CHINA CHIEF CABLE TV GROUP LTD

中國3C集團有限公司

[Stock Code : 8153]

2008 ANNUAL REPORT

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

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

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

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

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BOARD OF DIRECTORS

Executive Directors

Mr. Tong Hing Chi *(Chairman)*
Mr. Law Kwok Leung *(CEO)*
Mr. Feng Xiao Ping
Mr. Wong Man Hung, Patrick

Non-Executive Director

Mr. Chan Kwok Sun, Dennis

Independent Non-Executive Directors

Mr. Sousa Richard Alvaro
Mr. Chang Carl
Mr. Lee Chi Hwa, Joshua

COMPLIANCE OFFICER

Mr. Law Kwok Leung

COMPANY SECRETARY

Mr. Chan Lun Ho

AUTHORISED REPRESENTATIVES

Mr. Tong Hing Chi
Mr. Law Kwok Leung

QUALIFIED ACCOUNTANT

Miss Ho Pui Man, CPA, ACIS, ACS

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Mr. Sousa Richard Alvaro *(Chairman)*
Mr. Chang Carl
Mr. Lee Chi Hwa, Joshua

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

1/F., Mei Ah Centre
28 Chun Choi Street
Tseung Kwan O Industrial Estate
Kowloon, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

AUDITORS

Hopkins CPA Limited
Certified Public Accountants, Hong Kong

STOCK CODE

8153

WEBSITE OF THE COMPANY

www.m21.com.hk

Chairman's Statement

Dear shareholders,

On behalf of the Board of Directors of China Chief Cable TV Group Limited (the "Company) and its subsidiaries (collectively referred to as the "Group"), I would like to present the annual results of the Group for the year ended 31 March 2008.

BUSINESS REVIEW AND FINANCIAL REVIEW

Financial review

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

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

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

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

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

BUSINESS REVIEW AND FINANCIAL REVIEW *(Continued)*

Business Pursuits and Prospects

The Group acquired a new business for the provision of TV digitalisation related services in August 2004 in order to expand its business scope in the PRC and grabbed the opportunities of network digitalisation in the PRC. At present, the PRC government is in the process of launching the digital television network to completely phase out the prevailing analog television network gradually across the country by Year 2015. It is expected that, the cable television networks in the direct-controlled cities and provinces in the eastern, middle and western parts of the PRC (including Hunan Province) will be digitalised in the near future. With such large hinterland, immense population, encouraging government policy, the management is optimistic and confident about the future of the digital television market in PRC and will continue to explore new business opportunities for this segment.

Hunan TV, the authorised digital television network operator in Hunan Province, owns and operates a fibre optic trunk network covering 14 major districts in Hunan (the "First Tier Network"). The First Tier Network is connected to fibre optic trunk networks in 108 cities and counties in Hunan (the "Second Tier Network"). The First Tier Network and the Second Tier Network together form a province-wide cable television network in Hunan, covering over 4 million households in the territory which is the source of income by virtue of sharing of the subscription fee from these households with Hunan TV after deducting a fee to Second Tier Network Operators. In order to provide digital television services to subscribers, the Second Tier Network Operators must enter into agreement with Hunan TV on the sharing of subscription fee. The number of Second Tier Network Operators who has not yet reached agreement with Hunan TV is 53 as at the date of this announcement.

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

Due to the success in the Hong Kong market, the Group has considered the feasibility of managing playout channels in the South East Asia countries especially those with large Chinese-related population. The Group is now managing a playout channel in Singapore. The channel was running smoothly since then. This encouraging start has further strengthen the confidence of the Group on targeting the South East Asia market.

As the Pay TV market has been getting more complicated with the emergence of broadband network, the demand for audiovisual contents as well as its quality increases dramatically. The management believed that it is a good opportunity to capitalise on its expertise and experience in audiovisual technology, and to pursue the concept of providing media service as a whole. In September 2007, the Group entered into an agreement to acquire 80% interest in Nanjing Everyday Buy Trading Co. Ltd. ("Nanjing Everyday Buy") which has obtained shareholders approval in a special general meeting held in November 2007. Following the completion of acquisition on 28 April 2008, the Group has an opportunity to leverage on its expertise and network in the PRC television market and to tap into the growth potential of the television advertising and direct TV sales market in the PRC.

BUSINESS REVIEW AND FINANCIAL REVIEW *(Continued)*

Business Pursuits and Prospects *(Continued)*

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENT

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

EMPLOYEE INFORMATION

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

Tong Hing Chi
Chairman

Hong Kong, 26 June, 2008

Directors' and Senior Management's Profile

EXECUTIVE DIRECTORS

Mr. TONG Hing Chi, aged 53, is the Chairman and Managing Director of the Group. Mr. Tong has over 20 years of experience in the entertainment and multimedia industry in Hong Kong and overseas. Mr. Tong is responsible for the strategic planning and development of the Group. Mr. Tong is a fellow member of the Association of Chartered Certified Accountants and member of the Hong Kong Society of Accountants. He is also the managing director of Mei Ah Entertainment Group Limited, a company listed on the Main Board of the Stock Exchange and the Vice Chairman of BIG Media Group Limited, a company listed on the GEM Board. Mr. Tong joined the Group in February 1999.

Mr. LAW Kwok Leung, aged 47, is a major shareholder, founder, Compliance Officer and Chief Executive Officer of the Group. Mr. Law is responsible for the formulation of corporate strategies, including initiation of video-compression-related research and development projects of the Group. Mr. Law holds an honoured Bachelor of Science degree in Mathematics with Operational Research from the University of London and a Master's degree in Business Administration from the University of Greenwich. Mr. Law is a member of the Chartered Institute of Marketing, a fellow member of the Institute of Analysts and Programmers and full member of the Institute of Management. He is also an independent non-executive director of BIG Media Group Limited, a company listed on the GEM Board. Before establishing the Group, Mr. Law has been involved in the consultancy of audiovisual compression, transmission of audiovisual signals over the Internet and video-on-demand licensing. Mr. Law has over 20 years of experience in the advanced technology. Mr. Law joined the Group in February 1999.

