Operating loss before working capital change		(6,195)	(4,429)
Decrease/(Increase) in inventories		24	(33)
Decrease/(Increase) in accounts receivable		1,345	(2,846)
Decrease/(Increase) in other receivables and deposits		331	(623)
Increase/(Decrease) in account payable		107	(96)
Increase/(Decrease) in other payable and accrued charges		2,520	(2,246)
Increase in amounts due to related companies		1,927	5,525
Increase in amount due to a director		1,200	2,465
Cash generated from/(used) in operations		1,259	(2,283)
Interest received		79	120
Interest paid		(3,653)	(3,194)
Net cash outflow from operating activities		(2,315)	(5,357)
Cash flows from investing activities			
Purchases of property, plant and equipment		(559)	(1,792)
Purchase of films rights		(310)	(964)
Net cash outflow from investing activities		(869)	(2,756)
Net cash inflow from financing activities	*28*	974	6,267
Net decrease in cash and cash equivalents		(2,210)	(1,846)
Cash and cash equivalents at the beginning of year		598	1,701
Translation differences		1,908	743
Cash and cash equivalents at end of year		296	598
Analysis of balances of cash and cash equivalents			
Bank balances and cash		296	598

Notes to the Financial Statements

31 March 2007

1. General

(a) General information

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

The Company is a limited liability company incorporated in Bermuda and domiciled in Hong Kong. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) Going concern

The financial statements have been prepared by the directors with due care on a going concern basis, notwithstanding the fact that the Group had net loss of approximately HK$17,061,000 for the year ended 31 March 2007 and the outstanding commitments of HK$37,690,000. A substantial shareholder of the Company has agreed to provide financial support to the Group to maintain the Group as a going concern at least up to 31 March 2008. Consequently, the financial statements have been prepared on a going concern basis. The validity of the Group to carry on its business as a going concern is dependent upon future profitable operations of the Group and the adequate funds being available to the Group.

Should the Group be unable to continue its business as a going concern, adjustments would have to be made to restate the value of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the financial statements.

2. Application of Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") , which are either effective for accounting periods beginning on or after 1 January 2006. The adoption of the new HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 8	Scope of HKFRS 2[3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions[6]

1. Effective for annual periods beginning on or after 1 January 2007.
2. Effective for annual periods beginning on or after 1 January 2009.
3. Effective for annual periods beginning on or after 1 May 2006.
4. Effective for annual periods beginning on or after 1 June 2006.
5. Effective for annual periods beginning on or after 1 November 2006.
6. Effective for annual periods beginning on or after 1 March 2007.

3. Principal Accounting Policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. 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.

(a) Consolidation

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

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.

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

(b) 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.

Interest in subsidiaries are carried in the Company's balance sheet 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.

(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) ***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.

(e) ***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.

(f) ***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.

(g) ***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.

(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 more likely than not 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) 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 deferred 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.

(n) 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.

(o) 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.

(p) 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.

4. Financial Risk Management

The Group's major financial instruments include accounts receivable, certain other receivables, bank balances, account payables, certain other payables and accrued liabilities, 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 Group's credit risk arises mainly from its trade receivables.

The Group manages its credit risk associated with trade receivables through the application of credit approvals and close monitoring procedures.

Further, in order to minimize the credit risk, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

(b) Interest rate risk

The Group's interest rate risk relates primarily to variable-rate bank and other borrowings (see note 23 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.

5. Critical accounting estimates and judgements

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, plant 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 receivables 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.

6. Turnover, Revenues 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 in the People's Republic of China ("PRC") (collectively known as "TV digitalisation related services"). Revenues recognised during the year are as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Turnover		
Provision of pre-mastering and other media services	9,139	12,503
Provision of audiovisual playout services	3,989	4,876
Provision of TV digitalisation related services	175	420
	13,303	17,799
Other revenue		
Interest income	79	120
Others	3	34
	82	154
Total revenues	13,385	17,953

Primary report format — business segments

The Group is organised into three 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; and

— 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.

There are no sales or other transactions between the business segments.

Secondary report format — geographical segments

The Group's three 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.

There are no sales between the geographical segments.

Business Segment

	For the year ended 31 March 2007			
	Provision of premastering and other media services	**Provision of audiovisual playout services**	**TV digitalisation related services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	9,139	3,989	175	13,303
Segment results	1,426	(986)	(8,316)	(7,876)
Unallocated income				4
Unallocated expenses				(6,179)
Loss from operations				(14,051)
Finance costs				(3,653)
Loss before taxation				(17,704)
Taxation				643
Loss attributable to equity holders of the company				(17,061)
Segment assets	6,797	3,080	42,317	52,194
Unallocated assets				6,023
Total assets				58,217
Segment liabilities	1,263	292	67,808	69,363
Unallocated liabilities				10,372
Total liabilities				79,735
Capital expenditure	111	83	239	433
Unallocated capital expenditure				127
				560
Depreciation	1,815	1,807	3,660	7,282

	For the year ended 31 March 2006			
	Provision of premastering and other media services	**Provision of audiovisual playout services**	**TV digitalisation related services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	12,503	4,876	420	17,799
Segment results	5,480	21	(9,398)	(3,897)
Unallocated income				34
Unallocated expenses				(7,620)
Loss from operations				(11,483)
Finance costs				(3,194)
Loss before taxation				(14,677)
Taxation				—
Loss attributable to equity holders of the company				(14,677)
Segment assets	10,005	3,536	46,163	59,704
Unallocated assets				6,712
Total assets				66,416
Segment liabilities	1,087	374	58,348	59,809
Unallocated liabilities				11,014
Total liabilities				70,823
Capital expenditure	386	41	1,316	1,743
Unallocated capital expenditure				49
				1,792
Depreciation	1,784	1,769	3,074	6,627

Geographical segments

	For the year ended 31 March 2007			
	Turnover	Segment results	Segment assets	Capital expenditure
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	13,128	440	15,900	321
PRC	175	(8,316)	42,317	239
	13,303	(7,876)	58,217	560
Unallocated income		4		
Unallocated costs		(6,179)		
Loss from operations		(14,051)		

	For the year ended 31 March 2006			
	Turnover	Segment results	Segment assets	Capital expenditure
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	17,379	5,501	20,253	476
PRC	420	(9,398)	46,163	1,316
	17,799	(3,897)	66,416	1,792
Unallocated income		34		
Unallocated costs		(7,620)		
Loss from operations		(11,483)		

7. Loss from Operating Activities

The Group's loss from operating activities is stated after charging

	Group	
	2007	2006
	HK$'000	*HK$'000*
Amortisation of club membership	6	3
Amortisation of film rights	618	544
Auditors' remuneration	323	288
Bad debt written off	29	—
Cost of inventories sold	5,665	6,381
Depreciation	7,282	6,627
Operating leases in respect of		
— land and buildings	1,201	1,421
Staff costs (including directors' emoluments) *(note 12)*	10,251	11,474

8. Finance Costs

	Group 2007	2006
	HK$'000	*HK$'000*
Interest on bank loans	2,827	2,474
Interest on other loans	826	720
	3,653	3,194

9. Taxation

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 profit for the year (2006: Nil).

