



CHINA CHIEF CABLE TV GROUP LIMITED

中國 3 C 集團有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock code: 8153)

Websites: <http://www.m21.com.hk>

RESULTS ANNOUNCEMENT

For the three months and six months ended 30 September 2008

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “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 Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

* For identification purpose only

INTERIM RESULTS

The board of directors (the “Board”) of China Chief Cable TV Group Limited (the “Company”) present the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 September 2008 (the “Relevant Periods”) together with the comparative unaudited figures for the corresponding periods in 2007 as follows:

UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three months and six months ended 30 September 2008

		Three months ended 30 September		Six months ended 30 September	
		2008	2007	2008	2007
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	4,690	3,197	7,982	5,984
Cost of sales		<u>(5,397)</u>	<u>(2,507)</u>	<u>(10,197)</u>	<u>(5,913)</u>
Gross (loss)/profit		(707)	690	(2,215)	71
Other revenue		61	330	172	349
General, administrative and other expenses		<u>(9,121)</u>	<u>(3,688)</u>	<u>(17,541)</u>	<u>(7,177)</u>
Losses from operations	3	(9,767)	(2,668)	(19,584)	(6,757)
Finance costs	4	(177)	(32)	(353)	(955)
Share of loss of an associated company		<u>(3,438)</u>	<u>—</u>	<u>(6,199)</u>	<u>—</u>
Losses for the period		<u><u>(13,382)</u></u>	<u><u>(2,700)</u></u>	<u><u>(26,136)</u></u>	<u><u>(7,712)</u></u>
Basic loss per share	7	<u><u>(2.12 cents)</u></u>	<u><u>(0.72 cents)</u></u>	<u><u>(4.33 cents)</u></u>	<u><u>(2.23 cents)</u></u>
Attributable to:					
Equity holders of the Company		(12,617)	(2,700)	(24,670)	(7,712)
Minority interests		<u>(765)</u>	<u>—</u>	<u>(1,466)</u>	<u>—</u>
		<u><u>(13,382)</u></u>	<u><u>(2,700)</u></u>	<u><u>(26,136)</u></u>	<u><u>(7,712)</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2008 and 31 March 2008

		Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
	Note		
Non-current assets			
Property, plant and equipment	8	10,946	10,672
Intangible assets		366,935	1,197
		<u>377,881</u>	<u>11,869</u>
Current assets			
Inventories		2,594	2,518
Accounts receivable	9	4,355	3,896
Other receivables and deposits		49,186	50,883
Financial assets at fair value through profit or loss		2,128	4,560
Bank balances and cash		24,875	72,316
		<u>83,138</u>	<u>134,173</u>
Current liabilities			
Accounts payable	10	2,590	2,185
Other payables and accrued charges		13,127	8,229
Amounts due to related companies		6,663	7,080
Amount due to a director		5,465	4,864
Bank and other loans		11,743	11,664
		<u>39,588</u>	<u>34,022</u>
Net current assets		<u>43,550</u>	<u>100,151</u>
Total assets less current liabilities		<u>421,431</u>	<u>112,020</u>
Non-current liabilities			
Convertible bonds — liability component	11	251,878	—
Net assets		<u>169,553</u>	<u>112,020</u>
Capital and reserves			
Share capital	12	5,940	4,380
Reserves		162,873	107,640
Equity attributable to equity holders of the company		168,813	112,020
Minority interests		740	—
		<u>169,553</u>	<u>112,020</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Attributable to equity holders of the Company								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Accumulated losses HK\$'000	Merger reserve HK\$'000	Share- based payment reserve HK\$'000	Exchange reserve HK\$'000	Convertible bonds — equity component HK\$'000	Minority interest HK\$'000	
At 1 April 2007	3,125	27,783	(58,381)	(197)	6,000	152	—	—	(21,518)
Issue of shares, net of expenses	725	76,717	—	—	—	—	—	—	77,442
Loss for the period	—	—	(7,712)	—	—	—	—	—	(7,712)
At 30 September 2007	<u>3,850</u>	<u>104,500</u>	<u>(66,093)</u>	<u>(197)</u>	<u>6,000</u>	<u>152</u>	<u>—</u>	<u>—</u>	<u>48,212</u>
At 1 April 2008	4,380	185,229	(84,068)	(197)	6,000	676	—	—	112,020
Issue of shares, net of expenses	1,560	48,360	—	—	—	—	—	—	49,920
Issue of convertible bond	—	—	—	—	—	—	31,002	—	31,002
Acquisition of a subsidiary	—	—	—	—	—	—	—	2,206	2,206
Exchange differences	—	—	—	—	—	541	—	—	541
Loss for the period	—	—	(24,670)	—	—	—	—	(1,466)	(26,136)
At 30 September 2008	<u>5,940</u>	<u>233,589</u>	<u>(108,738)</u>	<u>(197)</u>	<u>6,000</u>	<u>1,217</u>	<u>31,002</u>	<u>740</u>	<u>169,553</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	Unaudited	
	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(12,428)	(5,630)
Net cash used in investing activities	(34,635)	(169)
Net cash from financing activities	—	32,811
Net (decrease)/increase in cash and cash equivalents	(47,063)	27,012
Cash and cash equivalents at 1 April	72,316	296
Effect of changes in foreign exchange rates	(378)	—
Cash and cash equivalents at 30 September	<u>24,875</u>	<u>27,308</u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<u>24,875</u>	<u>27,308</u>