Mr. FENG Xiao Ping, aged 57, is a director of Sky Dragon Digital Television and Movies Limited and Hunan Digital Television Technology Company Limited (collectively "Sky Dragon"), being subsidiaries of the Company engaged in the development of digital set-top boxes and the system platform for the newly launched digital television network in the PRC. Mr. Feng is also one of the founders and an executive director of Crossprofit Development Limited, a company principally engaged in investment holding, property investment in Hong Kong and in the PRC and operation of toll highways in the PRC through its fellow companies and subsidiaries. During the period from 1998 to 2002, Mr. Feng was the director and chief executive officer of Asia Television Limited, a free-to-air terrestrial television broadcaster licensed in Hong Kong. Mr. Feng joined the Group on 29 April 2005.

Mr. WONG Man Hung, Patrick, aged 52, holds a degree in Master of Business Administration from the University of East Asia, Macau, Mr. Wong is a member of the Association of Taxation and Management Accountants, Association of Cost and Executive Accountants and Chartered Management Institution in the United Kingdom. He has over 25 years' experience in providing financial advisory services to the institutional clients. Since 1993, Mr. Wong has involved in various infrastructure projects financing in Hong Kong and the PRC. Mr. Wong is also a visiting professor lecture in various universities and institutions. Mr. Wong joined the Group on 1 April 2008.

NON-EXECUTIVE DIRECTOR

Mr. CHAN Kwok Sun, Dennis, aged 58, has accumulated more than 25 years of execution experience in sales, marketing and production in the entertainment business, including with Disney and Era International Film and Distribution (Taiwan) and as an independent movie producer. He is currently the honorary committee of Hong Kong Performing Artists Guild. Mr. Chan is a shareholder of Sino Regal Holding Limited, a founder and an Initial Management Shareholder of the Company. Mr. Chan was appointed as the non-executive director of the Company on 30 January 2001.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SOUSA Richard Alvaro, aged 47, 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 52, 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.

Mr. LEE Chi Wah, Joshua, aged 35, is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lee has more than 8 years of experience in the fields of auditing, accounting and finance. He is an independent non-executive director of Neolink Cyber Technology (Holding) Limited, a company listed on the GEM of the Stock Exchange of Hong Kong Limited. He joined the Group on 1 December 2007.

SENIOR MANAGEMENT

Miss HO Pui Man, aged 30, is the Financial Controller and the Qualified Accountant of the Company. Miss Ho is responsible for all financial and accounting matters including budgetary control and internal control procedures of the Company. Miss Ho holds a Bachelor of Arts (Honours) Degree in Accountancy and is an associate member of the Hong Kong Institute of Certified Public Accountants. She is also an associate member of both of the Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries and Administrators, the United Kingdom. Miss Ho has 8 years of auditing and accounting experience. Miss Ho joined the Company in November 2007.

Mr. CHAN Lun Ho, aged 38, is the Company Secretary of the Company with effect from August 2002. He is a fellow member of the Association of Chartered Certified Accountants and member of the Hong Kong Institute of Certified Public Accountants. He has over 15 years of auditing and accounting experience.

Report of the Directors

The directors present their annual report together with the financial statements of the Company and its subsidiaries ("Group") for the year ended 31 March 2008.

PRINCIPAL ACTIVITY AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 15 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 24.

The directors do not recommend the payment of a dividend for the year.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 24 to the financial statements.

DISTRIBUTION RESERVES

As at 31 March 2008, the Company had no distributable reserves available for distribution to shareholders of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 67.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed security of the Company or any subsidiary during the year.

SHARE OPTION

1. Share Option Scheme

Pursuant to the written resolutions of the shareholders of the Company dated 20 March 2001, a Share Option Scheme (the "Scheme") was adopted by the Company. Details of the Scheme are as follows:

a) Purposes of the Scheme

The purposes of the Scheme are to recognise the contribution made by the executive directors and the employees of the Group and to retain the services of the employees who will make valuable contribution to the Company.

b) Participants of the Scheme

Pursuant to the Scheme, the Company may offer to grant share options ("Options") to any full-time employees (the "Employee"), including any executive director of the Group, to subscribe for shares in the Company.

c) Maximum Number of Shares Available for Issue under the Scheme

The maximum number of shares available for issue under the Scheme is 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 the Options under the 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 Scheme.

d) Maximum Entitlement of Each Participant

No Employee shall be granted an Option which, if exercised in full, would result in such Employee's maximum entitlement exceeding 25% of the aggregate number of shares of the Company for the time being issued and issuable under the Scheme.

SHARE OPTION *(Continued)*

1. Share Option Scheme *(Continued)*

e) *Exercisable Period of Options*

Pursuant to the Scheme, an Option may be exercised in whole or in part in the manner provided in the Scheme by a grantee giving notice in writing to the Company at any time during a period commencing one year after the date of grant of the Option, to be notified by the Board of the Company to the grantee, which shall be not less than 3 years nor more than 10 years from the date an Option is offered (the “Offer Date”).

f) *Payment on Acceptance of Option Offer*

Pursuant to the Scheme, a sum of HK$1.00 is payable by the Employee on acceptance of the Option offer.

g) *Basis of Determining the Subscription Price*

The subscription price for the shares in relation to Options to be granted under the Scheme shall be determined by the Board and notified to an Employee and shall be at least the highest of:

i) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)’s daily quotation sheet on the Offer Date;

ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the Offer Date; and

iii) the nominal value of the shares of the Company.

h) *Remaining Life of the Scheme*

The Scheme will be valid and effective for a period of ten years from the date of adoption of the Scheme.

The Scheme will remain valid until 19 March 2011.

