VISION ON FUTURE

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

(Stock code : 8153)

2009
ANNUAL REPORT

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on The Stock Exchange of Hong Kong Limited. 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 of Hong Kong Limited and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Man Hung, Patrick *(Chairman)*
Mr. Law Kwok Leung *(CEO)*
Mr. Feng Xiao Ping
Mr. Stephen William Frostick

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. Wong Man Hung, Patrick
Mr. Law Kwok Leung

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

19/F., CMA Building
64-66 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITORS

KL 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 2009.

BUSINESS REVIEW AND FINANCIAL REVIEW

Financial review

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

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

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

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

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

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

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

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

BUSINESS 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 business continues to deliver a stable growth for the year. Its fiber-optic trunk network has expanded to all major districts in Hunan Province and has a satisfactory increasing number of audience bases. The TV digitalisation related services are expected to sustain a healthy growth rate and generate steady cash inflow in the coming years after the process of the network restructuring, equipment upgrade and marketing strategy.

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENT

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

EMPLOYEE INFORMATION

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

Wong Man Hung, Patrick
Chairman

Hong Kong, 19 June 2009

EXECUTIVE DIRECTORS

Mr. WONG Man Hung, Patrick, aged 53, 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 lecturer in various universities and institutions. Mr. Wong joined the Group on 1 April 2008.

Mr. LAW Kwok Leung, aged 48, 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 58, is a director of Sky Dragon Digital Television and Movies Limited and Hunan Xiaoxiang Digital Television Broadcast 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. Stephen William FROSTICK, aged 59, obtained a Juris Doctorate in Old College School of Law, Nevada, United States in 1984, a Master of Public Administration and a Bachelor of Science in Business Adminstration in University of Nevada, Las Vegas, United States in 1976 and 1974 respectively. Currently the president and chief executive officer of the Compeer Group (Macau), Mr. Frostick has over thirty years of experience in leading capacities in the state government of Nevada, United States, large corporations and international consulting organisations. During his past employment in Kepner Tregoe Inc., Mr Frostick was involved in the design, development and led the implementation of Team Concept in Chrysler Motors Inc. Mr. Frostick is well experienced in strategic planning, operational management and organisation development and has about 30 years of senior management experience. He joined the Group on 3 December 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SOUSA Richard Alvaro, aged 48, was qualified as a solicitor of the High Court of Hong Kong in May 1996 and is now a solicitor of Messrs. Chan, Lau and Wai. Mr. Sousa was appointed as the independent non-executive director of the Company on 30 January 2001.

Mr. CHANG Carl, aged 53, 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 Hwa, Joshua, aged 36, is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lee has more than 8 years of experience in the fields of auditing, accounting and finance. He is an independent non-executive director of 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 31, is the Financial Controller 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 over 8 years of auditing and accounting experience. Miss Ho joined the Company in November 2007.

Mr. CHAN Lun Ho, aged 39, 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.

The directors present their annual report together with the financial statements of the Company and its subsidiaries ("Group") for the year ended 31 March 2009.

PRINCIPAL ACTIVITY AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 16 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 25.

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 28 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 27 to the financial statements.

DISTRIBUTION RESERVES

As at 31 March 2009, 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 75.

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 I

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

(a) Purposes of the Scheme I

The purposes of the Scheme I 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 I

Pursuant to the Scheme I, the Company may offer to grant share options ("Options I") 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 I

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

(d) Maximum Entitlement of Each Participant

No Employee shall be granted an Option I 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 I.

SHARE OPTION *(Continued)*

1. Share Option Scheme I *(Continued)*

(e) Exercisable Period of Options I

Pursuant to the Scheme I, an Option I may be exercised in whole or in part in the manner provided in the Scheme I 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 I, 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 I is offered (the "Offer Date I").

(f) Payment on Acceptance of Option Offer

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

(g) Basis of Determining the Subscription Price

The subscription price for the shares in relation to Options I to be granted under the Scheme I 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 I

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

The Scheme I will remain valid until 19 March 2011.