Notes:

1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated interim accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They 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 accounting policies and methods of computation adopted in the preparation of these unaudited consolidated accounts are consistent with those set out in the annual financial statements for the year ended 31 March 2008. The consolidated results are unaudited but have been reviewed by the Company’s audit committee.

2. Segment information

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

Primary report format — business segments

The Group is organised into three main business segments:

- Provision of pre-mastering and other media services — include editing, authoring and digitalisation of audiovisual data processes;
- Provision of audiovisual playout services on audiovisual data; and
- Provision of TV digitalisation related services — development of digital set-top boxes and the system platform for digital TV network and provision of digitalisation related technical support services.

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

Secondary report format — geographical segments

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

- Hong Kong — provision of pre-mastering and other media services and provision of audiovisual playout services;
- PRC — development of digital television system platform and provision of related services, sales and rental of set-top boxes, development of program database, design and manufacture of digital television equipment and facilities.

There are no sales between the geographical segments.

Business Segment

	Unaudited							
	Six months ended 30 September							
	Provision of Pre-mastering and other media services		Provision of audiovisual playout services		Provision of TV digitalisation related services		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	6,240	4,332	1,585	1,585	157	67	7,982	5,984
Segment results	(1,319)	(865)	(3,530)	(317)	(2,691)	(1,749)	(7,540)	(2,931)
Unallocated expenses							(12,044)	(3,826)
Loss from operations							(19,584)	(6,757)
Finance costs							(353)	(955)
Share of loss of an associated company							(6,199)	—
Loss attributable to shareholders							(26,136)	(7,712)
Capital expenditure	667	572	312	210	12	—	991	782
Unallocated capital expenditure							2,146	—
							3,137	782
Depreciation	500	1,355	500	496	2,011	1,151	3,011	3,002
Unallocated depreciation							150	—
							3,161	3,002
	Unaudited As at 30 September	Audited As at 31 March	Unaudited As at 30 September	Audited As at 31 March	Unaudited As at 30 September	Audited As at 31 March	Unaudited As at 30 September	Audited As at 31 March
	Provision of Pre-mastering and other media services		Provision of audiovisual playout services		Provision of TV digitalisation related services		Total	
	2008	2008	2008	2008	2008	2008	2008	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	5,856	5,361	1,683	1,525	14,165	16,488	21,704	23,374
Unallocated assets							439,315	122,668
Total assets							461,019	146,042
Segment liabilities	2,793	2,554	329	315	22,160	21,298	25,282	24,167
Unallocated liabilities							266,184	9,855
Total liabilities							291,466	34,022

Geographical segments

	Unaudited Six months ended 30 September 2008	Unaudited As at 30 September 2008		
	Turnover <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>	Segment assets <i>HK\$'000</i>
Hong Kong	7,825	(4,849)	3,125	446,854
PRC	157	(2,691)	12	14,165
	<u>7,982</u>	<u>(7,540)</u>	<u>3,137</u>	<u>461,019</u>
Unallocated costs		<u>(12,044)</u>		
Loss from operations		<u>(19,584)</u>		