The amount of taxation charged to the consolidated income statement represents:

	Group 2007	2006
	HK$'000	*HK$'000*
Current taxation	—	—
Deferred taxation relating to the origination and reversal of temporary differences	643	—
Tax credit	643	—

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	Group 2007	2006
	HK$'000	*HK$'000*
Loss before taxation	(17,704)	(14,677)
Calculated at a taxation rate of 17.5% (2006: 17.5%)	(3,098)	(2,568)
Expenses not deductible for taxation purposes	633	1,498
Income not subject to taxation	—	(160)
Utilisation of previously unrecognised tax losses	(10)	(596)
Tax losses unrecognised	3,262	1,688
Tax effect of temporary differences not recognised	(353)	—
Effect of different tax rates at overseas jurisdiction	(1,077)	138
Tax credit for the year	(643)	—

10. Loss Attributable to Shareholders

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2007 in the financial statements of the Company is HK$605,000 (2006: net loss of HK$579,000).

11. Basic loss per share

The calculation of the basic loss per share is based on the Group's loss attributable to equity holders for the year of HK$17,061,000 (2006: loss of HK$14,677,000) and on 312,500,000 (2006: 312,500,000) ordinary shares in issue during the year.

No diluted loss per share for 2007 and 2006 has been presented, as the exercise of the outstanding share options of the Company during the years ended 31 March 2007 and 2006 would result in reducing loss per share.

12. Staff Costs (Including Directors' Emoluments)

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Wages and salaries	9,994	11,195
Pension costs — defined contribution plan	257	279
	10,251	11,474

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

13. Directors' and Senior Management's Emoluments

(a) Directors' emoluments

The emoluments paid or payable to each of the 8 (2006: 8) directors were as follows:

	Fees	**Salaries, allowances, and other remuneration**	**Employer's contributions to retirement benefits schemes**	**2007 Total emoluments**	**2006 Total emoluments**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Tong Hing Chi *(Chairman)*	132	—	—	132	125
Mr. Law Kwok Leung	—	774	12	786	741
Mr. Feng Xiao Ping	—	1,305	—	1,305	1,298
Ms. Fan Wei	—	110	5	115	486
Non-executive Directors					
Mr. Chan Kwok Sun, Dennis	—	—	—	—	—
Independent Non-executive Directors					
Mr. Sousa Richard Alvaro	40	—	—	40	30
Mr. Chang Carl	40	—	—	40	30
Mr. Ngai Wai Fung	40	—	—	40	30
Total	252	2,189	17	2,458	2,740

No director waived or agreed to waive any of their emoluments in respect of two years ended 31 March 2007 and 2006.

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 two (2006: three) directors whose remuneration are reflected in the analysis presented above. The remuneration paid and payable to the remaining three (2006: two) individuals during the year are as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Salaries, allowances and other benefits in kind	945	892
Retirement benefits scheme contributions	34	24
	979	916

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

	2007	**2006**
HK$ Nil to HK$1,000,000	4	4
HK$1,000,000 to HK$1,500,000	1	1
	5	5

During the year ended 31 March 2007 and 2006, 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.

14. Property, Plant and Equipment

	Leasehold improvements	Plant and machinery	Group Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 April 2006	1,191	33,155	883	1,225	36,454
Translation differences	—	1,011	36	77	1,124
Additions	50	485	24	—	559
At 31 March 2007	1,241	34,651	943	1,302	38,137
Accumulated depreciation and impairment					
At 1 April 2006	308	14,689	353	194	15,544
Translation differences	—	278	12	12	302
Charge for the year	123	6,962	68	129	7,282
At 31 March 2007	431	21,929	433	335	23,128
Net book value	810	12,722	510	967	15,009

As at 31 March 2007, the net book value of property, plant and equipment pledged to secure certain of the Group's bank and other loans amounted to approximately HK$2,601,000 (2006: HK$5,263,000).

	Leasehold improvements	Plant and machinery	Group Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 April 2005	1,151	31,105	833	1,197	34,286
Translation differences	—	335	13	28	376
Additions	40	1,715	37	—	1,792
At 31 March 2006	1,191	33,155	883	1,225	36,454
Accumulated depreciation and impairment					
At 1 April 2005	189	8,441	178	71	8,879
Translation differences	—	36	1	1	38
Charge for the year	119	6,212	174	122	6,627
At 31 March 2006	308	14,689	353	194	15,544
Net book value	883	18,466	530	1,031	20,910

15. Intangible Assets

	Group			
	Goodwill	**Film rights**	**Club membership**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note (i))			
At 1 April 2005	4,007	889	160	5,056
Additions	—	964	—	964
Amortisation	—	(544)	(3)	(547)
Net book value At 31 March 2006	4,007	1,309	157	5,473
At 1 April 2006	4,007	1,309	157	5,473
Additions	—	310	—	310
Amortisation	—	(618)	(6)	(624)
Translation differences	—	37	10	47
Net book value 31 March 2007	4,007	1,038	161	5,206

Note:

(i) The carrying amount of goodwill as at 31 March 2007 is HK$4,007,000.

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition.

During the year ended 31 March 2007, management of the Group determines that there are no impairments of the goodwill.

The recoverable amounts of the unit have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a ten-year period. Growth rate is assumed in the calculation together with the past performance and management's expectations for the market development.

16. Interest in Subsidiaries

	Company	
	2007	**2006**
	HK$'000	*HK$'000*
Unlisted shares, at cost *(note (a))*	13,307	13,307
Amounts due from subsidiaries *(note (b))*	21,485	21,485
	34,792	34,792
Less: Provision for impairment	(22,988)	(22,988)
	11,804	11,804

(a) ***The following is a list of the principal subsidiaries at 31 March 2007***

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particular of issued share capital	Interest held
Held directly:				
M21 Investment Limited ("M21 Investment")	British Virgin Islands, limited liability company	Investment holding in Hong Kong	400 ordinary shares of US$1 each	100%
Held indirectly:				
M21 Mastertech Company Limited ("Mastertech")	Hong Kong limited liability company	Provision of broadband services and web hosting services in Hong Kong	2,000 ordinary shares of HK$1 each	100%
M21 Digicast Company Limited ("Digicast")	Hong Kong limited liability company	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%
Sky Dragon Digital Television and Movies Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	21,000,000 ordinary shares of HK$1 each	100%
Hunan Digital Television Technology Company Limited ("Hunan Digital")	PRC, limited liability company	Provision of TV digitalization services in the PRC	RMB30,000,000	70%

(b) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

17. Inventories

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Raw materials	181	268
Finished goods	1,260	1,197
	1,441	1,465

18. Accounts receivable

The Group's credit term granted to trade debtors generally ranges from 15 to 90 days. At 31 March 2007, details of the ageing analysis of accounts receivable were as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Current	467	2,507
30 — 60 days	295	356
61 — 90 days	91	186
Over 90 days	4,189	3,367
	5,042	6,416

19. Other Receivable and Deposits

Included in the balance is a deposit of HK$26,650,000 (2006: HK$25,000,000) paid for the purchase of Cable TV set top boxes in relation to the TV digitalisation network operations.

20. Accounts payable

At 31 March 2007, details of the ageing analysis of accounts payable were as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Current	371	229
30 — 60 days	70	93
Over 60 days	741	753
	1,182	1,075

21. Amount due to a Subsidiary

The amount is unsecured, interest-free and has no fixed terms of repayment.

22. 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 no fixed terms of repayment. The amount due to Sky Dragon Digital Television and Movies Holdings Limited is unsecured, 5% interest charge per annum and no fixed terms of repayment.

(b) Amount due to a director

The amount due to a director is unsecured, interest free and no fixed terms of repayment.

23. Bank and Other Loans

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

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Unsecured bank loans	47,151	44,354
Other loans		
Unsecured	10,986	9,982
Secured	500	500
	58,637	54,836
Current portion	(52,487)	(10,482)
	6,150	44,354

The bank and other loans bear interest at various rates between 5.5% to 2% over Hong Kong prime lending rate per annum.