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

SHARE OPTION *(Continued)*

2. Share Option Scheme II

Pursuant to the written resolutions of the shareholders of the Company dated 2 February 2009, a Share Option Scheme (the "Scheme II") was adopted by the Company. Details of the Scheme II are as follows:

(a) *Purposes of the Scheme II*

The purposes of the Scheme II are to enable the Company to grant options to the eligible person as incentive or reward for their contribution to the growth of the Company or any subsidiary and to provide the Company or any subsidiary with a more flexible means to reward, remunerate, compensate, and/or provide benefits to the Eligible Person.

(b) *Participants of the Scheme II*

Pursuant to the Scheme II, the Company may offer to grant share options ("Options II") to any employee, director, supplier of goods or services, customer of Company or any Subsidiary; agent, adviser, consultant, strategist, contractor, sub-contractor, expert or entity that provides research, development or other technological support or any valuable services to Company or any Subsidiary; shareholder of Company or any Subsidiary or holder of any securities issued by Company or any Subsidiary; to subscribe for shares in the Company.

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

The maximum number of shares available for issue under the Scheme II and any other share option schemes of the Company must not, in aggregate, exceed 10% of the issued share capital of the Company as at the date of approval of Scheme II. The Board shall not grant any Options which would result in the maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted but yet to be exercised under Scheme II and any other share option scheme adopted by the Company which provide for the grant of options to acquire or subscribe for Shares exceeding, in aggregate, 30% of the issued share capital of the Company from time to time.

(d) *Exercisable Period of Options II*

Pursuant to the Scheme II, an Option II may be exercised in whole or in part in the manner provided in the Scheme II by a grantee giving notice in writing to the Company at any time during a period not to exceed 10 years from the date an Option is offered (the "Offer Date II").

SHARE OPTION *(Continued)*

2. Share Option Scheme II *(Continued)*

(e) Payment on Acceptance of Option Offer

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

(f) Basis of Determining the Subscription Price

The subscription price for the shares in relation to Options II to be granted under the Scheme II shall be determined by the Board and notified to an eligible person 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.

(g) Remaining Life of the Scheme II

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

The Scheme II will remain valid until 2 February 2019.

3. 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 Xiaoxiang Digital Television Broadcast 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).

SHARE OPTION *(Continued)*

3. Other Share Option *(Continued)*

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 2009.

Movement in share options during the year ended 31 March 2009 are as follows:

		Number of share options							
Name or category of participant	Option type	At 1 April 2008	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2009	Date of grant of share options	Exercise period of share options	Exercise price of share options *(HK$)*
Directors									
Mr. Feng Xiao Ping — corporate interest	Other share option	20,000,000	—	—	—	20,000,000	5 January 2005	2 August 2004 to 2 August 2009	0.788
Other employees									
In aggregate	Scheme II	—	8,500,000	—	—	8,500,000	9 March 2009	9 March 2009 to 2 February 2019	0.125
Suppliers									
In aggregate	Scheme II	—	10,000,000	—	—	10,000,000	9 March 2009	9 March 2009 to 2 February 2009	0.125
Consultants									
In aggregate	Scheme II	—	15,000,000	—	—	15,000,000	9 March 2009	9 March 2009 to 2 February 2009	0.125
		20,000,000	33,500,000	—	—	53,500,000			

Pursuant to resolutions approved by shareholders at special general meeting on 1 April 2009, 100,000,000 Options II are granted to 5 grantees. Of the said 100,000,000 Options II, 25,000,000 Options II are granted to our director, Mr. Wong Man Hung, Patrick, 20,000,000 are granted to our supplier, Mr. Ko Shang Min, 15,000,000 and 20,000,000 Options II are granted to our consultants, Mr. Wong William and Mr. Chang Tak Chun respectively and 20,000,000 Options II are granted to our employee, Mr. Ng Kwok Wing, Michael.

DIRECTORS

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

Executive directors

Mr. WONG Man Hung, Patrick	(appointed on 1 April 2008)
Mr. LAW Kwok Leung	
Mr. FENG Xiao Ping	
Mr. Stephen William FROSTICK	(appointed on 3 December 2008)
Mr. TONG Hing Chi	(resigned on 31 October 2008)

Non-executive director

Mr. CHAN Kwok Sun, Dennis	(resigned on 3 December 2008)

Independent non-executive directors

Mr. SOUSA Richard Alvaro
Mr. CHANG Carl
Mr. LEE Chi Hwa, Joshua

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 35 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 and compliance officer of the Company) are set out on pages 6 to 7.