	Unaudited Six months ended 30 September 2007	Audited As at 31 March 2008		
	Turnover <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>	Segment assets <i>HK\$'000</i>
Hong Kong	5,917	(1,182)	782	129,554
PRC	67	(1,749)	—	16,488
	<u>5,984</u>	<u>(2,931)</u>	<u>782</u>	<u>146,042</u>
Unallocated costs		<u>(3,826)</u>		
Loss from operations		<u>(6,757)</u>		

3. Losses from operations

Losses from operations are stated after charging the following:

Unaudited	
Six months ended	
30 September	
2008	2007
HK\$'000	HK\$'000
Cost of inventories sold	2,378
Depreciation	3,002
Amortisation of club membership and film rights	11
3	11

4. Finance costs

Unaudited	
Six months ended	
30 September	
2008	2007
HK\$'000	HK\$'000
Interest expenses on borrowings wholly repayable within five years	955
353	955

5. Staff costs

Unaudited	
Six months ended	
30 September	
2008	2007
HK\$'000	HK\$'000
Wages and salaries	3,963
Pension costs — defined contribution plans	111
145	111
5,590	4,074

6. Taxation

No provision for Hong Kong profits tax and PRC enterprise income tax have been made as the Group had no estimated assessable profit during the three months and six months ended 30 September 2008 (2007: Nil).

7. Loss per share

The calculation of basic loss per share for the three months and six months ended 30 September 2008 was based on the Group's loss attributable to shareholders of approximately HK\$12,617,000 and HK\$24,670,000 respectively (2007: approximately HK\$2,700,000 and HK\$7,712,000) and on 594,000,000 and 570,131,000 (2007: 376,850,000 and 345,396,000) weighted average number of ordinary shares in issue during the periods.

No diluted loss per share for 2008 and 2007 has been presented, as the exercise of the outstanding share options and convertible bonds of the Company during the three months and six months ended 30 September 2008 and 2007 would result in reducing loss per share.

8. Capital expenditure

	Goodwill <i>HK\$'000</i>	Film rights <i>HK\$'000</i>	Club membership <i>HK\$'000</i>	Property, plant and equipment <i>HK\$'000</i>
Carrying value at 1 April 2008	—	1,029	168	10,672
Acquisition of subsidiaries	365,736	—	—	—
Additions less disposals	—	—	—	3,137
Amortisation/depreciation charge	—	—	(3)	(3,161)
Exchange realignment	—	—	5	298
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Carrying value at 30 September 2008	<u>365,736</u>	<u>1,029</u>	<u>170</u>	<u>10,946</u>

9. Accounts receivable

The Group's credit term granted to trade debtors generally ranges from 15 to 90 days. At 30 September 2008, details of the ageing analysis of accounts receivable were as follows:

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Current	821	1,098
31 — 60 days	542	388
61 — 90 days	398	3
Over 90 days	2,594	2,407
	<u> </u>	<u> </u>
	<u>4,355</u>	<u>3,896</u>

10. Accounts payable

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

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Current	909	1,183
31 — 60 days	1,357	411
Over 60 days	324	591
	2,590	2,185

11. Convertible bonds

On 28 April 2008, the Company issued convertible bonds with an aggregate amount of HK\$282,880,000 (“Convertible Bonds”). Each bondholder has the option to convert the Convertible Bonds 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 Convertible Bond 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).

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 recognised in the balance sheet as at 30 September 2008 are calculated as follows:

	HK\$'000
Nominal value of convertible bonds issued	282,880
Less: Equity component at 30 September 2008	31,002
Liability component at 30 September 2008	251,878

12. Share capital

	Number of ordinary shares of HK\$0.01 each		Ordinary shares	
	Unaudited 30 September 2008 '000	Audited 31 March 2008 '000	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
<i>Authorised</i>	2,000,000	2,000,000	20,000	20,000
<i>Issued and fully paid</i>				
At 1 April 2008	438,000		4,380	
Issue of new shares from share subscription	156,000		1,560	
At 30 September 2008	594,000		5,940	

On 28 April 2008, 156,000,000 ordinary 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 Acquisition pursuant to the Agreement as set out in the Company's circular on 22 October 2007.