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

SHARE OPTION *(Continued)*

2. Other Share Option

Pursuant to an ordinary resolution passed on a special general meeting dated 13 July 2004 and the successful signing of the Technical Support Agreement between Hunan Digital Television Technology Company Limited ("Hunan Digital"), a subsidiary of the Company and Hunan Television Technology Company Limited ("Hunan TV"), a minority shareholder of Hunan Digital, the Company has granted an option ("Option") to Sky Dragon Digital Television and Movies Holdings Limited ("Sky Dragon Holdings"), 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 was granted as an incentive for Sky Dragon Holdings, being a past shareholder of Hunan Digital to procure Hunan Digital to enter into the Technical Support Agreement with Hunan TV (Sky Dragon Holdings had subsequently sold all its indirect interest in Hunan Digital to the Company pursuant to an ordinary resolution passed on a special general meeting dated 13 July 2004).

On 2 August 2004, the Technical Support Agreement was signed and the Option is exercisable at any time in three equal proportion to subscribe the shares of the Company from February 2005, August 2005 and February 2006 respectively and up until five years from 2 August 2004.

On 21 June 2007, Sky Dragon exercised 10 million of the share options and there remained 20,000,000 share options as at 31 March 2008.

DIRECTORS

The directors during the year and up to the date of this annual report were:

Executive directors

Mr. TONG Hing Chi
Mr. LAW Kwok Leung
Mr. FENG Xiao Ping
Mr. WONG Man Hung, Patrick (appointed on 1 April 2008)

Non-executive director

Mr. CHAN Kwok Sun, Dennis

DIRECTORS *(Continued)*

Independent non-executive directors

Mr. SOUSA Richard Alvaro	
Mr. CHANG Carl	
Mr. LEE Chi Hwa, Joshua	(appointed on 1 December 2007)
Mr. NGAI Wai Fung	(resigned on 11 October 2007)

The directors are subject to retirement by rotation and re-election at the forthcoming annual general meeting in accordance with the Company's bye-laws.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under note 30 to the financial statements, no other contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Save as disclosed under "Share Option", at no time during the year was the Company or its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management (including those of company secretary, qualified accountant and compliance officer of the Company) are set out on pages 7 to 8.

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

At 31 March 2008, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

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

Name of directors	Personal interests	Corporate interests	Other interests
Mr. TONG Hing Chi	7,812,500	—	—
Mr. LAW Kwok Leung	7,380,500	80,000,000 *(note (a))*	—
Mr. FENG Xiao Ping	—	41,718,750 *(note(b))*	—
Mr. CHAN Kwok Sun, Dennis	—	—	80,000,000 *(note (a))*

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 by Sky Dragon Holdings, a company 99% indirectly owned by Mr. FENG Xiao Ping.

(b) Share Option

In January 2005, the Group has granted an option ("Option") to Sky Dragon Holdings 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 Holdings exercised share option to subscribe 10 million shares of the Company and as at 31 March 2008, Sky Dragon still held options to subscribe 20 million shares.

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

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

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 March 2008, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name of shareholders	Number of shares	Percentage of share capital *(%)*
SRH	80,000,000	18.26
Sino Unicorn	31,718,750	7.24
Random Services Limited ("Random Services") *(Note (a))*	31,718,750	7.24
Yang Fuguang *(Note (a))*	31,718,750	7.24
Law Kwok Keung *(Note (b))*	696,800,000	47.15
Lin Fang Chih *(Note (b))*	343,200,000	23.22

Notes:

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

(b) Such interests represent the 156,000,000 new shares ("Consideration Shares") at HK$0.32 and convertible bonds ("Convertible Bonds") in the principal amount of HK$282,880,000 issued on 28 April 2008 pursuant to the conditional sale and purchase agreement ("Agreement") entered into on 17 September 2007 by the Company in relation to the acquisition of an 80% equity interest in Nanjing Everyday Buy Trading Co., Ltd., Consideration Shares and Convertible Bonds were part of consideration. The percentage 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.

Save as disclosed above and "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation", the Company had no notice of any interests and short positions to be recorded under Section 336 of the SFO as at 31 March 2008.

CONNECTED TRANSACTIONS

The related party transactions as disclosed in note 30 to the financial statements also constitute continuing connected transactions under the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), and are exempted from reporting announcement and independent shareholders' approval requirement in accordance with Chapter 20 of the GEM Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PENSION SCHEME ARRANGEMENT

The Group provides a mandatory provident fund scheme ("MPF Scheme") for its staff in Hong Kong in compliance with the requirements under the Hong Kong Mandatory Provident Fund Schemes Ordinance("MPF Scheme Ordinance"). Under the MPF Scheme, the Group's contributions are at 5% of the employee's relevant income as defined in the MPF Scheme Ordinance up to a maximum of HK$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK$5,000 per month. The MPF contributions from the employer are 100% fully and immediately vested in the employees as accrued benefits once they are paid. All benefits derived from the mandatory contribution must be preserved until the employee reaches the retirement age of 65 subject to a few exceptions. There is no forfeited contribution that may be used by the Group to reduce the existing level of contributions. For the year ended 31 March 2008, the employer's pension cost charged to the income statement is HK$ 226,000.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
— the largest supplier	25%
— five largest suppliers combined	82%
Sales	
— the largest customer	57%
— five largest customers combined	89%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above, except that Mr. TONG Hing Chi has an indirect equity interest of approximately 0.4% in three of the five largest customers (including the largest customers).

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

AUDIT COMMITTEE

The Company has established an audit committee comprising three independent non-executive directors and has adopted the terms of reference governing the authority and duties of the audit committee. The present members of the audit committee are Mr. Sousa Richard Alvaro, Mr. Chang Carl and Mr. Lee Chi Hwa, Joshua. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control of the Group. Four meetings were held during the current financial year and the annual results have been reviewed by the audit committee.

CORPORATE GOVERNANCE REPORT

Corporate governance report of the Company is set out on pages 18 to 21 of the annual report.

SUBSEQUENT EVENTS

Details of the subsequent events of the Group are set out in note 31 to the financial statements.

AUDITORS

The financial statements have been audited by Hopkins CPA Limited who retire and, being eligible, offer themselves for reappointment.

On behalf of the board

Tong Hing Chi
Chairman

Hong Kong 26 June 2008

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and the code provisions (the "Code") as set out in the Code on Corporate Governance Practices as set out in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. The principles adopted by the Company emphasis a quality board, transparency and accountability to shareholders. In the opinion of the Board, the Company has complied with the Code for the year ended 31 March 2008, with the exception of the deviation in respect of the appointment term of non-executive directors as mentioned below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors for the year ended 31 March 2008.