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 2009, 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. FENG Xiao Ping	—	41,718,750 *(note(a))*	—

Notes:

(a) 31,718,750 shares are held by Sino Unicorn Technology Limited ("Sino Unicorn"), a company in which Mr. FENG Xiao Ping has an indirect interest of 51% therein. In addition, 10,000,000 shares 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 2009, Sky Dragon Holdings still held options to subscribe 20 million shares.

On 1 April 2009, the Group has granted an Option II under Scheme II to Mr. Wong Man Hung, Patrick to subscribe for 25 million shares of the Company at an exercise price of HK$0.125 per share. As at the report date, Mr. Wong Man Hung, Patrick has not subscribed any share under the Scheme II.

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

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

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 March 2009, 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 *(%)*
Law Kwok Keung *(Note (a))*	104,520,000	5.94
Keenway Holdings Limited *(Note (a))*	104,520,000	5.94
Lee Yuk Lun *(Note (b))*	219,298,244	12.47
Au Yeung Kai Wah	290,625,000	16.52

Notes:

(a) The interests refer to the same parcel of shares.

(b) Such interests represent 109,649,122 consideration shares at HK$0.456 per share issued on 27 November 2008 and 109,649,122 conversion shares at HK$0.456 per share converted on 8 December 2008 upon acquisition of New Success International Group Investments Company Limited.

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 2009.

CONNECTED TRANSACTIONS

Details of the transactions exempt from approval for the year ended 31 March 2009 are as follows:

(i) Continuing connected transaction

The related party transactions as disclosed in note 35 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.

(ii) Financial assistance to minority shareholders of its subsidiary

On 2 January 2009, the Group proposed a capital injection of USD1,650,000 into Nanjing Everyday Buy Trading Co., Ltd. ("NJ Everyday Buy") by way of cash to expand the registered capital of NJ Everyday Buy. Of the USD1,650,000, the Group agreed to contribute USD1,320,000, Mr. Lin Fang Chih ("Mr. Lin") agreed to contribute USD108,900 and Mr. Law Kwok Keung ("Mr. Law") agreed to contribute USD221,100 accordingly to their shareholdings in NJ Everyday Buy.

CONNECTED TRANSACTIONS *(Continued)*

(ii) Financial assistance to minority shareholders of its subsidiary *(Continued)*

To complete the capital injection, the Group resolved to provide financial assistance to Mr. Lin and Mr. Law. On 12 January 2009, the Company entered into agreements with Mr. Lin and Mr. Law regarding the provision of the financial assistance at nil interest and repayable on or before 11 July 2009. To safeguard the Group's interest, Mr. Lin and Mr. Law have agreed to pledge all their respective equity interests in NJ Everyday Buy to the Company.

Balances as at year ended 31 March 2009 are disclosed in note 35 to the financial statements.

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 2009, the employer's pension cost charged to the income statement is HK$461,000.

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	32%
— five largest suppliers combined	74%
Sales	
— the largest customer	32%
— five largest customers combined	68%

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.

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 19 to 22 of the annual report.

SUBSEQUENT EVENTS

Details of the subsequent events of the Group are set out in note 36 to the financial statements.

AUDITORS

In April 2009, Hopkins CPA Limited resigned as auditors of the Company and KL CPA Limited was appointed as the auditor of the Company to fill the casual vacancy.

The financial statements have been audited by KL CPA Limited who retire and, being eligible, offer themselves for reappointment at the forcoming annual general meeting of the Company.

On behalf of the board

Wong Man Hung, Patrick
Chairman

Hong Kong 19 June 2009

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 2009, 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 2009.

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 2009, the Board comprised seven Directors, including four executive Directors (including the Chairman) and three independent non-executive Directors. Biographies of the Directors are set out in pages 6 to 7.