On 3 October 2008, the Company received a notice of exercise of conversion rights to convert the Convertible Bonds as defined in the circular on 22 October 2007 in principal amount of HK\$77,350,400 into new shares of the Company of a conversion price of HK\$0.32 per share, pursuant to that 241,720,000 new shares of the Company were issued and allotted.

13. Capital Commitments

At 30 September 2008, the Group had capital commitments in respect of the following:

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Contracted for but not provided for:		
Film development	12,250	12,250

14. Subsequent event

As set out in the Company's announcement and circular dated 3 September 2008 and 29 September 2008 respectively, on 28 August 2008 the Group entered into an agreement to acquire 100% interest in Hong Kong New Success International Group Investment Company Limited at a consideration of HK\$120 million. The transaction was approved by the shareholders of the Company on a special general meeting dated 17 October 2008 and is pending for completion.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months and six months ended 30 September 2008 (2007: Nil).

FINANCIAL AND BUSINESS REVIEW

For the six months ended 30 September 2008, the Group recorded a turnover of approximately HK\$7,982,000 (2007: approximately HK\$5,984,000).

Income from pre-mastering and other media services (“Media Services”) accounted for approximately 78% (2007: approximately 72%) of the Group’s turnover, income from the provision of audiovisual playout services (“Playout Services”) accounted for approximately 20% (2007: approximately 26%) of the Group’s turnover, whilst income from provision of TV digitalisation related services, accounted for approximately 2% (2007: approximately 2%) of the total turnover.

During the period under review, the loss attributable to equity holders of the Company was approximately HK\$24,670,000 (2007: approximately HK\$7,712,000). The loss is mainly due to the incorporation of the results of its newly acquired subsidiaries which were still in initial stage of development.

BUSINESS PURSUITS AND PROSPECTS

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

As the Pay TV market has been getting more complicated with the emergence of broadband network, the demand for audiovisual contents as well as its quality increases dramatically. 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.

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 Company has entered into an agreement to acquire 100% interest in Hong Kong New Success International Group Investment Company Limited in August 2008. The Directors believe that the acquired cordyceps-related business can provide a new source of income to the Group. 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.

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 digital television market in the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2008, the gearing ratio of the Group, based on the total bank and other loans of approximately HK\$11,743,000 and the net assets of HK\$169,553,000, was 6.9%.

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 30 September 2008.

EMPLOYEE INFORMATION

As at 30 September 2008, the Group had 115 full-time employees. Employee costs, including directors' emoluments for the period amounted to approximately HK\$5,590,000. Remuneration is reviewed annually and employees are rewarded on a performance related basis. In addition to the basic salaries, a wide range of benefits, including medical coverage, provident funds, training and development programmes and long service awards are also provided on an ongoing basis to employees of the Group. The Group has a share option scheme whereby qualified employees may be granted options to acquire shares of the Company.

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

As at 30 September 2008, the interests and short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Future Ordinance (“SFO”)), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

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

Name of directors	Personal interests	Corporate interests	Other interests
Mr. Tong Hing Chi <i>(note (c))</i>	7,812,500	—	—
Mr. Law Kwok Leung	7,380,500	60,000,000 <i>(note (a))</i>	—
Mr. Chan Kwok Sun, Dennis	—	—	60,000,000 <i>(note (a))</i>
Mr. Feng Xiao Ping	—	41,718,750 <i>(note (b))</i>	—

Notes:

- (a) 60,000,000 shares are held by Sino Regal Holding Limited (“SRH”), a company in which Mr. Law Kwok Leung and Mr. Chan Kwok Sun, Dennis have an equity interests of 70% and 30% therein respectively.
- (b) 31,718,750 shares are held by Sino Unicorn Technology Limited (“Sino Unicorn”), a company in which Mr. Feng Xiao Ping has an indirect interest of 51% therein. In addition, 10,000,000 shares are held by Sky Dragon Digital Television and Movies Holdings Limited (“Sky Dragon Holdings”), a company 99% indirectly owned by Mr. Feng Xiao Ping.
- (c) Mr. Tong Hing Chi resigned as a director of the Company with effective from 31 October 2008.