BOARD OF DIRECTORS

The directors acknowledge their responsibilities for the preparation of accounts, which shall give a true and fair view of the state of affairs of the Group. Details of the basis of preparation of accounts are set out in note 2 to the accounts. The Board is also responsible for formulating the Group's long-term strategy, determining and approving the Group's significant transactions and supervising the management to ensure thorough implementation of the Group's policies and effective performance of their duties. Other decisions are to be delegated to management. As at 31 March 2008, the Board comprised seven Directors, including three executive Directors (including the Chairman), one non-executive Director and three independent non-executive Directors. Biographies of the Directors are set out in pages 7 to 8.

There is no non-compliance with rules 5.05(1) and (2) of the GEM Listing Rules and there is no relationship among members of the Board.

Under code provision A.4.1, non-executive directors should be appointed for specific term. There is no specific term of appointment of the non-executive directors of the Company, however, they are subject to retirement by rotation in accordance with Bye-law of the Company. Accordingly the Company considers that sufficient measures have been taken to dealt with the requirement in respect of the appointment terms of non-executive directors as required under the code provision.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

BOARD OF DIRECTORS *(Continued)*

The Board held a board meeting for each quarter to approve the Group's results. Details of the attendance of the Board are as follows:

		Attendance
Executive Directors		
Mr. Tong Hing Chi *(Chairman)*		4/4
Mr. Law Kwok Leung *(Chief Executive Officer)*		4/4
Mr. Feng Xiao Ping		3/4
Non-executive Director		
Mr. Chan Kwok Sun, Dennis		4/4
Independent Non-executive Directors		
Mr. Sousa Richard Alvaro		4/4
Mr. Chang Carl		2/4
Mr. Lee Chi Hwa, Joshua	(appointed on 1 December 2007)	2/4
Mr. Ngai Wai Fung	(resigned on 11 October 2007)	1/4

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Under the code provision A.2.1, the roles of chairman and chief executive officer are separate and are not performed by the same individual. The Chairman is responsible for overseeing the function of the Board and formulating overall strategies and policies of the Company. The Chief Executive Officer, supported by the senior management, is responsible for managing the Group's responsibilities, the business, implementing major strategies, making day-to-day decisions and coordinating overall business operations.

NOMINATION OF DIRECTORS

No nomination committee was established by the Company.

The Board is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or any additional director is considered necessary. The Board will review the qualifications of the relevant candidate for determining the suitability to the Group on the basis of his qualifications, experience and background.

BOARD COMMITTEES

To assist the Board in discharge of its duties, the Board is supported by two board committees. Each committee has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within the terms of reference of each committee.

(1) Audit Committee

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.30 of the GEM Listing Rules. The primary duties of the Audit Committee are (a) to review the Group's annual reports, interim reports and quarterly reports; (b) to discuss and review with the auditors of the Company on the scope and findings of the audit; and (c) to supervise the financial reporting process and internal control procedures of the Group. The audit committee consists of all of the Company's independent non-executive directors, namely Mr. Sousa Richard Alvaro, Mr. Chang Carl and Mr. Lee Chi Hwa, Joshua. The chairman of the committee is Mr. Sousa Richard Alvaro.

The audit committee held 4 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Members		Attendance
Mr. Sousa Richard Alvaro		4/4
Mr. Chang Carl		2/4
Mr. Lee Chi Hwa, Joshua	(appointed on 1 December 2007)	2/4
Mr. Ngai Wai Fung	(resigned on 11 October 2007)	1/4

The Group's unaudited quarterly and interim results and audited annual results during the year ended 31 March 2008 have been reviewed by the audit committee, which is of opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

(2) Remuneration Committee

The Company has established the Remuneration Committee according to the relevant provisions of the GEM Listing Rules with written terms of reference. Its primary duties are (a) make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management; and (b) establish a formal and transparent procedure for developing policy on such remuneration.

The remuneration committee consists of all of the Company's independent non-executive directors, namely Mr. Sousa Richard Alvaro, Mr. Chang Carl and Mr. Lee Chi Hwa, Joshua. The chairman of the committee is Mr. Sousa Richard Alvaro.

BOARD COMMITTEES *(Continued)*

(2) Remuneration Committee *(Continued)*

In June 2008, the Committee met to discuss the remuneration related matters. Mr. Sousa Richard Alvaro, Mr. Chang Carl and Mr. Lee Chi Hwa, Joshua attended the meeting. During the meeting, the performance of executive directors was assessed, and the remuneration of whom and the policy of which was discussed and approved.

AUDITORS' REMUNERATION

The statement by the auditors of the Company about their reporting responsibilities is set out in the auditor's report on page 22 to 23. During the financial year ended 31 March 2008, the fees paid and payable to the auditors in respect of audit and non-audit services to the Group were approximately HK$409,000 (2007: HK$323,000) and HK$187,000 (2007: Nil) respectively.

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

HOPKINS CPA LIMITED
3/F Sun Hung Kai Centre
30 Harbour Road
Hong Kong

Independent Auditor's Report to the Members of:
China Chief Cable TV Group Limited
(Incorporated in Bermuda with limited liability)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the consolidated financial statements of the Company set out on pages 24 to 66, which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008 and of the Group's results and cash flows for the year then ended in accordance with HKFRS and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Hopkins CPA Limited
Certified Public Accountants

Albert Man-Sum Lam
Practising certificate number: P02080

Hong Kong, 26 June 2008

Consolidated Income Statement

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	5	**12,954**	13,303
Cost of sales		**(14,427)**	(12,378)
Gross (loss)/profit		**(1,473)**	925
Other revenue	5	**6,753**	82
General, administrative and other expenses		**(28,369)**	(15,058)
Loss from operations		**(23,089)**	(14,051)
Finance costs	6	**(2,598)**	(3,653)
Loss before income tax	7	**(25,687)**	(17,704)
Income tax credit	8	**—**	643
Loss attributable to equity holders of the Company		**(25,687)**	(17,061)
Basic loss per share	10	**(6.57 HK cents)**	(5.46 HK cents)