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. Wong Man Hung, Patrick *(Chairman)*		3/4
Mr. Law Kwok Leung *(Chief Executive Officer)*		2/4
Mr. Feng Xiao Ping		1/4
Mr. Stephen William Frostick	(appointed on 3 December 2008)	2/2
Mr. Tong Hing Chi	(resigned on 31 October 2008)	1/1
Non-executive Director		
Mr. Chan Kwok Sun, Dennis	(resigned on 3 December 2008)	2/2
Independent Non-executive Directors		
Mr. Sousa Richard Alvaro		1/4
Mr. Chang Carl		2/4
Mr. Lee Chi Hwa, Joshua		4/4

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	3/4
Mr. Chang Carl	2/4
Mr. Lee Chi Hwa, Joshua	4/4

The Group's unaudited quarterly and interim results and audited annual results during the year ended 31 March 2009 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 2009, 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.

INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective internal control to safeguard the Group's assets and shareholders' interests. The Board has conducted regular reviews on the effectiveness of the Group's internal control system during the year, which covers all material controls, including financial, operational and compliance controls as well as risk management functions and an annual review on the adequacy of staffing of the accounting and financial reporting function.

The Board monitors the Group's progress on corporate governance practices. Periodic meetings are held, and circulars or guidance notes are issued to directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

AUDITORS' REMUNERATION

The statement by the auditors of the Company about their reporting responsibilities is set out in the auditor's report on page 23 to 24. During the financial year ended 31 March 2009, the fees paid and payable to the auditors in respect of audit and non-audit services to the Group were approximately HK$400,000 (2008: HK$409,000) and HK$273,000 (2008: 187,000) respectively.

浩理會計師事務所有限公司
KL CPA LIMITED

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

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 China Chief Cable TV Group Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 25 to 74, which comprise the consolidated and Company balance sheets as at 31 March 2009, 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 consolidated 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 consolidated 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 2009 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.

KL CPA Limited
Certified Public Accountants

Lee Ho Yee
Practising certificate number: P04767

Hong Kong, 19 June 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

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

The notes on pages 30 to 74 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

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

Approved and authorised for issue by the board of directors on 19 June 2009

On behalf of the board

Wong Man Hung Patrick
Director

Law Kwok Leung
Director

Feng Xiao Ping
Director

The notes on pages 30 to 74 form an integral part of these financial statements.

BALANCE SHEET

As at 31 March 2009

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

Approved and authorised for issue by the board of directors on 19 June 2009

On behalf of the board

Wong Man Hung Patrick	**Law Kwok Leung**	**Feng Xiao Ping**
Director	*Director*	*Director*

The notes on pages 30 to 74 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

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

Note:

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

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

The notes on pages 30 to 74 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Loss before income tax		**(286,140)**	(25,687)
Adjustment for:			
Share of results of an associate company		**10,026**	—
Interest expenses		**875**	2,598
Interest income		**(182)**	(6,744)
Written off of other receivables		**876**	—
Written down of inventories		**900**	—
Provision for share-based payment		**1,382**	—
Depreciation and amortization		**6,043**	7,896
Impairment of goodwill		**235,806**	4,007
Loss on financial assets at fair value through profit or loss		**1,482**	3,816
		257,208	11,573
Operating loss before working capital change		**(28,932)**	(14,114)
Increase in inventories		**(541)**	(1,077)
(Increase)/Decrease in accounts receivable		**(3,876)**	1,146
Decrease/(Increase) in other receivables and deposits		**44,058**	(19,660)
Increase in account payable		**1,532**	1,003
Decrease in other payable and accrued charges		**(18,271)**	(470)
Decrease in amounts due to related companies		**(406)**	(472)
Increase in amount due to a director		**1,201**	1,199
Cash used in operations		**(5,235)**	(32,445)
Interest received		**182**	6,744
Interest paid		**(875)**	(2,598)
Net cash outflow from operating activities		**(5,928)**	(28,299)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(12,545)**	(1,918)
Purchases of film rights		**(225)**	(953)
Purchases of financial assets at fair value through profit or loss		**—**	(8,376)
Net cash outflow from acquisition of subsidiaries	*29*	**(54,626)**	—
Proceeds on disposal of fixed assets		**10**	—
Investments in an associated company		**(4,545)**	—
Net cash outflow from investing activities		**(71,931)**	(11,247)
Net cash inflow from financing activities			
Bank and other loans raised	*32*	**3,409**	—
Repayment of bank and other loans	*32*	**—**	(47,651)
Proceeds from issuance of shares		**7,368**	158,701
Contribution by minority shareholders of subsidiaries		**2,574**	—
		13,351	111,050
Net (decrease)/increase in cash and cash equivalents		**(64,508)**	71,504
Cash and cash equivalents at the beginning of year		**72,316**	296
Translation differences		**(832)**	516
Cash and cash equivalents at the end of year		**6,976**	72,316
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**6,976**	72,316