(b) Share option

On 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. In June 2007, Sky Dragon Holdings exercised share option to subscribe 10 million shares of the Company and as at 30 September 2008, Sky Dragon Holdings still held options to subscribe 20 million shares.

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 30 September 2008, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name of shareholders	Number of shares — long position	Percentage of share capital (%)	Derivative interest	
			Number of shares — long position	Percentage of share capital (%)
Mr. Law Kwok Keung — corporate interest	104,520,000 (note (a) and note (d))	17.60	592,280,000 (note (b) and note (f))	40.07
Cityway Holdings Limited	—	—	592,280,000 (note (b) and note (f))	40.07
Keenway Holdings Limited	104,520,000 (note (a) and note (d))	17.60	—	—
Mr. Lin Fang Chih — corporate interest	—	—	50,000,000 (note (b) and note (g))	3.38
Tradecity Investments Limited	—	—	50,000,000 (note (b) and note (g))	3.38
Mr. Yim Kai Pung — corporate interest	51,480,000 (note (a) and note (e))	8.67	—	—
World Day Investments Limited	51,480,000 (note (a) and note (e))	8.67	—	—
Chung Nam Securities Limited	—	—	241,720,000 (note (b))	16.35
SRH	60,000,000	10.10	—	—
Sino Unicorn	31,718,750 (note (c))	5.34	—	—
Random Services Limited ("Random Services")	31,718,750 (note (c))	5.34	—	—
Mr. Yang Fuguang — corporate interest	31,718,750 (note (c))	5.34	—	—

Note:

- (a) Such interests represent the 156,000,000 new shares at HK\$0.32 per share issued on 28 April 2008 as partial consideration of the acquisition of the 80% equity interest in NJ Everyday Buy pursuant to the conditional sale and purchase agreement (“Agreement”) entered into by the Company on 17 September 2007.
- (b) Such interests represent the convertible bonds in the principal amount of HK\$282,880,000 issued on 28 April 2008 as partial consideration of the acquisition of the 80% equity interest in NJ Everyday Buy pursuant to the S&P Agreement. The percentage of shares in issue is based on the enlarged issued share capital of the Company after the issuance of those conversion shares. Such interests represented approximately 8.42% of the issued share capital of the Company as at 30 September 2008. In September 2008, Mr. Lin Fang Chih transferred convertible bonds with principal amount of HK\$77,350,400 to Chung Nam Securities Limited. The ultimate beneficial owners of such convertible bonds are nine independent individuals.
- (c) Sino Unicorn is 51% and 49% owned by Random Services and Mr. Yang Fuguang respectively. The shares referred to herein relate to the same parcel of shares held by Sino Unicorn.
- (d) The interests refer to the same parcel of shares.
- (e) The interests refer to the same parcel of shares.
- (f) The interests refer to the same parcel of shares.
- (g) The interests refer to the same parcel of shares.

Save as disclosed above and “Directors’ and Chief Executives’ interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation”, the Company had no notice of any interests and short positions to be recorded under Section 336 of the SFO as at 30 September 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its listed securities during the three months and six months ended 30 September 2008. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed securities during the three months and six months ended 30 September 2008.

CORPORATE GOVERNANCE PRACTICES

The Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review, with the exception of the deviation in respect of the appointment term of non-executive directors.

Under code provision A4.1, 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

COMPETING BUSINESS

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

AUDIT COMMITTEE

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

On Behalf of the Board
Wong Man Hung Patrick
Chairman

Hong Kong, 13 November 2008

As of the date of this announcement, the executive directors of the Company are Mr. Wong Man Hung Patrick, Mr. Law Kwok Leung and Mr. Feng Xiao Ping, the non-executive director is Mr. Chan Kwok Sun Dennis and the independent non-executive directors are Mr. Sousa Richard Alvaro, Mr. Chang Carl and Mr. Lee Chi Hwa Joshua.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting.