NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which include all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005 and would therefore be effective for the Group's financial statements for the year ending 30 September 2006.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30 September 2005. The Group is in the process of making an assessment of the impact of these new HKFRSs and has so far concluded that the adoption of these new HKFRSs would not have a significant impact on its results of operations and financial position. The Group will be continuing with the assessment of the impact of the new HKFRSs and significant changes may be identified as a result.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost.

(c) Subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

1 Significant accounting policies (Continued)

(c) Subsidiaries (Continued)

An investment in a controlled subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet separately from liabilities and the shareholders' equity. Minority interests in the results of the Group for the year are also separately presented in the income statement.

Where losses attributable to the minority exceed the minority interest in the net assets of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. All subsequent profits of the subsidiary are allocated to the Group until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(h)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

(Expressed in Hong Kong dollars)

1 Significant accounting policies (Continued)

(d) Fixed assets

(i) Fixed assets are carried in the balance sheet at cost less accumulated depreciation (note 1(g)) and impairment losses (note 1(h)).

(ii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

(e) Licence rights

Licence rights are stated at cost less impairment losses (note 1(h)), where appropriate.

(f) Leased assets

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets held for use in operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(h). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(p)(iv).

1 Significant accounting policies (Continued)

(f) Leased assets (Continued)

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the respective lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made.

(g) Depreciation

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives as follows:

– land and buildings are depreciated on a straight-line basis over the shorter of their estimated useful lives, being 50 years from the date of completion, and the unexpired terms of the leases;

– props and costumes are depreciated on a straight-line basis over their estimated useful lives of 3 years, except for cost of props and costumes which are specifically purchased for the production of a particular television ("TV") programme is included in the cost of services rendered in connection with the production of that particular TV programme;

– other fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	3-6 years
Furniture, fixtures, and computer equipment	3-5 years
Production equipment	5 years
Motor vehicles	5 years

(Expressed in Hong Kong dollars)

1 Significant accounting policies (Continued)

(h) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– Fixed assets;

– Investments in subsidiaries (except for those accounted for at fair value under note 1(c)); and

– Licence rights.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of such an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

1 Significant accounting policies (Continued)

(i) Inventories

Inventories represent the cost of acquisition of certain scripts, synopses and editing rights and are carried at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The carrying amount of those inventories is recognised as an expense in the period in which the related revenue in respect of the provision of script-writing/editing services is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Accounts receivable

Accounts receivable, the credit terms of which vary with the terms specified in each contract entered into with customers, are recognised and carried in the balance sheet at the original invoice amount less provision for doubtful debts which is made to the extent that the debts are considered to be doubtful. Bad debts are written off as incurred.

(k) Reimbursements receivable

Funds advanced for the production of TV programmes are stated at cost less any irrecoverable amounts. Cost represents the original amounts of funds advanced for the production, including funding advanced for the preliminary preparation work for the production of programmes that may or may not be eventually filmed. When it is probable that the total amount of funding advanced in respect of a programme will exceed the total revenue arising from such programme, the expected loss is recognised as an expense immediately. When the outcome of the programme cannot be estimated reliably, the related advances are recognised as expenses in the period in which they are incurred.

(Expressed in Hong Kong dollars)

1 Significant accounting policies (Continued)

(l) Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(m) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as an expense in the income statement as incurred.

(iii) Employees of the subsidiaries established in the People's Republic of China (the "PRC") participate in defined contribution retirement plans managed by the local government authorities whereby the subsidiaries are required to contribute to the plans at fixed rates of the relevant employees' salary costs.

The Group's contributions to these plans are charged to the income statement when incurred. The Group has no obligation for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.

(iv) When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

(n) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

1 Significant accounting policies (Continued)

(n) Income tax (Continued)

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

(Expressed in Hong Kong dollars)

1 Significant accounting policies (Continued)

(n) Income tax (Continued)

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of expenditure expected to settle the obligation.

1 Significant accounting policies (Continued)

(o) Provisions and contingent liabilities (Continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Contract income

Contract income includes commission income from introduction of funding from investors to production houses and commission income from introduction of TV programme related investments to investors. Commission income is recognised when the broadcasting schedule of the relevant television commercial airtime is confirmed by major television stations, such as provincial TV stations and/or those with satellite broadcasting capabilities.

(ii) Service income

Service income is derived from the provision of marketing and consulting services to investors, ancillary services relating to production of TV programme to production houses, and public relations services. Service income is recognised when the services are rendered.

(iii) Licence fees

Fees from granting of distribution licence rights are recognised over the contract period or upon delivery of the master tape of the relevant programmes in accordance with the terms of the contracts.

(Expressed in Hong Kong dollars)

1 Significant accounting policies (Continued)

(p) Revenue recognition (Continued)

(iv) Costume rental

Costume rental receivable under operating leases is recognised in the income statement in equal instalments over accounting periods covered by the respective lease terms, except where an alternative basis is more representative of the patterns of benefits to be derived from the leased asset. Contingent rentals are recognised as income in the accounting period in which they are earned.

(q) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

The results of foreign enterprises are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of a foreign enterprise, the cumulative amount of the exchange differences which relate to that foreign enterprise is included in the calculation of the profit or loss on disposal.

(r) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(s) Related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

1 Significant accounting policies (Continued)

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

2 Turnover and segment reporting

The Group is principally engaged in the provision of media services including TV programme related services and marketing related services in the PRC, and other public relations services.

Pursuant to the terms of agreements entered into by the Group and PRC TV production houses, the Group is entitled to commission for procuring funding for the production of TV programmes.

Pursuant to the terms of agreements entered into by the Group and licensed PRC advertising companies, the Group is entitled to commission for the procurement of TV programmes for investment.

In addition, the Group provides other value-added services such as provision of scripts, script editing of TV programmes, public relations services, procurement of filming artists, and product promotional services to advertisers, advertising firms and television stations.

In the course of the provision of TV programme related services and marketing related services, the Group has been granted certain distribution licence rights for TV programmes. The Group also purchases similar distribution licence rights directly from other rights holders. The Group earns licence fees by granting such rights to film or TV programme trading companies.

(Expressed in Hong Kong dollars)

2 Turnover and segment reporting (Continued)

Turnover represents TV programme related, marketing related and public relations service income, net of PRC business tax. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2005 $'000	2004 $'000
TV programme related income	**56,000**	33,898
Marketing related income	**16,532**	14,817
Public relations service income	**33,768**	36,748
	106,300	85,463

No analysis of the Group's turnover and contributions to profit from operations by geographical segment or business segment has been presented as most of the Group's operating activities are carried out in the PRC and less than 10 per cent of the Group's turnover and contributions to profit from operations are derived from activities outside the Group's media related services. There is no other geographical or business segment with segment assets equal to or greater than 10 per cent of the Group's total assets.

3 Other net income/(loss)

	2005 $'000	2004 $'000
Gain/(loss) on disposal of fixed assets	**446**	(18)
Exchange gain/(loss)	**3,021**	(12)
	3,467	(30)

4 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	2005 $'000	2004 $'000
Finance costs		
Interest on bank advances and other borrowings wholly repayable within five years	**3,172**	2,439
Interest on other loans repayable within five years	**–**	2
Other borrowing costs	**20**	182
	3,192	2,623
Staff costs		
Salaries, wages and bonuses	**4,358**	3,120
Staff welfare	**285**	600
Contributions to defined contribution plans	**86**	68
	4,729	3,788
Other items		
Depreciation	**5,051**	2,316
Auditors' remuneration		
– current year	**980**	701
– underprovision for prior years	**229**	–
Operating lease charges in respect of properties	**954**	468
Interest income	**(1,193)**	(54)

5 Income tax

(a) No provision has been made for Hong Kong Profits Tax as the Group did not earn any income subject to Hong Kong Profits Tax during the year.