As at 31 March 2007, the Group's bank and other loans were repayable as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Within one year	52,487	10,482
In the second year	6,150	44,354
	58,637	54,836

24. Deferred Taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2006: 17.5%).

The movement on the deferred tax liabilities account is as follows:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
At the beginning of year	643	643
Deferred taxation credited to consolidated income statement	(643)	—
At the end of year	—	643

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK$26,501,000 (2006: HK$15,379,000) to carry forward against future taxable income. These tax losses have not been recognised due to uncertainty of their future recoverability. Such tax losses have no expiry date.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities

	Group Accelerated tax depreciation	
	2007	**2006**
	HK$'000	*HK$'000*
At the beginning of year	1,459	1,459
Credited to the consolidated income statement	(1,459)	—
At the end of year	—	1,459

Deferred tax assets

	Group Tax losses	
	2007	**2006**
	HK$'000	*HK$'000*
At the beginning of year	(816)	(816)
Charged to the consolidated income statement	816	—
At the end of year	—	(816)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Deferred tax assets	—	(816)
Deferred tax liabilities	—	1,459
	—	643

25. Share Capital

	2007	**2006**
	HK$'000	*HK$'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

26. Share Options

(a) Under the share option scheme (the "Share Option Scheme") 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 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 Digital Television and Movies Holdings Limited 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.

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

	Note	
Exercise price		HK$0.788
Risk free rate	*(i)*	2.413%
Expected life	*(ii)*	4 years
Volatility	*(iii)*	88.870%
Expected dividend yield		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.

Save as disclosed in note 31 to the financial statements, none of the Option has been exercised since granted.

27. Reserves

(a) Group

	Share premium *HK$'000*	Accumulated losses *HK$'000*	Merger reserve *HK$'000*	Share-based payment reserve *HK$'000*	Exchange reserve *HK$'000*	Total *HK$'000*
At 1 April 2005, as restated	27,783	(26,643)	(197)	6,000	—	6,943
Exchange difference	—	—	—	—	202	202
Net loss for the year	—	(14,677)	—	—	—	(14,677)
At 31 March 2006 and 1 April 2006	27,783	(41,320)	(197)	6,000	202	(7,532)
Exchange differences	—	—	—	—	(50)	(50)
Net loss for the year	—	(17,061)	—	—	—	(17,061)
At 31 March 2007	27,783	(58,381)	(197)	6,000	152	(24,643)

Note:

(i) 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.

(b) Company

	Share premium *HK$'000*	Accumulated losses *HK$'000*	Contributed surplus *HK$'000* *(Note(i))*	Total *HK$'000*
At 1 April 2005	19,601	(25,765)	13,107	6,943
Net loss for the year	—	(579)	—	(579)
At 31 March 2006 and 1 April 2006	19,601	(26,344)	13,107	6,364
Net loss for the year	—	(605)	—	(605)
At 31 March 2007	19,601	(26,949)	13,107	5,759

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.

28. Notes to the Consolidated Cash Flow Statement

Bank and other loans:

	2007	**2006**
	HK$'000	*HK$'000*
At the beginning of year	54,836	47,690
Translation difference	2,827	879
Bank and other loans raised	974	6,267
At the end of year	58,637	54,836

29. Capital Commitments

	Group	
	2007	**2006**
	HK$'000	*HK$'000*
Authorised but not contracted for:		
Hunan Cable TV digitalisation network system	30,322	30,322
Contracted but not provided for:		
Hunan Cable TV digitalisation network system	7,368	7,368
Total commitments	37,690	37,690

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

30. Related Party Transaction

Save as disclosed in note 22 to the financial statements, the Group had the following significant related party transaction:

		Group	
		2007	**2006**
	Note	*HK$'000*	*HK$'000*
Interest payment	*(i)*	302	201

Note:

(i) It represents interest on amount due to a related company, Sky Dragon Digital Television and Movies Holdings Limited, 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.

31. Subsequent Event

On 21 June 2007, Sky Dragon Digital Television and Movies Holdings Limited ("Sky Dragon"), 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. The Option was granted pursuant to an ordinary resolution passed on a special general meeting dated 13 July 2004.

3. BUSINESS REVIEW AND PROSPECT OF THE GROUP

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 the Company's 2007 annual 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.

Contingent Liabilities

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

4. INDEBTEDNESS

As at the close of business on 31 August 2007, being the latest practicable date for the purpose of ascertaining certain information relating to this indebtedness statement prior the printing of this circular, the Enlarged Group had total outstanding borrowings of approximately HK$28.6 million, being loans from financial institutions and related parties.

Save as disclosed above and apart from intra-group liabilities, as at the close of business of 31 August 2007, the Enlarged Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments (whether secured or unsecured, guaranteed or not), any mortgages or charges, or other material contingent liabilities or guarantee.

5. MATERIAL CHANGE

The Directors are not aware of any material adverse changes in the financial or trading position or prospects of the Group since 31 March 2007, being the date to which the latest audited consolidated financial statements of the Group were made up.

6. WORKING CAPITAL

The Directors are of the opinion that in the absence of unforeseeable circumstances, taking into account of the internal resources of the Enlarged Group and the available banking facilities, the Enlarged Group will have sufficient working capital for its present requirements for at least the next twelve months following the date of this circular.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, Hopkins CPA Limited, Certified Public Accountants, Hong Kong.

HOPKINS
(Incorporating the business of Albert Lam & Co. CPA)

HOPKINS CPA LIMITED
25/F Man Yee Building
68 Des Voeux Road Central
Hong Kong

22 October 2007

The Directors
China Chief Cable TV Group Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding 南京天天購貿易有限公司 (formerly known as 度量衡(南京)商品管理咨詢服務有限公司) (Nanjing Everyday Buy Trading Company Limited, formerly known as Precision (Nanjing) Commodity Inspection & Consulting Co. Ltd.) ("Everyday Buy") for the period from 2 June 2006 (Date of establishment of Everyday Buy) to 31 August 2007 (the "Relevant Period"), for inclusion in the circular (the "Circular") dated 22 October 2007 issued by China Chief Cable TV Group Limited (the "Company").

Everyday Buy is a domestic limited liability company established in the People's Republic of China ("PRC") on 2 June 2006 with an operating period of 15 years from 2 June 2006 to 2 June 2021. The principal place of business of Everyday Buy is located at 中國南京市江心洲鄉東宏村48號 (No. 48 Donghong Village, Jrangxinzhou Town, Nanjing, China). The principal businesses of Everyday Buy are the consultancy service for quality inspection and operating of TV channel in the PRC.

The PRC statutory financial statements of Everyday Buy for the period from 2 June 2006 to 31 December 2006 were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by 南京天源會計師事務所有限公司 (Nanjing Tianyuan CPA Limited), certified public accountants registered in the PRC.

As a basis for forming an opinion on the Financial Information for the purpose of this report, the directors of Everyday Buy (the "Everyday Buy Directors") has prepared management accounts of Everyday Buy for the Relevant Period in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements"). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information set out in this report has been prepared based on the Underlying Financial Statements.

The Underlying Financial Statements are the responsibility of the Everyday Buy Directors. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In forming our opinion, we have considered the adequacy of the disclosure made in note 1 of this report concerning the basis of the presentation of the Financial Information prepared by the Everyday Buy Directors. As at 31 August 2007, Everyday Buy recorded net liabilities of RMB197,916. As explain in note 1 of this report, the Company has conditionally agreed to provide investment funding to finance the business of Everyday Buy after the Acquisition (as defined in the Circular). The Financial Information has been prepared on a going concern basis, the validity of which is dependent on whether investment funding from the Company is forthcoming. The Financial Information does not include any adjustments that may be necessary if such investment funding is not forthcoming. We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

In our opinion, the Financial Information together with the notes thereto gives, for the purpose of this report, a true and fair view of the state of affairs of Everyday Buy as at 31 August 2007 and of the results and cash flows of Everyday Buy for the Relevant Period.

BALANCE SHEET

	Note	As at 31 August 2007 RMB
Current assets		
Other receivables		1,100,000
Cash and cash equivalents	2	11,637
		1,111,637
Current liabilities		
Accrual and other payables	3	1,309,553
Net liabilities		(197,916)
Equity		
Capital contribution	4	41,495
Accumulated loss		(239,411)
Total equity		(197,916)

INCOME STATEMENT

	Note	For the period from 2 June 2006 to 31 August 2007
	Note	*RMB*
Revenue		—
Administrative expenses	*5*	(239,411)
Loss before income tax		(239,411)
Income tax expenses	*6*	—
Loss for the Relevant Period		(239,411)

STATEMENT OF CHANGES IN EQUITY

	Capital contribution	Accumulated loss	Total equity
	RMB	*RMB*	*RMB*
Capital injection	41,495	—	41,495
Loss for the Relevant Period	—	(239,411)	(239,411)
As at 31 August 2007	41,495	(239,411)	(197,916)

CASH FLOW STATEMENT

	For the period from 2 June 2006 to 31 August 2007
	RMB
Cash flows from operating activities	
Loss before income tax	(239,411)
Changes in working capital:	
— Other receivables	(1,100,000)
— Accrual and other payables	1,309,553
Net cash used in operating activities	(29,858)
Cash flows from financing activities	
Proceeds from capital injection	41,495
Net cash generated from financing activities	41,495
Net increased in cash and cash equivalents	11,637
Cash and cash equivalents at beginning of the Relevant Period	—
Cash and cash equivalents at end of the Relevant Period	11,637

NOTES TO THE FINANCIAL INFORMATION

1. Summary of significant accounting policies

1.1 Basis of preparation

The Financial Information has been prepared on a going concern basis notwithstanding that Everyday Buy recorded net liabilities of RMB197,916 as at 31 August 2007 because the Company has conditionally agreed to provide investment funding to the business of Everyday Buy after the Acquisition (as defined in the Circular). On this basis, Everyday Buy Directors consider that Everyday Buy will have sufficient working capital to finance its operations in the foreseeable future. Accordingly, Everyday Buy Directors are satisfied that it is appropriate to prepare the Financial Information on a going concern basis. If the going concern basis is not appropriate, adjustments would have to be made to restate the values of Everyday Buy assets to its recoverable amounts and to provide for further liabilities which might arise.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA. In addition, the 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 financial statements have been prepared under the historical cost convention. The financial statements are presented in Chinese Renminbi (RMB) which is the functional currency of Everyday Buy.

The presentation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying Everyday Buy's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1.7.

1.2 Other receivables

Other receivables are recognized initially at fair value, less provision for impairment. A provision for impairment of other receivables is established when there is objective evidence that Everyday Buy will not be able to collect all amounts due according to the original terms of the receivables. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement. Subsequent recoveries of amounts previously written off are credited in the income statement.

1.3 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

1.4 Income tax

Taxation comprises current and deferred tax. The tax currently payable is based on the results for the period for financial reporting purposes adjusted for items which are not assessable or deductible.

1.5 Deferred income tax

Deferred income tax 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. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and 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.

1.6 Financial risk management

1.6.1 Financial risk factors

Everyday Buy's activities expose it to a variety of financial risks, market risk (including currency risk, fair value interest risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Everyday Buy's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on Everyday Buy's financial performance.

1.6.1.1 Market risks

1.6.1.1.1 Foreign exchange risk

The Everyday Buy Directors consider that Everyday Buy is not exposed to significant foreign exchange risk.

1.6.1.1.2 Price risk

The Everyday Buy Directors consider that Everyday Buy is not exposed to significant price risk.

1.6.1.2 Cash flow and fair value interest rate risk

As Everyday Buy has no significant interest-bearing assets, Everyday Buy's income and operating cash flow are substantially independent of changes in market interest rates.

1.6.1.3 Credit risk

Everyday Buy has no significant credit risk, including risk resulting from counterparty default and risk of concentration. Everyday Buy has policies in place for the control and monitoring of such credit risk.

1.6.1.4 Liquidity risk

The liquidity of Everyday Buy is managed and monitored by maintaining sufficient cash balances. The Everyday Buy Directors consider that Everyday Buy does not have significant liquidity risk.

1.6.2 Fair value estimation

The carrying values less impairment provision of other receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Everyday Buy for similar financial instruments.

1.7 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Everyday Buy makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

1.7.1 Estimated recoverability of other receivables

Everyday Buy's management determines the provision for impairment of other receivables based on ongoing assessment of the recoverability of the receivables. This assessment is based on the credit history of its debtors and current market conditions, and requires the use of judgments and estimates. Management reassesses the provision for impairment of other receivables at each balance sheet date.

2. Cash and cash equivalents

	As at 31 August 2007 *RMB*
Cash on hand	6,557
Cash at bank	5,080
	11,637

Cash and cash equivalents comprise cash held by Everyday Buy and bank balances that are interest bearing at prevailing market rate and have original maturity of three months or less. The Everyday Buy Directors considers that the carrying amounts approximate their fair values.

3. Accrual and other payables

	As at 31 August 2007 *RMB*
Accrued expenses	8,253
Other payables	1,301,300
	1,309,553

4. Capital contribution

	RMB
As at 2 June 2006	—
Capital injection during the Relevant Period	41,495
As at 31 August 2007	41,495

5. Expenses by nature

	For the period from 2 June 2006 to 31 August 2007 RMB
Administration	7,101
Entertainment	47,087
Messing	24,600
Quarter expenses	20,190
Salaries and wages	98,207
Sundry expenses	33,945
Travelling	8,281
	239,411

6. Income tax expenses

Everyday Buy is subject to Enterprise Income Tax ("EIT") on the taxable income as reported in the statutory financial statements adjusted in accordance with the Enterprise Income Tax Law (collectively, the "PRC Income Tax Laws"). Pursuant to the PRC Income Tax Laws, Everyday Buy is generally subject to EIT at a statutory rate of 33%.

7. Everyday Buy Director's remuneration

	RMB
Fees	NIL
Others	NIL
	NIL

8. Five highest paid individuals

The five highest paid individuals do not include any director for the Relevant Period, details of whose emoluments are set out above. The emoluments of the five highest paid individuals are as follows:

	RMB
Salaries, allowances and other benefits	98,207

During the Relevant Period, no emoluments were paid by Everyday Buy to any of the five highest paid individuals, including the directors of Everyday Buy, as an inducement to join or upon joining Everyday Buy, or as compensation for loss of office.

9. Loss per share

Loss per share is not presented as such information is not considered meaningful for the purpose of this report.

10. Capital commitment

	As at 31 August 2007
	RMB
Authorized and contracted for in respect of acquisition of TV channel license	9,000,000

11. Subsequent events

There were no significant events subsequent to 31 August 2007.

12. Subsequent financial statements

No audited financial statements of Everyday Buy have been prepared in respect of any period subsequent to 31 December 2006.

Yours faithfully,
浩勤會計師事務所有限公司
Hopkins CPA Limited
Certified Public Accountants
Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

(A) Unaudited Pro Forma Statement of Assets and Liabilities of the Enlarged Group as at 31 March 2007

The following is the unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information") which has been prepared in accordance with Rule 7.31 of the GEM Listing Rules, for illustrative purposes only, to provide information about how the Acquisition might have affected the net assets of the Group as if these transactions had taken place on 31 March 2007.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, based on the judgments and assumptions of the Directors, 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 Group as at 31 March 2007 or any future date.

	The Group As at 31 March 2007 *HK$'000* *(Note 1)*	Everyday Buy As at 31 August 2007 *HK$'000* *(Note 2)*	Pro forma adjustment *HK$'000*	*Notes*	Proforma Enlarged Group *HK$'000*
Non-current assets					
Property, plant and equipment	15,009	—			15,009
Intangible assets	5,206	—	364,165	*4*	369,371
	20,215	—			384,380
Current assets					
Inventories	1,441	—			1,441
Accounts receivable	5,042	—			5,042
Other receivables and deposits	31,223	1,144			32,367
Bank balances and cash	296	12	(31,200)	*3*	(30,892)
	38,002	1,156			7,958
Current liabilities					
Accounts payable	1,182	—			1,182
Other payables and accrued charges	8,699	1,362			10,061
Amount due to related companies	7,552	—			7,552
Amount due to a director	3,665	—			3,665
Bank and other loans	52,487	—			52,487
	73,585	1,362			74,947
Net current liabilities	(35,583)	(206)			(66,989)
Total assets less current liabilities	(15,368)	(206)			317,391
Non-current liabilities					
Bank and other loans	(6,150)	—			(6,150)
Convertible bond			282,880	*3*	(282,880)
Net (liabilities)/assets	(21,518)	(206)			28,361
Equity					
Share capital	3,125	43	(43)	*4*	4,685
			1,560	*3*	
Reserves	(24,643)	(249)	48,609	*3,4*	23,717
	(21,518)	(206)			28,402
Minority interest	—	—	(41)	*4*	(41)
	(21,518)	(206)			28,361

Notes:

1. The figures have been extracted from the audited consolidated balance sheet of the Group as at 31 March 2007 as disclosed in the published annual report of the Company for the year ended 31 March 2007.

2. The figures have been extracted from the audited balance sheet of Everyday Buy as at 31 August 2007. For the purpose of preparation of the Unaudited Pro Forma Financial Information, the balance sheet items of Everyday Buy as at 31 August 2007 denominated in RMB have been translated into HK$ at an exchange rate of RMB1 to HK$1.04 which was the exchange rate prevailing as at 31 August 2007. Details of the audited accounts of Everyday Buy as at 31st August 2007 was disclosed in Appendix II of the circular.

3. To reflect settlement of the total estimated cost of the Acquisition of approximately HK$364,000,000 (RMB350,000,000). The Consideration of RMB350,000,000 (equivalent to HK$364,000,000) is to be satisfied by cash of RMB30,000,000 (equivalent to HK$31,200,000), RMB48,000,000 (equivalent to HK$49,920,000) by the issue of the Consideration Shares and as to RMB272,000,000 (equivalent to HK$282,880,000) by the issue of the Convertible Bonds.

   The pro forma adjustment of cash and cash equivalents of approximately HK$31,200,000 is paid as part of the consideration of the Acquisition, this amount to be received through placing a total of 62,500,000 new shares at the placing price of HK$1.14 per placing share on 3 July 2007. Details of the placing were disclosed in the Company's announcement dated 4 July 2007.

   No adjustment is made to the equity component of the Convertible Bonds as (i) the Vendors will be holding 26.26% of the issued share capital of the Company immediately upon Completion; and (ii) pursuant to the terms of the Convertible Bonds and the intention of the Vendors that they will not convert any of the Convertible Bonds if they will be obliged to make a mandatory offer under Rule 26 of the Takeovers Code as a result of such conversion.

4. To eliminate the capital contribution of approximately HK$43,000 and pre-acquisition reserves of approximately HK$249,000 of Everyday Buy as at 31 August 2007. Minority interest of approximately HK$41,000 represents 20% of the net liabilities of Everyday Buy as at 31 August 2007.

   To reflect the goodwill of approximately HK$364,165,000 arising from the Acquisition, representing the excess of the total estimated cost of the Acquisition of approximately HK$364,000,000 over 80% of the net liabilities of Everyday Buy as at 31 August 2007 of approximately HK$165,000, as if the Acquisition had been completed at 31 March 2007. For the purpose of preparation of the Unaudited Pro Forma Financial Information, it has been assumed that the carrying amount of the net liabilities of Everyday Buy as at 31 August 2007 approximate the fair values of the assets, liabilities and contingent liabilities of Everyday Buy as at the date of completion of the Acquisition. Minority interest represents sharing of the net liabilities by the minority shareholders as of 31 August 2007, which as if the Acquisition had been completed on the same date.

   Since the actual fair values of the total cost of the Acquisition and the actual fair values of the assets, liabilities and contingent liabilities of Everyday Buy 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.

HOPKINS
(Incorporating the business of Albert Lam & Co. CPA)

HOPKINS CPA LIMITED
• 25/F Man Yee Building
• 68 Des Voeux Road Central
• Hong Kong

22 October 2007

The Directors
China Chief Cable TV Group Limited

Dear Sirs,

ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

INTRODUCTION

We report on the unaudited pro forma statement of assets and liabilities (the "Unaudited Pro Forma Financial Information") of China Chief Cable TV Group Limited (the "Company") and its subsidiaries (the "Group") and 南京天天購貿易有限公司 (formerly known as 度量衡（南京）商品管理咨詢服務有限公司) (Nanjing Everyday Buy Trading Company Limited, formerly known as Precision (Nanjing) Commodity Inspection & Consulting Co. Ltd.) (collectively referred to as the "Enlarged Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Acquisition might have affected the net assets of the Group as if these transactions had taken place on 31 March 2007, for inclusion in the Company's circular dated 22 October 2007 (the "Circular"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Section 1.1 of Appendix II of the Circular.

RESPECTIVE RESPONSIBILITIES OF THE 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 Rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing 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 ("HKICPA").

It is our responsibility to form an opinion, as required by Rule 7.31(7) of the GEM Listing 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 (HKSIR) 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 Unaudited 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 Rule 7.31(1) of the GEM Listing 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 Group as at 31 March 2007 or any future date.

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 Rule 7.31(1) of the GEM Listing Rules.

Yours faithfully,
浩勤會計師事務所有限公司
Hopkins CPA Limited
Hong Kong

The following is the text of a letter prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation of the market value as at 31 August 2007 of the 100% equity interest in JiangSu BCTV Fashion Media Limited Company to be established in the People's Republic of China.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心3111-18室
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmintelligence.com

22 October 2007

The Directors
China Chief Cable TV Group Limited
1st Floor, Mei Ah Centre
No. 28 Chun Choi Street
Tseung Kwan O Industrial Easte
Kowloon, Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from China Chief Cable TV Group Limited (referred to as the "Company") for us to provide our opinion on the market value of the 100% equity interest in a joint venture company (referred to as "JV Company") to be established and tentatively named as 江蘇廣電時尚傳媒有限公司 (JiangSu BCTV Fashion Media Limited Company) with pursuant to the joint venture agreement entered into between 南京天天購貿易有限公司 (Nanjing Everyday Buy Trading Company Limited) (referred to as the "Everyday Buy") and 江蘇廣電數字傳媒有限公司 (Jiangsu Digital Media Company Limited) (referred to as the "Jiangsu Digital") on 28 July 2007. The date of valuation is 31 August 2007.

This report describes the background of the JV Company, brief industry overview and the basis of valuation & assumptions. It also explains the valuation methodologies utilized and presents our conclusion of value.

PURPOSE OF VALUATION

We understand that the purpose of our valuation is to express an independent opinion of the market value of 100% equity interest in the JV Company as at 31 August 2007 for your public documentation purposes only.