The notes on pages 30 to 74 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 (collectively known as "TV digitalisation related services"), direct television sales and cordyceps-related business in the People's Republic of China ("PRC").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

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

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 2009:

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

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

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

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures-Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC) — INT 9 and HKAS 39 (Amendments)	Embedded Derivatives[7]

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

(a) Basis of preparation *(Continued)*

Impact of issued but not yet effective Hong Kong Financial Reporting Standards *(Continued)*

HK(IFRIC) — INT 13	Customer Loyalty Programmes[5]
HK(IFRIC) — INT 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) — INT 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) — INT 17	Distribution of Non-cash Assets to Owners[4]
HK(IFRIC) — INT 18	Transfers of Assets from Customers[8]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

[2] Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.

[3] Effective for annual periods beginning on or after 1 January 2009.

[4] Effective for annual periods beginning on or after 1 July 2009.

[5] Effective for annual periods beginning on or after 1 July 2008.

[6] Effective for annual periods beginning on or after 1 October 2008.

[7] Effective for annual periods ending on or after 30 June 2009.

[8] Effective for transfers of assets from customers received on or after 1 July 2009.

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

(b) Basis of Consolidation

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

(i) Subsidiaries

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

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

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

(b) Basis of Consolidation *(Continued)*

(i) ***Subsidiaries*** *(Continued)*

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

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

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

(ii) ***Associated companies***

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

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

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

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

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

(c) Goodwill

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

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

(d) Segmental Reporting

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

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

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

(e) Property, plant and equipment

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

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

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

(e) Property, plant and equipment *(Continued)*

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

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

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

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

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

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

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

(g) Other intangible assets

(i) Club membership

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

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

(g) Other intangible assets *(Continued)*

(ii) Film rights

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

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

(iii) Patent and License

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

(h) Inventories

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

(i) Accounts receivable

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

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

(j) Loans and receivables

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

(k) Cash and cash equivalents

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

(l) Provisions

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

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

(m) Impairment

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

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

(m) Impairment *(Continued)*

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

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

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

(n) Employee benefits

(i) Employee leave entitlements

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

(ii) Pension obligations

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

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

(n) 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.

(o) Deferred taxation

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

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

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

(p) Revenue recognition

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

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

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

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

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

(q) Translation of foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(r) Operating leases

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

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

(s) Related Parties

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

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

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

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

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

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

(a) Credit risk

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

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

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:

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

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

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

(b) Interest rate risk

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

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

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 26% (2008: 16%) of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, whilst almost 53% (2008: 75%) of costs are denominated in the Group's functional currency.

The Group does not enter into any hedging instruments.

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

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

(d) Liquidity risk

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

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 2009 and 31 March 2008.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

(b) Provision for impairment of receivables

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

5. TURNOVER, OTHER REVENUE AND SEGMENT INFORMATION

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

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

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

Primary report format — business segments

The Group is organised into five main business segments:

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

— Provision of audiovisual playout services on audiovisual data;

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

— Direct television sales; and

— Sale of cordyceps-related product.

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

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

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

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

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$'000*	Direct television sales *HK$'000*	Sale of cordyceps-related product *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 for the year						(25,687)
Segment assets	5,361	1,525	16,488	—	—	23,374
Unallocated assets						122,668
Total assets						146,042
Segment liabilities	2,554	315	21,298	—	—	24,167
Unallocated liabilities						9,855
Total liabilities						34,022
Capital expenditure	551	293	453	—	—	1,297
Unallocated capital expenditure						621
Total capital expenditure						1,918
Depreciation	1,616	1,616	3,734	—	—	6,966

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

Secondary report format — geographical segments

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

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

— PRC — development of digital television system platform and provision of related services, sales and rental of set-top boxes, development of program database, design and manufacture of digital television equipment and facilities, direct television sales and sale of cordyceps-related products.

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

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

6. FINANCE COSTS

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

7. LOSS BEFORE INCOME TAX

Loss before income tax is stated after charging the following:

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

8. INCOME TAX EXPENSE

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

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

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

9. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

10. LOSS PER SHARE

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

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

11. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

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

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

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

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

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

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

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

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

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

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

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

13. PROPERTY, PLANT AND EQUIPMENT

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

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

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

14. GOODWILL

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

Note:

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

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

15. OTHER INTANGIBLE ASSETS

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

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

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

16. INTERESTS IN SUBSIDIARIES

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

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

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Interest held
Held directly:				
M21 Investment Limited	British Virgin Islands	Investment holding in Hong Kong	400 ordinary shares of US$1 each	100%
Held indirectly:				
Fujian Tianxin Biological Technology Company Limited	PRC	Sales of cordyceps-related products	US$2,500,000	72%
Goodside International Limited	Hong Kong	Provision of TV sales services in the PRC	1 ordinary share of HK$1 each	100%
Hong Kong New Success International Group Investment Company Limited	PRC	Investment holding in Hong Kong	10,000 ordinary shares of HK$1 each	100%

16. INTERESTS IN SUBSIDIARIES *(Continued)*

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

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

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

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

17. INTERESTS IN AN ASSOCIATED COMPANY

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

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

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

Notes:

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

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

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

18. INVENTORIES

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

19. ACCOUNTS RECEIVABLE

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

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

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

20. OTHER RECEIVABLES AND DEPOSITS

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

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

22. ACCOUNTS PAYABLE

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

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

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

23. AMOUNT DUE TO RELATED COMPANIES AND A DIRECTOR

(a) Amount due to related companies

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

(b) Amount due to a director

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

24. OTHER LOANS

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

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

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

25. DEFERRED TAXATION

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

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

26. CONVERTIBLE BONDS

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

26. CONVERTIBLE BONDS *(Continued)*

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

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

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

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

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

27. SHARE CAPITAL

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

27. SHARE CAPITAL *(Continued)*

Note:

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

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

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

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

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

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

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

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

28. RESERVES

(a) The Group

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

(b) The Company

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

Note:

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

29. ACQUISITION OF SUBSIDIARIES

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

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

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

30. SHARE OPTIONS

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

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

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

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

30. SHARE OPTIONS *(Continued)*

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

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

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

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

Note:

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

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

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

31. IMPAIRMENT TESTING OF GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Bank and other loans:

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

33. CAPITAL COMMITMENTS

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

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

34. OPERATING LEASES

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

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

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

35. RELATED PARTY TRANSACTION

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

(a) Transactions with related party

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

Note:

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

(b) Balances with minority shareholders of its subsidiary

Loan to minority shareholders are included under the following headings:

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

Note:

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

(c) Compensation of key management personnel

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

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

36. SUBSEQUENT EVENTS

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

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

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

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

OTHER FINANCIAL INFORMATION

FINANCIAL SUMMARY

	Year ended 31 March 2009 HK$'000	Year ended 31 March 2008 HK$'000	Year ended 31 March 2007 HK$'000	Year ended 31 March 2006 HK$'000	As restated Year ended 31 March 2005 HK$'000
Results					
Loss attributable to equity holders of the Company	**(283,421)**	(25,687)	(17,061)	(14,677)	(14,968)

	As at 31 March 2009 HK$'000	As at 31 March 2008 HK$'000	As at 31 March 2007 HK$'000	As at 31 March 2006 HK$'000	As restated As at 31 March 2005 HK$'000
Assets and liabilities					
Total assets	**344,925**	146,042	58,217	66,416	68,097
Total liabilities	**(49,390)**	(34,022)	(79,735)	(70,823)	(58,029)
	295,535	112,020	(21,518)	(4,407)	10,068

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.