(b) Income tax in the consolidated income statement represents the provision of PRC income tax as follows:

– Profits of the subsidiaries established in the PRC are subject to PRC income tax. Provision for PRC income tax in respect of these subsidiaries has been made for the year, calculated at 15% which is the tax rate applicable to foreign investment enterprises located and operating in Shenzhen.

– Under the existing PRC tax laws and regulations, a foreign enterprise which carries on business with establishment in the PRC is generally subject to enterprise income tax at 33%. Accordingly, provision for PRC income tax in respect of a subsidiary has been calculated at the applicable tax rate of 15% or 33% on a deemed profit basis on its PRC sourced income during the year.

(c) **Reconciliation between tax expense and accounting profit at applicable tax rate is as follows:**

	2005 **$'000**	2004 $'000
Profit before taxation	**68,477**	51,967
Notional tax on profit before tax, calculated at the domestic rate of 33%	**22,597**	17,149
Difference in income tax rate applicable to different jurisdictions	**(6,790)**	(9,365)
Tax effect of non-deductible expenses	**493**	364
Tax effect of non-taxable income	**(15,756)**	(7,447)
Tax effect of unused tax losses not recognised	**1,686**	905
Actual tax expense	**2,230**	1,606

5 Income tax (Continued)

(d) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	The Group		
	Depreciation allowances in excess of related depreciation $'000	**Tax losses** $'000	**Total** $'000
At 1 October 2003	114	(114)	–
(Credited)/charged to consolidated income statement	(73)	73	–
At 30 September 2004	41	(41)	–
At 1 October 2004	41	(41)	–
(Credited)/charged to consolidated income statement	(41)	41	–
At 30 September 2005	**–**	**–**	**–**

(e) Deferred tax asset not recognised:

The Group has not recognised deferred tax asset in respect of tax losses of $26,571,000 (2004: $14,680,000) as it is not probable that sufficient future taxable profits will be available against which the unused tax losses can be utilised. Of which tax losses of $16,020,000 (2004: $6,034,000) can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they were incurred, while the remaining tax losses do not expire under the current tax legislation.

6 Directors' remuneration and five highest paid individuals

The remuneration of the Company's directors is as follows:

	Fees $'000	Basic salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	2005 Total $'000	2004 Total $'000
Executive Directors						
Dr. LEUNG Anita Fung Yee Maria	–	8,017	–	12	8,029	4,441
Mr. TSIANG Hoi Fong	–	114	–	–	114	189
Independent non-executive Directors						
Mr. LAU Hon Chuen, GBS, JP	100	–	–	–	100	100
Mr. LAM Haw Shun, Dennis, JP	100	–	–	–	100	100
Mr. HUI Koon Man, Michael, JP	100	–	–	–	100	100
Non-executive Directors						
Honourable Dr. WONG Yu Hong, Philip, GBS	100	–	–	–	100	100
Mr. LEE Woo Sing	100	–	–	–	100	100
Mr. PFITZNER Kym Richard	100	–	–	–	100	100
Mr. ZINGER Simon	100	–	–	–	100	100
Mr. WONG Seung Ho, Thomas	100	–	–	–	100	100
Mr. HUNG Hak Hip	100	–	–	–	100	100
Mr. WONG Ying Ho, Kennedy, BBS, JP	100	–	–	–	100	100
Total	**1,000**	**8,131**	**–**	**12**	**9,143**	**5,630**

There was no arrangement under which a director had waived or agreed to waive any remuneration during current and prior years.

6 Directors' remuneration and five highest paid individuals (Continued)

The above analysis included one (2004: one) individual whose emoluments are among the five highest paid individuals in the Group. Details of the emoluments paid to the remaining four (2004: four) individuals are:

	2005 **$'000**	2004 $'000
Basic salaries, allowances and benefits in kind	**2,311**	1,158
Retirement scheme contributions	**35**	20
	2,346	1,178

The emoluments of the individuals are within the following bands:

	2005 **Number of individuals**	2004 Number of individuals
$0-$1,000,000	**3**	4
$1,000,000-$1,500,000	**1**	–
	4	4

During the year, no amounts were paid or payable to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

7 Profit attributable to shareholders

The consolidated profit attributable to shareholders includes a profit of $12,973,000 (2004: $12,975,000) which has been dealt with in the financial statements of the Company.

8 Dividends

(a) Dividends attributable to the year

	2005 **$'000**	2004 $'000
Interim dividend declared and paid of 1.5 cents per share (2004: $ Nil per share)	**6,000**	–
Final dividend proposed after the balance sheet date of 1.7 cents per share (2004: 2.9 cents per share)	**7,990**	11,600

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(Expressed in Hong Kong dollars)

8 Dividends (Continued)

(b) Dividends attributable to the previous financial year, approved and paid during the year:

	2005 $'000	2004 $'000
Final dividend in respect of the previous financial year, approved and paid during the year of 2.9 cents per share (2004: $ Nil per share)	**11,600**	–

9 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of $66,247,000 (2004: $50,361,000) and the weighted average number of ordinary shares of 409,589,000 (2004: 325,683,000) in issue during the year.

There were no dilutive potential ordinary shares in existence during the years ended 30 September 2004 and 2005.

10 Retirement benefit schemes

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme managed by an independent approved MPF Scheme trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000. Contributions to the scheme vest immediately.

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries of the Group participate in a defined contribution retirement plan (the "Plan") organised by the local government authorities whereby the subsidiaries are required to contribute to the Plan to fund the retirement benefits of the eligible employees. Contributions made to the Plan are calculated at a range from 9% to 22.5% of the basic salaries of the eligible employees. The local government authorities are responsible for the entire pension obligations payable to the retired employees. The Group is not liable to any retirement benefits payment in the PRC beyond the contributions to the Plan.

The Group does not operate any other scheme for retirement benefits provided to the Group's employees.

(Expressed in Hong Kong dollars)

11 Fixed assets

	The Group					
	Land and buildings $'000	Leasehold improvements $'000	Furniture, fixtures and other fixed assets $'000	Production equipment $'000	Props and costumes $'000	Total $'000
Cost:						
At 1 October 2004	16,916	1,911	2,694	1,594	8,809	31,924
Exchange adjustments	–	22	17	6	115	160
Additions	–	1,026	1,970	32	1,024	4,052
Disposals	(3,758)	–	–	–	–	(3,758)
At 30 September 2005	**13,158**	**2,959**	**4,681**	**1,632**	**9,948**	**32,378**
Accumulated depreciation:						
At 1 October 2004	234	924	989	1,039	1,657	4,843
Exchange adjustments	–	15	9	1	21	46
Charge for the year	300	587	765	321	3,078	5,051
Written back on disposal	(124)	–	–	–	–	(124)
At 30 September 2005	**410**	**1,526**	**1,763**	**1,361**	**4,756**	**9,816**
Net book value:						
At 30 September 2005	**12,748**	**1,433**	**2,918**	**271**	**5,192**	**22,562**
At 30 September 2004	16,682	987	1,705	555	7,152	27,081

11 Fixed assets (Continued)

(a) The analysis of net book value of land and buildings is as follows:

	The Group	
	2005	2004
	$'000	$'000
In Hong Kong under medium-term lease	**3,350**	7,092
In the PRC under long leases	**9,398**	9,590
	12,748	16,682

(b) Land and buildings held by certain subsidiaries with carrying value of $9,398,000 (2004: $9,590,000) were pledged as security for mortgage bank loans of $6,495,000 (2004: $6,731,000) (note 19).

12 Interests in subsidiaries

	The Company	
	2005	2004
	$'000	$'000
Unlisted shares, at cost	**60,943**	60,943
Amount due from a subsidiary	**232,574**	82,430
Amounts due to subsidiaries	**(10,972)**	(1,938)
	282,545	141,435

Balances with the subsidiaries are unsecured, interest-free and have no fixed terms of repayment. Details of the principal subsidiaries as at 30 September 2005 are as follows. The class of shares held is ordinary unless otherwise stated.

12 Interests in subsidiaries (Continued)

All of these are controlled subsidiaries as defined under note 1(c) and have been consolidated into the Group's financial statements.

Name of company	Place of incorporation/ establishment	Place of operation	Proportion of attributable equity interest held Directly	Proportion of attributable equity interest held Indirectly	Issued share capital/ registered capital	Principal activity
Sunny World Management Limited	British Virgin Islands ("BVI")	PRC	100%	–	US$2	Provision of media services including TV programme related services and marketing related services in the PRC, and other public relations services
Communication and You Holdings Company Limited	Hong Kong	PRC and Hong Kong	–	75%	$100	Provision of production equipment for use by group companies
Qin Jia Yuan Shares Company Limited	BVI	Hong Kong	100%	–	US$1	Investment holding
Qin Jia Yuan Advertising Company Limited	BVI	PRC	100%	–	US$2	Investment holding
Qin Jia Yuan Marketing (Shenzhen) Limited*	PRC	PRC	–	100%	$1,000,000	Provision of market research and broadcasting reports for advertisers

(Expressed in Hong Kong dollars)

12 Interests in subsidiaries (Continued)

Name of company	Place of incorporation/ establishment	Place of operation	Proportion of attributable equity interest held Directly	Indirectly	Issued share capital/ registered capital	Principal activity
Qin Jia Yuan Production Service (Shenzhen) Limited*	PRC	PRC	–	100%	$1,000,000	Provision of costumes and image design services
Happily Development Limited	Hong Kong	PRC	100%	–	$2	Property investment
Amazing Investments Limited	Hong Kong	PRC	100%	–	$2	Property investment
Qin Jia Yuan Publishing Company Limited	Hong Kong	Hong Kong	100%	–	$2 # $2 ##	Holding trademark
Qin Jia Yuan Cultural Assets (Hong Kong) Company Limited	Hong Kong	Hong Kong	100%	–	$2 # $92 ##	Property investment
Qin Jia Yuan International Film, Culture, Communication Company Limited	BVI	Hong Kong	100%	–	US$1	Investment holding
Qin Jia Yuan Media Creation Co., Limited	BVI	Hong Kong	100%	–	US$1	Investment holding

12 Interests in subsidiaries (Continued)

Name of company	Place of incorporation/ establishment	Place of operation	Proportion of attributable equity interest held Directly	Indirectly	Issued share capital/ registered capital	Principal activity
Qin Jia Yuan Creation Company Limited	BVI	PRC	–	100%	US$10	Holding of scripts, synopses and editing rights
Qin Jia Yuan Media Services, Productions, Distributions Company Limited	BVI	Macau	100%	–	US$1	Investment holding
Qin Jia Yuan Media Services Investment Macao Commercial Offshore Limited	Macau	Macau	–	100%	MOP100,000	Provision of commercial agency services
Progressive Chic Development Limited	BVI	Hong Kong	100%	–	US$1	Investment holding

* Wholly foreign owned enterprises established in the PRC

\# Class A non-voting shares

\#\# Class B voting shares

The above list gives the details of principal subsidiaries of the Group which, in the opinion of the Directors, materially affect the results, assets or liabilities of the Group.

(Expressed in Hong Kong dollars)

13 Licence rights

	The Group	
	2005	2004
	$'000	$'000
At 1 October	**9,630**	–
Additions	**9,400**	9,630
At 30 September	**19,030**	9,630

14 Reimbursements receivable

Reimbursements receivable represent funding advanced to the production houses on behalf of advertising agencies for investment in the production of TV programmes. The amounts are recoverable by the Group from the sales proceeds of commercial airtime to be granted by the relevant broadcasting TV stations. The amounts are interest-free and secured by the advertising agencies' rights to certain benefits to be derived from the first round broadcasting licence right in the PRC in certain TV programmes and in which the advertising agencies have invested. They are governed by the reimbursement repayment guarantees entered into among the Group, the production houses and the advertising agencies. The amounts expected to be recoverable after one year are included under non-current assets.

Advertising contracts are entered into by the PRC licensed advertising agencies with the advertisers. In the circumstances, the Group has to obtain settlement of the related reimbursements receivable from the licensed advertising agencies. Collection of related reimbursements receivable is therefore dependent on the financial position of the licensed advertising agencies.

15 Accounts receivable

	The Group	
	2005	2004
	$'000	$'000
Accounts receivable	**67,041**	33,528
Less: Amount expected to be recovered after one year, included as non-current assets	**(15,640)**	(15,626)
	51,401	17,902

(Expressed in Hong Kong dollars)

15 Accounts receivable (Continued)

Included in accounts receivable expected to be recovered within twelve months from the balance sheet date are debtors with the following ageing analysis:

	The Group	
	2005	2004
	$'000	$'000
Current	**51,401**	14,515
1 to 6 months overdue	**–**	3,387
	51,401	17,902

The credit terms offered by the Group are in accordance with the terms specified in each agreement entered into with the relevant customers, ranging from six months to one year. Subject to negotiations, extended credit terms are available for certain major customers with well-established operating records. Amounts to be recovered after one year based on repayment schedules agreed with the relevant customers have been included as non-current assets.

16 Other asset

Other asset represents payment for a club membership which is stated at cost.

17 Inventories

The inventories as at 30 September 2005 represent the cost of acquisition of certain scripts, synopses and editing rights. They are carried at the lower of cost and net realisable value.

18 Pledged deposits

The balance at 30 September 2005 represents bank deposits pledged as security against banking facilities of $125,173,000 (2004: $55,660,000), of which $54,808,000 (2004: $5,660,000) were utilised at year end (note 19).

19 Bank loans

	The Group	
	2005	2004
	$'000	$'000
Secured bank loans	**54,808**	24,509
Mortgage bank loans		
– current portion	**220**	243
– non-current portion	**6,275**	6,488
	6,495	6,731
	61,303	31,240
Repayable as follows		
– Within 1 year or on demand	**55,028**	24,752
– After 1 year but within 2 years	**232**	253
– After 2 years but within 5 years	**781**	824
– After 5 years	**5,262**	5,411
	6,275	6,488
	61,303	31,240

At 30 September 2005, certain bank loan facilities were secured by pledged deposits of $40,330,000 (2004: $27,830,000) and the corporate guarantee provided by the Company and its subsidiary. The amount of loan facility utilised was $54,808,000 (2004: $5,660,000) (note 18).

At 30 September 2005, mortgage bank loans of $6,495,000 (2004: $6,731,000) were secured by the Group's land and buildings with carrying value of $9,398,000 (2004: $9,590,000) (note 11), and the corporate guarantee provided by the Company.

(Expressed in Hong Kong dollars)

20 Share capital

	Note	**2005** Number of shares '000	**2005** Amount $'000	2004 Number of shares '000	2004 Amount $'000
Authorised:					
Ordinary shares of US$0.01 each		**800,000**	**62,400**	800,000	62,400
Issued and fully paid:					
At the beginning of the year		**400,000**	**31,200**	20,000	1,560
Issuance of shares placing and public offer		**–**	**–**	100,000	7,800
Placement of shares	(a)	**70,000**	**5,460**	–	–
Capitalisation issue		**–**	**–**	280,000	21,840
At the end of the year		**470,000**	**36,660**	400,000	31,200

Notes:

(a) A placement of 70,000,000 shares of the Company at a price of $1.83 per share was made with independent investors on 3 August 2005. The shares placed were existing shares of the Company sold by Dynamic Master Developments Limited which was a substantial shareholder of the Company. The placing price represented a discount of approximately 8.5% to the closing price of the Company's share of $2.00 on the Stock Exchange on 28 July 2005. Subsequently, the same number of new shares of the Company was subscribed by the same substantial shareholder at the same price per share. The net proceeds will be used to finance the Group's capital injection in an advertising joint venture (note 22(b)(iii)) and general working capital purposes.

(b) Pursuant to the written resolutions of the shareholders passed on 13 June 2004, the Company had established a share option scheme whereby the Directors of the Company may, at their discretion, grant any full time or part time employees and Directors, consultants and advisers to the Group (subject to the eligibility requirements set out therein), options to subscribe for shares representing up to a maximum of 30% of the shares in issue from time to time.

During the year ended 30 September 2004 and 2005, no options were granted to any such eligible participants under the share option scheme.

(Expressed in Hong Kong dollars)

21 Reserves

(a) The Group

	Share premium $'000 (note (i))	General reserve $'000 (note (ii))	Capital reserve $'000 (note (iii))	Exchange reserve $'000 (note (iv))	Retained earnings $'000	Total $'000
At 1 October 2003	–	406	(1,560)	–	63,064	61,910
Profit for the year	–	–	–	–	50,361	50,361
Issuance of shares by placing and public offer	120,200	–	–	–	–	120,200
Capitalisation issue	(21,840)	–	–	–	–	(21,840)
Share issuance costs	(30,727)	–	–	–	–	(30,727)
At 30 September 2004	67,633	406	(1,560)	–	113,425	179,904
At 1 October 2004	67,633	406	(1,560)	–	113,425	179,904
Profit for the year	–	–	–	–	66,247	66,247
Dividends approved in respect of the previous year (note 8(b))	–	–	–	–	(11,600)	(11,600)
Dividends declared in respect of the current year (note 8(a))	–	–	–	–	(6,000)	(6,000)
Exchange differences on translation of financial statements of subsidiaries in PRC	–	–	–	(104)	–	(104)
Placement of shares (note 20(a))	122,640	–	–	–	–	122,640
Share issuance costs	(8,046)	–	–	–	–	(8,046)
At 30 September 2005	**182,227**	**406**	**(1,560)**	**(104)**	**162,072**	**343,041**

21 Reserves (Continued)

(b) The Company

	Share premium $'000 (note (i))	Contributed surplus $'000 (note (v))	(Accumulated losses)/ retained earnings $'000	Total $'000
At 1 October 2003	–	–	(28)	(28)
Profit for the year	–	–	12,975	12,975
Issuance of shares pursuant to the group reorganisation	–	59,382	–	59,382
Issuance of shares by placing and public offer	120,200	–	–	120,200
Capitalisation issue	(21,840)	–	–	(21,840)
Share issuance costs	(30,727)	–	–	(30,727)
At 30 September 2004	67,633	59,382	12,947	139,962
At 1 October 2004	67,633	59,382	12,947	139,962
Profit for the year	–	–	12,973	12,973
Dividends approved in respect of the previous year (note 8(b))	–	–	(11,600)	(11,600)
Dividends declared in respect of the current year (note 8(a))	–	–	(6,000)	(6,000)
Placement of shares (note 20(a))	122,640	–	–	122,640
Share issuance costs	(8,046)	–	–	(8,046)
At 30 September 2005	**182,227**	**59,382**	**8,320**	**249,929**

21 Reserves (Continued)

Notes:

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) General reserve

According to the articles of association of the subsidiaries established in the PRC, the PRC subsidiaries are required to transfer at least 10% of their profit after taxation, as determined under PRC accounting regulations, to the general reserve fund until the reserve balance reaches 50% of the required capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The general reserve fund can be used to make good previous years' losses, if any.

(iii) Capital reserve

Pursuant to a group reorganisation (the "Reorganisation") which was complete on 17 November 2003 to rationalise the group structure in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company became the holding company of the Group. The excess of the nominal value of the shares issued by the Company over the aggregate of the nominal value of the share capital of the subsidiaries which the Company acquired under the Reorganisation was transferred to the capital reserve.

(iv) Exchange reserve

The exchange reserve has been set up and will be dealt in accordance with the accounting policies adopted for foreign currency translation (note 1).

(v) Contributed surplus

Contributed surplus represents the excess of aggregate of the net asset value of subsidiaries acquired by the Company over the nominal value of the shares issued by the Company pursuant to the Reorganisation.

(vi) Distributable reserves

As at 30 September 2005, the reserves of the Company available for distribution to shareholders amounted to $249,929,000 (2004: $139,962,000), subject to the restriction stated in (i) above.

22 Commitments

(a) Commitments under operating leases

At 30 September 2005, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2005	2004
	$'000	$'000
Within one year	**908**	576
After one year but within five years	**1,542**	1,052
	2,450	1,628

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

(b) Other commitments

(i) Pursuant to the terms of a Master Investors Procurement Agreement, the Group agreed to procure required funding to a production house for the production of 6,000 hours of television programmes. During the year ended 30 September 2005, the Group procured funding for the production of 33 hours (2004: 79 hours) of TV programmes, with estimated production costs totalling $16,981,000 (2004: $26,349,000). The total funding required for the remaining 5,713 (2004: 5,746) hours is to be determined when individual projects for TV programme production are agreed and therefore is not quantifiable as at 30 September 2005.

(Expressed in Hong Kong dollars)

22 Commitments (Continued)

(b) Other commitments (Continued)

During the year ended 30 September 2005, the corresponding funding agreed to be paid by the licensed advertising agencies pursuant to the agreements among the Group, the production house and the advertising agencies concluded on an individual programme basis amounted to $16,981,000 (2004: $26,349,000). Pursuant to a supplementary agreement to the Master Investors Procurement Agreement dated 11 November 2002, should the production house not eventually receive the agreed funding in full, (1) the Group shall pay the shortfall in full, following which the Group will be entitled to the rights in relation to the relevant TV programme, or if the Group cannot be entitled to such rights for any reasons, the TV production house shall repay the shortfall to the Group together with interest at a rate of 10% one year after the first round broadcasting of the TV programme; or (2) the Group shall pay an amount up to 15% of the shortfall, following which the production house will be entitled to the rights in relation to the relevant TV programme. The production house has received the agreed required funding in full as at 30 September 2005.

(ii) On 24 October 2003, the Group entered into a co-operative agreement with Shanghai Yali Culture Communication Co., Ltd (''Shanghai Yali") (an independent third party) in respect of a piece of land in Dongguan in the PRC in connection with the construction of a production centre and the leasing arrangement upon its completion. Pursuant to the terms of the agreement, which was supplemented by two supplementary agreements dated 28 April 2005 and 12 December 2005 respectively, the Group agreed to make instalment payments to Shanghai Yali totalling $30,000,000 on or before 30 November 2006, and in return the Group is granted the use of the production centre upon its completion for a period of 12 years. In addition, $3,000,000 deposit has been placed to Shanghai Yali to secure the right to purchase the property at 5%-10% discount on its prevailing market value within the first 3 years upon completion. If the Group has not exercised the right within the said 3-year period, it has an option to pay an additional deposit of $3,000,000 to secure the right for another 3-year period. If the Group does not exercise the right during the extended period, the two deposits will not be refunded but the lease term of the property will be extended for another 3 years.

As at 30 September 2005, the Group had made progress payments including the said deposit to secure the right to purchase the property at the discount to Shanghai Yali totalling $13,447,000 (2004: $8,477,000). The outstanding commitment at 30 September 2005 was $19,553,000 (2004: $24,523,000).

22 Commitments (Continued)

(b) Other commitments (Continued)

(iii) On 29 July 2005, Qin Jia Yuan International Advertising Company Limited, a subsidiary of the Group, entered into a co-operative agreement with Tianjin QJY Advertising Company Limited, an independent third party to establish an advertising joint venture in the PRC whereby the Group will contribute $38,010,000, representing 70% of the total registered capital of the joint venture. As at 30 September 2005, the joint venture has not yet been established and no contribution has been made by the Group.