The notes on pages 29 to 66 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	13	**10,672**	15,009
Intangible assets	14	**1,197**	5,206
		11,869	20,215
Current assets			
Inventories	16	**2,518**	1,441
Accounts receivable	17	**3,896**	5,042
Other receivables and deposits	18	**50,883**	31,223
Financial assets at fair value through profit or loss	19	**4,560**	—
Bank balances and cash		**72,316**	296
		134,173	38,002
Current liabilities			
Accounts payable	20	**2,185**	1,182
Other payables and accrued charges		**8,229**	8,699
Amounts due to related companies	21	**7,080**	7,552
Amount due to a director	21	**4,864**	3,665
Bank and other loans	22	**11,664**	52,487
		34,022	73,585
Net current assets/(liabilities)		**100,151**	(35,583)
Total assets less current liabilities		**112,020**	(15,368)
Non-current liabilities			
Bank and other loans	22	**—**	6,150
Net assets/(liabilities)		**112,020**	(21,518)
Capital and reserves			
Share capital	24	**4,380**	3,125
Reserves	26(a)	**107,640**	(24,643)
		112,020	(21,518)

Approved and authorised for issue by the board of directors on 26 June 2008

On behalf of the board

Tong Hing Chi
Director

Law Kwok Leung
Director

Feng Xiao Ping
Director

The notes on pages 29 to 66 form an integral part of these financial statements.

Balance Sheet

As at 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	13	**10**	—
Interests in subsidiaries	15	**96,918**	11,804
		96,928	11,804
Current assets			
Other receivables and deposits		**170**	118
Bank balances		**67,042**	6
		67,212	124
Current liabilities			
Other payables and accrued charges		**244**	411
Amount due to a subsidiary	15	**—**	2,633
		244	3,044
Net current assets/(liabilities)		**66,968**	(2,920)
Net assets		**163,896**	8,884
Capital and reserves			
Share capital	24	**4,380**	3,125
Reserves	26(b)	**159,516**	5,759
		163,896	8,884

Approved and authorised for issue by the board of directors on 26 June 2008

On behalf of the board

Tong Hing Chi
Director

Law Kwok Leung
Director

Feng Xiao Ping
Director

The notes on pages 29 to 66 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2008

	Share Capital	Share Premium	Accumulated Losses	Merger Reserve *(Note b)*	Share-based payment Reserve	Exchange Reserve	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	3,125	27,783	(41,320)	(197)	6,000	202	(4,407)
Exchange differences *(Note a)*	—	—	—	—	—	(50)	(50)
Loss for the year	—	—	(17,061)	—	—	—	(17,061)
At 31 March 2007 and 1 April 2007	3,125	27,783	(58,381)	(197)	6,000	152	(21,518)
Issue of shares, net of expenses	1,255	157,446	—	—	—	—	158,701
Exchange differences *(Note a)*	—	—	—	—	—	524	524
Loss for the year	—	—	(25,687)	—	—	—	(25,687)
At 31 March 2008	4,380	185,229	(84,068)	(197)	6,000	676	112,020

Note:

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

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

The notes on pages 29 to 66 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Loss before income tax		**(25,687)**	(17,704)
Adjustment for:			
Interest expenses		**2,598**	3,653
Interest income		**(6,744)**	(79)
Bad debts written off		**—**	29
Depreciation and amortization		**7,896**	7,906
Impairment of goodwill		**4,007**	—
Loss on financial assets at fair value through profit or loss		**3,816**	—
		11,573	11,509
Operating loss before working capital change		**(14,114)**	(6,195)
(Increase)/Decrease in inventories		**(1,077)**	24
Decrease in accounts receivable		**1,146**	1,345
(Increase)/Decrease in other receivables and deposits		**(19,660)**	331
Increase in account payable		**1,003**	107
(Decrease)/Increase in other payable and accrued charges		**(470)**	2,520
(Decrease)/Increase in amounts due to related companies		**(472)**	1,927
Increase in amount due to a director		**1,199**	1,200
Cash (used in)/generated from operations		**(32,445)**	1,259
Interest received		**6,744**	79
Interest paid		**(2,598)**	(3,653)
Net cash outflow from operating activities		**(28,299)**	(2,315)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(1,918)**	(559)
Purchases of film rights		**(953)**	(310)
Purchases of financial assets at fair value through profit or loss		**(8,376)**	—
Net cash outflow from investing activities		**(11,247)**	(869)
Net cash inflow from financing activities			
Bank and other loans raised	*27*	**—**	974
Repayment of bank and other loans	*27*	**(47,651)**	—
Proceeds from issuance of shares		**158,701**	—
		111,050	974
Net increase/(decrease) in cash and cash equivalents		**71,504**	(2,210)
Cash and cash equivalents at the beginning of year		**296**	598
Translation differences		**516**	1,908
Cash and cash equivalents at the end of year		**72,316**	296
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**72,316**	296

The notes on pages 29 to 66 form an integral part of these financial statements.

1. GENERAL INFORMATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

Impact of new and revised Hong Kong Financial Reporting Standards

HKICPA has issued the following new standards, amendments to standards and interpretations that have become effective for the year ended 31 March 2008:

HKAS 1 Amendment	Presentation of Financial Statements: Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions

The Group has adopted the above new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

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

The Group has also considered the new standards, amendments or interpretations that may be applicable to the Group. The Group has not yet early adopted the following new standards, amendments and interpretations that have been issued but are not yet effective. The management has determined that it is not yet in a position to reasonably ascertain how the following amendment may affect the results of operations and financial position of the Group.

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 Amendment	Financial Instruments: Presentation[1]
HKFRS 2 Amendment	Share-based Payment — Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 12	Service Concession Arrangements[3]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[2]
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1. Effective for annual periods beginning on or after 1 January 2009
2. Effective for annual periods beginning on or after 1 July 2008
3. Effective for annual periods beginning on or after 1 January 2008
4. Effective for annual periods beginning on or after 1 July 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of Consolidation

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

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

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

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

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

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

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Segmental Reporting

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

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

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

(e) Property, plant and equipment

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

(g) 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.

(h) 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.

(i) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) 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.

(k) 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.

(l) 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.

(m) Provisions

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Impairment

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

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

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

(o) Employee benefits

(i) Employee leave entitlements

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

(ii) Pension obligations

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits *(Continued)*

(ii) Pension obligations *(Continued)*

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.

(p) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) 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.

(r) 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.

(s) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Related Parties

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

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(a) Credit risk

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

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Credit risk *(Continued)*

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

	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**1,098**	467
Past due but not impaired:		
Within 6 months	**432**	4,115
Between 7 and 12 months	**89**	79
Over 1 year	**2,277**	381
	2,798	4,575
	3,896	5,042

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

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

(b) Interest rate risk

The Group's interest rate risk relates primarily to variable-rate bank and other borrowings. As the Group has no significant interest-bearing assets or liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate (see note 22 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.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases in currencies other than the Group's functional currency. Approximately 16% (2007: 1%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, whilst almost 75% (2007: 100%) of costs are denominated in the Group's functional currency.

The Group does not enter into any hedging instruments.

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

	Increase (decrease) in RMB rate	**Increase (decrease) in profit before income tax**	**Increase (decrease) in equity**
	%	***HK$'000***	***HK$'000***
2008			
If RMB weakens against HK$	**(5)**	**(373)**	**(373)**
If RMB strengthens against HK$	**5**	**392**	**392**
2007			
If RMB weakens against HK$	(5)	214	214
If RMB strengthens against HK$	5	(225)	(225)

(d) Liquidity risk

The Group does not have any significant exposure to liquidity risk as the Group does not rely on external financing and the Group was in a net current asset position as at 31 March 2008.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 March 2008 and 31 March 2007.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

(b) Provision for impairment of receivables

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

5. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION

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

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Turnover		
Provision of pre-mastering and other media services	**9,510**	9,139
Provision of audiovisual playout services	**3,170**	3,989
Provision of TV digitalisation related services	**274**	175
	12,954	13,303
Other revenue		
Interest income	**6,744**	79
Others	**9**	3
	6,753	82
Total revenues	**19,707**	13,385

5. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION *(Continued)*

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.

5. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION *(Continued)*

Business Segment

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

5. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION *(Continued)*

Business Segment *(Continued)*

	For the year ended 31 March 2007			
	Provision of premastering and other media services *HK$'000*	Provision of audiovisual playout services *HK$'000*	Provision of TV digitalisation related services *HK$'000*	Total *HK$'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 income tax				(17,704)
Income tax credit				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				126
Total capital expenditure				559
Depreciation	1,815	1,807	3,660	7,282

5. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical segments

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

	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	320
PRC	175	(8,316)	42,317	239
	13,303	(7,876)	58,217	559
Unallocated income		4		
Unallocated expenses		(6,179)		
Loss from operations		(14,051)		

6. FINANCE COSTS

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Interest on bank loans	**1,820**	2,827
Interest on other loans	**778**	826
	2,598	3,653

7. LOSS BEFORE INCOME TAX

The Group's loss before income tax is stated after charging the following:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Amortisation of club membership	**6**	6
Amortisation of film rights	**924**	618
Auditors' remuneration		
— audit services	**409**	323
— non-audit services	**187**	—
Bad debt written off	**—**	29
Cost of inventories sold	**7,909**	5,665
Depreciation	**6,966**	7,282
Exchange loss	**130**	1
Impairment of goodwill	**4,007**	—
Operating leases in respect of		
— land and buildings	**1,159**	1,201
Staff costs (including directors' emoluments) *(note 11)*	**10,204**	10,251
Loss on financial assets at fair value through profit or loss	**3,816**	—

8. INCOME TAX CREDIT

No provision for Hong Kong profits tax and PRC enterprise income tax has been made in these financial statements as there was no estimated assessable profits for the year (2007: Nil).

The amount of income tax in consolidated income statement represents:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Current taxation	**—**	—
Deferred taxation relating to the origination and reversal of temporary differences	**—**	643
Tax credit for the year	**—**	643

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

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Loss before income tax	**(25,687)**	(17,704)
Tax at the domestic income tax rate of 17.5% (2007: 17.5%)	**(4,495)**	(3,098)
Tax effect of non-deductible expenses	**1,218**	633
Tax effect of utilisation of previously unrecognized tax losses	**—**	(10)
Tax effect of current year's tax losses unrecognized	**3,167**	3,262
Tax effect of temporary differences not previously recognized	**392**	(353)
Effect of different tax rates at overseas jurisdiction	**(282)**	(1,077)
Tax credit for the year	**—**	(643)

9. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company for the year ended 31 March 2008 in the financial statements of the Company is HK$3,689,000 (2007: HK$605,000).

10. LOSS PER SHARE

The basic loss per share is calculated based on the loss attributable to equity holders of the Company of HK$25,687,000 (2007: HK$17,061,000) and on 391,119,000 (2007: 312,500,000) weighted average number of ordinary shares in issue during the year.

The diluted loss per share for the years ended 31 March 2008 and 31 March 2007 have not been disclosed as the share options outstanding these years had an anti-dilutive effect on the basic loss per share for these years.

11. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Wages and salaries	**9,978**	9,994
Pension costs — defined contribution plan	**226**	257
	10,204	10,251

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

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 8 (2007: 8) directors were as follows:

	Fees	Salaries, allowances, and other remuneration	Employer's contributions to retirement benefits schemes	2008 Total emoluments	2007 Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors					
Mr. Tong Hing Chi *(Chairman)*	339	—	—	339	132
Mr. Law Kwok Leung	80	812	12	904	786
Mr. Feng Xiao Ping	—	1,308	—	1,308	1,305
Ms. Fan Wei	—	—	—	—	115
Non-executive Directors					
Mr. Chan Kwok Sun, Dennis	—	—	—	—	—
Independent Non-executive Directors					
Mr. Sousa Richard Alvaro	60	—	—	60	40
Mr. Chang Carl	60	—	—	60	40
Mr. Lee Chi Hwa, Joshua	10	—	—	10	—
Mr. Ngai Wai Fung	40	—	—	40	40
Total	589	2,120	12	2,721	2,458

No director waived or agreed to waive any of their emoluments in respect of two years ended 31 March 2008 and 2007.

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.

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group for the year included three (2007: two) directors whose remuneration are reflected in the analysis presented above. The remuneration paid and payable to the remaining two (2007: three) individuals during the year are as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Salaries, allowances and other benefits in kind	**653**	945
Retirement benefits scheme contributions	**24**	34
	677	979

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

	2008	2007
HK$ Nil to HK$1,000,000	**4**	4
HK$1,000,001 to HK$1,500,000	**1**	1
	5	5

During the years ended 31 March 2008 and 2007, no emoluments have been paid by the Group to the directors and the five highest paid individuals as an inducement to join the Group, or as compensation for loss of office.

13. PROPERTY, PLANT AND EQUIPMENT

	The Group				
	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 April 2006	1,191	33,155	883	1,225	36,454
Additions	50	485	24	—	559
Exchange realignment	—	1,011	36	77	1,124
At 31 March 2007	1,241	34,651	943	1,302	38,137
Additions	285	717	307	609	1,918
Exchange realignment	—	1,427	50	107	1,584
At 31 March 2008	1,526	36,795	1,300	2,018	41,639
Accumulated depreciation					
At 1 April 2006	308	14,689	353	194	15,544
Charge for the year	123	6,962	68	129	7,282
Exchange realignment	—	278	12	12	302
At 31 March 2007	431	21,929	433	335	23,128
Charge for the year	129	6,576	86	175	6,966
Exchange realignment	—	823	18	32	873
At 31 March 2008	560	29,328	537	542	30,967
Carrying value					
At 31 March 2008	966	7,467	763	1,476	10,672
At 31 March 2007	810	12,722	510	967	15,009

As at 31 March 2008, the carrying value of property, plant and equipment pledged to secure certain of the Group's bank and other loans amounted to HK$Nil (2007: HK$2,601,000).

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	The Company Furniture, fixtures and equipment *HK$'000*
Cost	
At 1 April 2007	—
Additions	11
At 31 March 2008	11
Accumulated depreciation	
At 1 April 2007	—
Charge for the year	1
At 31 March 2008	1
Carrying value	
At 31 March 2008	10
At 31 March 2007	—

14. INTANGIBLE ASSETS

	The Group			
	Goodwill	Film rights	Club membership	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note (i))			
At 1 April 2006	4,007	1,309	157	5,473
Additions	—	310	—	310
Amortisation for the year	—	(618)	(6)	(624)
Exchange realignment	—	37	10	47
Carrying value				
At 31 March 2007	4,007	1,038	161	5,206
Additions	—	953	—	953
Amortisation for the year	—	(924)	(6)	(930)
Impairment loss	(4,007)	—	—	(4,007)
Exchange realignment	—	(38)	13	(25)
Carrying value				
At 31 March 2008	—	1,029	168	1,197

Note:

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

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.

15. INTERESTS IN SUBSIDIARIES

	The Company	
	2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost *(Note (a))*	**13,307**	13,307
Amounts due from subsidiaries *(Note (b))*	**106,599**	21,485
	119,906	34,792
Less: Provision for impairment	**(22,988)**	(22,988)
	96,918	11,804
Amount due to a subsidiary *(Note (b))*	**—**	2,633

(a) The following is a list of the principal subsidiaries at 31 March 2008

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
Held directly:				
M21 Investment Limited	British Virgin Islands	Investment holding in Hong Kong	400 ordinary shares of US$1 each	100%
Held indirectly:				
M21 Mastertech Company Limited	Hong Kong	Provision of broadband services and web hosting services in Hong Kong	2,000 ordinary shares of HK$1 each	100%
M21 Digicast Company Limited	Hong Kong	Provision of audiovisual playout services on audiovisual data and provision of post-production services in Hong Kong	1,000 ordinary shares of HK$1 each	100%
Sparkle View Enterprises Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%

15. INTERESTS IN SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at 31 March 2008 *(Continued)*

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
Sky Dragon Digital Television and Movies limited	Hong Kong	Investment holding in Hong Kong	21,000,000 ordinary shares of HK$1 each	100%
Hunan Digital Television Technology Company Limited	PRC	Provision of TV digitalization services in the PRC	RMB50,000,000	70%
Goodside International Limited	Hong Kong	Provision of TV sales services in the PRC	1 ordinary share of HK$1 each	100%

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

16. INVENTORIES

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Raw materials	**177**	181
Finished goods	**1,318**	1,260
Inventories held for resale	**1,023**	—
	2,518	1,441

17. ACCOUNTS RECEIVABLE

The Group's credit term granted to trade debtors generally ranges from 15 to 90 days. At 31 March 2008, details of the ageing analysis of accounts receivable were as follows:

	2008	2007
	HK$'000	*HK$'000*
Current	**1,098**	467
30 — 60 days	**388**	295
61 — 90 days	**3**	91
Over 90 days	**2,407**	4,189
	3,896	5,042

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

18. OTHER RECEIVABLES AND DEPOSITS

At 31 March 2008, included in the balance is a cash deposit of RMB30,000,000 (equivalent to HK$31,200,000) (2007: Nil) as part of consideration in acquiring 80% equity interest in Nanjing Everyday Buy Trading Co. Ltd. The transaction has been completed on 28 April 2008.