BASIS OF VALUATION

Our valuation has been carried out on the basis of market value. Market value is defined as "*the estimated amount for which an asset 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*".

BACKGROUND OF THE JV COMPANY

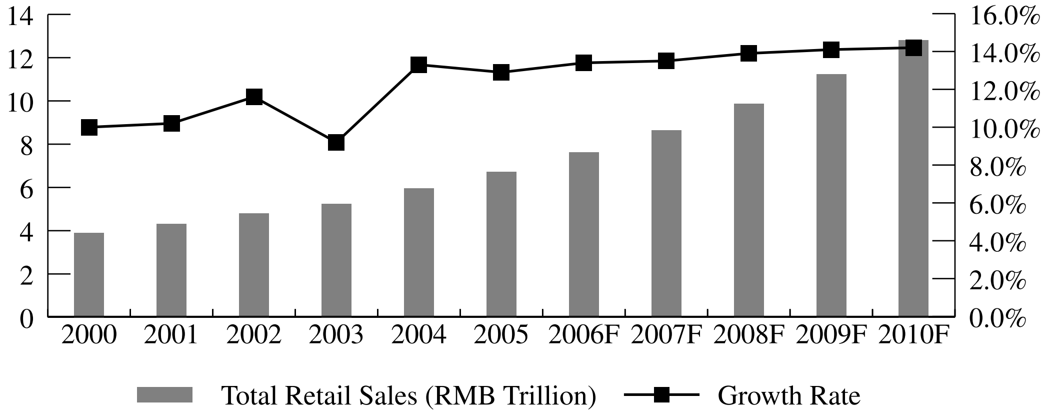
On 28 July 2007, Everyday Buy entered into a legally binging agreement with Jiangsu Digital for the joint investment and operation of the JV Company. Upon the establishment of the JV Company, the registered capital of the JV Company shall be RMB10,000,000 and shall be owned as to 49% by Everyday Buy and 51% by Jiangsu Digital.

The JV Company will be principally engaged in direct TV sales, programmes production, advertising agency, design and production. Jiangsu Digital has been authorized by 江蘇廣播電視總台 (Jiangsu Broadcasting Corporation) to operate 江蘇靚妝頻道 (Channel Dressy). Jiangsu Digital has agreed to grant to the JV Company the sole and excusive right for the supply of television programmes and all revenues deriving from Channel Dressy for 20 years.

INDUSTRY OVERVIEW

As a result of the economic expansion and a growing consumer base with increasing levels of disposable income, the consumer market in China has expanded significantly and is continually emerging much faster than those of developed countries. China retail industry has been the third largest emerging retail markets in the world and the market has forged ahead with the compound annual growth rate ("CAGR") of 12.38%. The booming economy, increasing income levels, deregulation of the retail sector and increased confidence of Chinese consumers make China a lucrative market for international retail players.

According to the statistics from Ministry of Commerce, the total retail sales for the social consumer products in China reached RMB699,800,000,000 in October 2006, increased by 14.3% over the same period of 2005. The average annual growth rate of the China retail industry is expected to up to 14% during the period from 2007 to 2010 and the retail market capacity is expected to reach RMB8,600,000,000,000 in 2007 and RMB12,810,000,000,000 in 2010. The statistics and forecast of total retail sales in China from 2000 to 2010 are as follows:



Source: China Retail Industry Report (Merger& Reorganization), 2006

Today's Chinese consumers are exposed to a growing number of sophisticated retail formats and wooed by a wide range of products. The existing retail formats in China include warehouse/ discount stores, supermarkets, department stores, convenience stores, franchised service or chain-store outlets, specialty stores, shopping centers, catalogue sales, TV home shopping and e-commerce.

Home shopping is expected to spread quickly in China's major cities. According to the National Statistics Bureau, China had the largest number of TV viewers in the world with over 1.2 billion TV viewers, with TV coverage reaching 95.8% in 2005. Direct access into consumer homes in China marks TV a highly effective sales channel for companies seeking nationwide reach, particularly given China's lack of alternative national marketing systems. Another point to note is that Chinese people spend most of their leisure time watching TV, especially at night. TV has become an important part of life to most Chinese with a great deal of influence on people's opinions. Furthermore, Chinese people place high trust on TV stations especially the State-owned TV stations which are assumed by most Chinese people to be credible and trustworthy. Convenience, informative commercials, moderate prices, detailed presentation, guaranteed after-sale services and door-to-door delivery are the main attractions of TV home shopping in China.

Although 24-hour TV home shopping channels are not yet approved in China, companies using TV direct sales programs or home shopping channels with limited broadcasting hours to promote products are gaining increasing consumer acceptance. According to historical and projected sales from Euromonitor, TV direct sales has gained increasing popularity and the TV direct sales industry in China has experienced significant growth in recent years, growing from US$550 million in 2003 to US$890 million in 2005, representing a CAGR of 27.2%, with further growth to US$1.4 billion projected in 2007, representing a 2003-2007 CAGR of 26.3%. The TV direct sales market in China and the broadcast length by program type and time slots are as follows:

	2003	**2004**	**2005**	**2006**	**2007(E)**	**CAGR**
TV direct sales *(US$ in million)*	550	700	890	1,140	1,400	26.3%
TV program broadcast length *(hours in thousand)*	1,936.2	2,188.9	2,518.7	2,896.5	3,331.0	14.5%
Total advertisement length *(hours in thousand)*	294.1	359.9	427.8	504.8	585.6	18.8%
TV shopping program length *(hours in thousand)*	29.3	29.7	38.4	50.0	62.4	20.8%

Source: Euromonitor Report

SOURCE OF INFORMATION

For the purpose of our valuation, we have been furnished with forecasted financial and operational data related to the JV Company, which was given by the senior management of the Company.

The business valuation of the JV Company required consideration of all pertinent factors affecting the economic benefits of the JV Company and its abilities to generate future investment returns. The factors considered in the valuation include, but are not limited to, the following:

- The business nature of the JV Company;
- The forecasted turnover of the JV Company;
- The specific economic environment and competition for the market in which the JV Company will operate;

- Market-derived investment returns of entities engaged in similar lines of business; and
- The financial and business risks of the JV Company, including the continuity of income and the projected future results

SCOPE OF WORKS

In the course of our valuation work for the JV Company, we have conducted the following steps to evaluate the reasonableness of the adopted bases and assumptions provided by the senior management of the Company:

- Obtained forecasted financial and operational information of the JV Company;
- Performed market research and obtained statistical figures from public sources;
- Examined all relevant bases and assumptions of both the forecasted financial and operational information of the JV Company, which were provided by the senior management of the Company;
- Prepared a business financial model to derive the indicated value of the JV Company; and
- Presented all relevant information on the background of the JV Company, valuation methodology, source of information, scope of works, major assumptions, comments and our conclusion of value in this report.

VALUATION ASSUMPTIONS

Given the changing environment in which the JV Company will operate, a number of assumptions have to be established in order to sufficiently support our concluded opinion of value of the JV Company. The major assumptions adopted in our valuation were:

- There will be no major changes in the existing political, legal, and economic conditions in the jurisdiction where the JV Company will operate;
- There will be no major changes in the current taxation law in the jurisdiction where the JV Company will operate, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;

- The forecasted financial information in respect of the JV Company has been prepared on a reasonable basis, reflecting estimates that have been arrived at after due and careful considerations by the senior management of the Company;

- Exchange rates and interest rates will not differ materially from those presently prevailing; and

- Economic conditions will not deviate significantly from economic forecasts.