At 31 March 2007, included in the balance was a deposit of HK$26,650,000 paid for the purchase of Cable TV set top boxes in relation to the TV digitalisation network operations.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Equity securities, listed in Hong Kong at cost	**8,376**	—
Fair value losses	**(3,816)**	—
Fair values of listed equity securities	**4,560**	—

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

20. ACCOUNTS PAYABLE

At 31 March 2008, details of the ageing analysis of accounts payable were as follows:

	2008	2007
	HK$'000	*HK$'000*
Current	**1,183**	371
30 — 60 days	**411**	70
Over 60 days	**591**	741
	2,185	1,182

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

21. AMOUNT DUE TO RELATED COMPANIES AND A DIRECTOR

(a) Amount due to related companies

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

(b) Amount due to a director

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

22. BANK AND OTHER LOANS

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

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Unsecured bank loans	—	47,151
Other loans		
Unsecured	**11,664**	10,986
Secured	—	500
	11,664	58,637
Less: Amount due within one year shown under current liabilities	**(11,664)**	(52,487)
	—	6,150

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

23. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2007: 17.5%).

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

	The Group	
	2008	2007
	HK$'000	*HK$'000*
At the beginning of year	—	643
Deferred taxation credited to consolidated income statement	—	(643)
At the end of year	—	—

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$41,551,000 (2007: HK$26,501,000) 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.

23. DEFERRED TAXATION *(Continued)*

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

	The Group	
	Accelerated tax depreciation	
	2008	2007
	HK$'000	*HK$'000*
At the beginning of year	**—**	1,459
Credited to the consolidated income statement	**—**	(1,459)
At the end of year	**—**	—

Deferred tax assets

	The Group	
	Tax losses	
	2008	2007
	HK$'000	*HK$'000*
At the beginning of year	**—**	(816)
Charged to the consolidated income statement	**—**	816
At the end of year	**—**	—

24. SHARE CAPITAL

	2008 HK$'000	2007 HK$'000
Authorised		
At the beginning of the year (700,000,000 ordinary shares of HK$0.01 each)	**7,000**	7,000
Increase during the year (1,300,000,000 ordinary shares of HK$0.01 each *(Note a)*)	**13,000**	—
At the end of the year (2,000,000,000 ordinary shares of HK$0.01 each)	**20,000**	7,000
Issued and fully paid		
At the beginning of the year (312,500,000 ordinary shares of HK$0.01 each)	**3,125**	3,125
Issue of new shares upon exercise of share options *(Note b)*	**100**	—
Issue of new shares under share subscriptions *(Note c)*	**1,155**	—
At the end of the year (438,000,000 ordinary shares of HK$0.01 each)	**4,380**	3,125

Note:

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

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

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

25. 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 Holdings on 5 January 2005, a company owned by Mr. Feng Xiao Ping, a director of the Company to subscribe for 30 million shares of the Company at an exercise price of HK$0.788 per share. The Option is exercisable at any time in three equal proportion to subscribe the shares of the Company from February 2005, August 2005 and February 2006 respectively and up until five years from 2 August 2004. On 21 June 2007, Sky Dragon Holdings exercised share option to subscribe 10,000,000 shares of the Company at an exercise price of HK$0.788 per share. At 31 March 2008, there remained 20,000,000 outstanding share options.

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%

25. SHARE OPTIONS *(Continued)*

(b) *(Continued)*

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.

26. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 27 of the financial statements.

(b) The Company

	Share premium *HK$'000*	**Accumulated losses** *HK$'000*	**Contributed surplus** *HK$'000* *(Note(i))*	**Total** *HK$'000*
At 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
Issue of shares	157,446	—	—	157,446
Net loss for the year	—	(3,689)	—	(3,689)
At 31 March 2008	177,047	(30,638)	13,107	159,516

26. RESERVES *(CONTINUED)*

(b) The Company *(Continued)*

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.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Bank and other loans:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
At the beginning of year:	**58,637**	54,836
Translation difference	**678**	2,827
Bank and other loans repaid	**(47,651)**	—
Bank and other loans raised	**—**	974
At the end of year	**11,664**	58,637

28. CAPITAL COMMITMENTS

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Authorised but not contracted for:		
Hunan Cable TV digitalisation network system	**—**	30,322
Contracted but not provided for:		
Hunan Cable TV digitalisation network system	**—**	7,368
Film development	**12,250**	—
Total commitments	**12,250**	37,690

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

29. OPERATING LEASES

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

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Within one year	**2,568**	—
In the second to fifth year inclusive	**5,136**	—
	7,704	—

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

30. RELATED PARTY TRANSACTION

Save as disclosed in note 21 to the financial statements, the Group had the following significant related party transaction:

		The Group	
		2008	2007
	Note	***HK$'000***	*HK$'000*
Interest payment	*(i)*	**288**	302

Note:

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

31. SUBSEQUENT EVENTS

On 16 April 2008, the Group acquired the entire issued share capital of Ingorus Investments Limited ("Ingorus") for a consideration of HK$1,200,000. Ingorus is a company incorporated in the British Virgin Islands and engaged in investment holding.

On 28 April 2008, the Group completed the acquisition of 80% equity interest in Nanjing Everyday Buy for a total consideration of RMB350,000,000, which was satisfied by (i) cash RMB30,000,000, (ii) allotment and issue of 156,000,000 shares of the company at issue price of HK$0.32 per share and (iii) issue of convertible bonds in the principal amount of HK$282,880,000. Nanjing Everyday Buy is a company incorporated in the PRC and engaged in television advertising and direct TV sales.

Other Financial Information

FINANCIAL SUMMARY

				As restated	
	Year ended 31 March 2008	Year ended 31 March 2007	Year ended 31 March 2006	Year ended 31 March 2005	Year ended 31 March 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results					
(Loss)/profit attributable to equity holders of the Company	**(25,687)**	(17,061)	(14,677)	(14,968)	1,844

				As restated	
	As at 31 March 2008	As at 31 March 2007	As at 31 March 2006	As at 31 March 2005	As at 31 March 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities					
Total assets	**146,042**	58,217	66,416	68,097	21,489
Total liabilities	**(34,022)**	(79,735)	(70,823)	(58,029)	(2,453)
	112,020	(21,518)	(4,407)	10,068	19,036

The figures for the year ended 31 March 2005 have been restated pursuant to the adoption of HKFRS 2. Prior year adjustment was put through in this financial year which increased HK$6 million losses.