VALUATION METHODOLOGY

Three generally accepted valuation methodologies have been considered in valuing the JV Company. They are the market approach, the cost approach and the income approach.

The *market approach* provides indications of value by comparing the subject to similar businesses, business ownership interests, and securities that have been sold in the market.

The *cost approach* provides indications of value by studying the amounts required to recreate the business for which a value conclusion is desired. This approach seeks to measure the economic benefits of ownership by quantifying the amount of fund that would be required to replace the future service capability of the business.

The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits from the same or a substantially similar business with a similar risk profile.

We have considered that the *income approach* is not appropriate to value the JV Company, as there are insufficient historical and forecasted financial data of the JV Company. Moreover, the income approach involves adoption of much more assumptions than the other two approaches, not all of which can be easily quantified or ascertained. In the event of any such assumptions are founded to be incorrect or unfounded, the valuation would be significantly affected. The *cost approach* is also regarded inadequate in this valuation, as this approach does not take future growth potential of the JV Company into consideration. Thus, we have determined that the *market approach* is the most appropriate valuation approach for this valuation.

During the valuation, we have selected four listed companies that had similar business operations with the JV Company and determined their price multiples including "price to sales", "price to earnings" and "price to book value". Then we have applied these price multiples to the related financial data of the JV Company and determined our concluded value of the JV Company. Since the book value and the profit of the JV Company as at the date of valuation were not available at the moment, we have determined that "price to sales" be the most appropriate price multiple to estimate our concluded value based on the projected sales of RMB2,200 million in 2010.

The four listed companies selected are as follows:

Company (Stock Code)	Business	Price to Sales Multiple
Acron International Inc. (ATV US)	Developing, promoting and selling consumer products and services through its direct TV sales and nationwide distribution network.	1.59
Liberty Media Corporation (LINTA US)	Owning interests in a broad range of electronic retailing, media, communications and entertainment businesses including interests in QVC. Inc. specializing in televised home shopping.	1.33
CJ Home Shopping Corp. (035760 KS)	Retailing clothes, kitchen utensils, home appliances, and jewelry through TV home shopping programs, catalogs and the internet shopping mall.	1.58
GS Home Shopping Inc. (028150 KS)	Operating a cable television shopping channel and an internet-based shopping mall.	0.87
	Median:	1.45

The "price to sales" multiple that we have adopted is 1.45, being the median "price to sales" multiples of the four listed companies listed above. The calculated value based on the "price to sales" multiple is then discounted back to the date of valuation with a calculated discount rate.

The discount rate is the sum of the risk-free rate and a related beta times the market risk premium. The formula as adopted is as follows for illustration purpose:

$E(R_i) = R_f + \beta_{im} (E(R_m) — R_f)$

Where:

$E(R_i)$	= the expected return on capital
R_f	= the risk-free rate of interest
β_{im}	= the sensitivity of the asset returns to the market returns
$E(R_m)$	= the expected return of the market
$E(R_m)$-R_f	= the market premium or risk premium

We have adopted the yield rate of the 3-year Chinese government bond as at the date of valuation as the risk-free rate, which is 3.440%. The beta has been determined as the weighted-average of betas of the four selected listed companies. In working out the weighted-average beta, we have taken into consideration the differences in market capitalization of each selected company. The estimated beta for the JV Company is 0.936. Besides, the market risk premium adopted is 6.830%.

In respect of non-systematic risks, we have considered the size difference (a company-specific risk) between the Company and the selected comparable companies (with reference to "Risk Premia over Time Report: 2006", published by Ibbotson Associates). The size premium adopted is 6.36%. Also, since the JV Company is still at an early stage of its operation, an early stage risk of 2% is added. As a result, the discount rate is calculated as 18.19%.

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted into cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company. In the valuation, 46% (with reference to "Fair Value", published by Banister Financials, Inc.) have been used as the discount for lack of marketability.

VALUATION COMMENTS

For the purpose of this valuation and in arriving at our opinion of value, we have referred to the information provided by the senior management of the Company to estimate the value of the JV Company. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others, which have been used in formulating this analysis.

REMARKS

Neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

Finally and in accordance with our standard practice, we must state that this report is for the exclusive use of the addressee and for the purpose stated herein. No responsibility is accepted to any third party for the whole or any part of its contents.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB).

CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, the JV Company, Everyday Buy, Jiangsu Digital or us.

Based on our investigation and analysis outlined in this report, it is our opinion that the market value of the 100% equity interest in the JV Company as at 31 August 2007 was **RMB980,000,000 (RENMINBI NINE HUNDRED AND EIGHTY MILLION ONLY)**.

We hereby certify that we have neither present nor prospective interest in the Company, the JV Company, Everyday Buy, Jiangsu Digital or the value reported.

Yours faithfully
For and on behalf of
BMI APPRAISALS LIMITED

Marco T.C. Sze
B.Eng(Hon), MBA(Acct), CFA
Director

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

Notes:

Mr. Marco Sze holds a Master's Degree of Business Administration in Accountancy from the City University of New York - Baruch College and is a holder of Chartered Financial Analyst. He has about 3 years' experience in valuing similar assets or companies engaged in similar business activities as that of the JV Company in Hong Kong, China and the Asia-Pacific Region.

Dr. Tony Cheng is a member of the Hong Kong Institute of Surveyors (General Practice), a member of the American Society of Civil Engineers, a member of the American Society of Mechanical Engineers and a member of Institute of Industrial Engineers (U.K.). He has about 15 years' experience in valuing similar assets or companies engaged in similar business activities as that of the JV Company worldwide.

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 Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(a) the information contained in this circular is accurate and complete in all material respects and not misleading;

(b) there are no matters the omission of which would make any statement in this circular misleading; and

(c) 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.

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and following the issue and allotment of the maximum number of Consideration Shares and Conversion Shares will be, as follows:

Authorised:		*HK$*
700,000,000	Shares	7,000,000
1,300,000,000	Proposed increase in authorised share capital	13,000,000
2,000,000,000		20,000,000

Issued and fully paid:		*HK$*
438,000,000	Shares	4,380,000
156,000,000	Consideration Shares to be allotted and issued	1,560,000
884,000,000	Conversion Shares to be allotted and issued pursuant to the Convertible Bonds (subject to adjustment)	8,840,000
1,478,000,000	Shares	14,780,000

DISCLOSURE OF INTERESTS

Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares and in respect of equity derivatives, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which 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 they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Ordinary shares of HK$0.01 each in the Company

Name of directors	Held as beneficial owner	Held by controlled corporation	Other capacity	Total number of shares held	% of shares in issue
Mr. TONG Hing Chi	7,812,500	—	—	7,812,500	1.78
Mr. LAW Kwok Leung	7,380,500	80,000,000 *(note (a))*	—	87,380,500	19.95
Mr. CHAN Kwok Sun, Dennis	—	—	80,000,000 *(note (a))*	80,000,000	18.26
Mr. FENG Xiao Ping	—	41,718,750 *(note (b))*	—	41,718,750	9.52

Notes:

(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 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. In addition, 10,000,000 shares are held by Sky Dragon Digital Television and Movies Holdings Limited ("Sky Dragon"), a company 99% indirectly owned by Mr. Feng Xiao Ping.

(b) Share option

On January 2005, the Group has granted an option ("Option") to Sky Dragon to subscribe for 30 million shares of the Company at an exercise price of HK$0.788 per share. On 21 June 2007, Sky Dragon exercised share option to subscribe 10 million shares of the Company and as at the Latest Practicable Date, Sky Dragon still held options to subscribe 20 million shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, or in respect of equity derivatives, underlying Shares in or debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 and 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' and other persons' interested and short positions in Shares and underlying Shares

As at the Latest Practicable Date, persons or corporations who have interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Enlarged Group, or substantial shareholders as recorded in the register of substantial shareholder required to be kept by the Company under Section 336 of the SFO were as follows:

(a) Long positions in shares of the Company

Name of shareholders	Held as beneficial owner	Held by controlled corporation	Other Interests	Total number held of shares	% of shares in issue
SRH	80,000,000	—	—	80,000,000	18.26
Sino Unicorn	31,718,750	—	—	31,718,750	7.24
Random Services Limited ("Random Services") *(note (a))*	—	31,718,750	—	31,718,750	7.24
Yang Fuguang *(note (a))*	—	31,718,750	—	31,718,750	7.24
Law Kwok Keung *(note (b))*	696,800,000	—	—	696,800,000	47.15
Lin Fang Chih *(note (b))*	343,200,000	—	—	343,200,000	23.22

Note:

(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.

(b) Such interests represent the Consideration Shares and Convertible Bonds to be issued pursuant to the Agreement and the % of shares in issue is based on the enlarged issued share capital of the Company after the issuance of the Consideration Shares and the Conversion Shares.

(b) Long positions in associated corporations

Name	Name of member of Group	Amount of registered capital held as beneficial owner	% of registered capital
Law Kwok Keung *(note)*	The Target	US$180,900	13.4
Lin Fang Chih *(note)*	The Target	US$89,100	6.6

Note: represent interest after completion of the Agreement

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested in, directly or indirectly, 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Enlarged Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors is materially interested in contract or arrangement subsisting which is significant in relation to the business of the Enlarged Group.

INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Enlarged Group or is proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2007, being the date to which the latest published audited accounts of the Company were made up.

SERVICE CONTRACTS

There is no service contract between any member of the Enlarged Group and any Director (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years preceding the date of this circular and are or may be material:

(1) the Agreement;

(2) the JV Agreement;

(3) subscription agreement date 24 September 2007 as set out in the Company's announcement dated 25 September 2007; and

(4) subscription agreement dated 3 July 2007 as set out in the Company's announcement dated 4 July 2007.

EXPERTS AND CONSENTS

The following is the qualification of the expert who has given report, opinion or advice which is contained in this circular:

Name	**Qualification**
South China Capital Limited	a deemed licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as set out in Schedule 5 to the SFO
Hopkins CPA Limited ("Hopkins")	Certified public accountants
BMI Appraisals Limited	Independent professional valuer

As at the Latest Practicable Date, none of the South China Capital, Hopkins and BMI had any shareholding in any company in the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Enlarged Group and had any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Enlarged Group or is proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2007, being the date to which the latest published audited accounts of the Company were made up.

Each of the South China Capital, Hopkins and BMI has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter of advice and/or reference to its name included herein in the form and context in which it is included.

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and any management shareholder (as defined under the GEM Listing Rules) of the Company or any of their respective associates had engaged in any business that completes or might compete with the business of the Group or had any other conflict of interests with the Group.

LITIGATION

As at the Latest Practicable Date, neither the Group nor the Target is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Group or the Target.

GENERAL

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(b) The head office and principal place of business of the Company is at 1st Floor, Mei Ah Centre, 28 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, 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 and qualified accountant of the Company is Mr. Chan Lun Ho.

(e) The compliance officer of the Company is Mr. Law Kwok Leung.

(f) The Company has established an audit committee with written terms of reference in compliance with Rules 5.58 to 5.29 of the GEM Listing Rules. The audit committee of the Company comprises Mr. Sousa Richard Alvaro and Mr. Carl Chang, who are independent non-executive Directors and the primary duty of which are to review and supervise the financing reporting process and internal control systems of the Group.

Mr. SOUSA Richard Alvaro, aged 46, 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 of the Company on 30 January 2001.

Mr. CHANG Carl, aged 51, holds a bachelor's degree of Arts (Honours) from the University of Hong Kong. Mr. Chang has vast experience in the broadcasting, publishing and other media related industries. Mr. Chang was appointed as the independent non-executive director of the Company on 19 March 2001.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of the Company in Hong Kong at 1st Floor, Mei Ah Centre, 28 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong during normal business hours up to and including 7 November 2007:

(a) the Memorandum of Association and the Bye-laws of the Company;

(b) the annual reports of the Company for the three years ended 31 March 2005, 31 March 2006 and 31 March 2007;

(c) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(d) the written consents referred to in the paragraph headed "Consents" in this Appendix;

(e) the letter from the Independent Board Committee, the text of which is reproduced in the section headed "Letter from the Independent Board Committee" to this circular;

(f) the letter of advice from South China Capital, the text of which is reproduced in the section headed "Letter from South China Capital" to this circular;

(g) the accountant's report of the Target, the text of which is set out in Appendix II to this circular;

(h) the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular; and

(i) the business valuation report, the text of which is set out in Appendix IV to 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 IS HEREBY GIVEN that a special general meeting (the "**meeting**") of the members of China Chief Cable TV Group Limited (the "**Company**") will be held in Conference Room, 5/F., Mei Ah Centre, 28 Chun Choi Street, Tseung Kwan O Industrial Estate, Kowloon, Hong Kong on Wednesday, 7 November 2007 at 5:30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company.

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the conditional sale and purchase agreement (the "**Agreement**") as defined in the circular dated 22 October 2007 despatched to the shareholders of the Company, a copy of which has been produced to this meeting marked "A" and signed by the chairman hereof for the purpose of identification, and all the transactions contemplated thereby be and are hereby approved, confirmed and ratified;

(b) any one or more of the directors (the "**Directors**") of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents as such Director or Directors may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Agreement and the transactions contemplated thereby;

(c) any one or more of the Directors be hereby unconditionally authorized to allot and issue 156,000,000 ordinary shares of HK$0.01 each in the share capital of the Company in accordance with the terms and conditions of the Agreement;

(d) any one or more of the Directors be hereby unconditionally authorized to issue the convertible bonds (the "**Convertible Bonds**") in the principal amount of HK$282,880,000 in accordance with the terms and conditions of the Agreement and to do all such acts and things and execute all such documents as such Director or Directors may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the issue of Convertible Bonds and any one or more of the Directors be hereby unconditionally

* *For identification purpose only*

authorized to allot and issue such number of new ordinary shares of HK$0.01 each in the share capital of the Company which may fall to be issued upon the exercise of the conversion rights attached to the Convertible Bonds."

2. "**THAT** the authorized share capital of the Company be increased from HK$7,000,000 divided into 700,000,000 shares of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 shares of HK$0.01 each by the creation of an additional 1,300,000,000 shares of HK$0.01 each."

3. "**THAT**

(a) subject to paragraph (c) of this resolution, and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot and issue additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this resolution shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); (ii) the exercise of warrants to subscribe for shares of the Company or the exercise of options granted under any ordinary share option scheme adopted by the Company, or (iii) an issue of shares of the Company in lieu of whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company (the "Bye-Laws"), shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and this approval shall be limited accordingly; and

(d) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of the Company;

(2) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws or any applicable laws of Bermuda to be held; and

(3) the date on which the authority given under this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the Company or the Directors to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognized regulatory body or any stock exchange in any territory outside Hong Kong).

By Order of the Board
China Chief Cable TV Group Limited
Tong Hing Chi
Chairman

Hong Kong, 22 October 2007

Head office and principal place of business:
1st Floor, Mei Ah Centre
28 Chun Choi Street
Tseung Kwan O Industrial Estate
Kowloon
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited with the share reistrar of the Company, 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 its 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 meeting.