Corporate Information

Board of Directors

Executive Directors

Dr. LEUNG Anita Fung Yee Maria
(Chief Executive Officer)
Mr. TSIANG Hoi Fong

Non-Executive Directors

Honourable Dr. WONG Yu Hong, Philip, GBS
(Chairman)
Mr. PFITZNER Kym Richard
Mr. ZINGER Simon
Mr. WONG Seung Ho, Thomas
Mr. HUNG Hak Hip
Mr. LIU Yuk Chi, David
Mr. WONG Ying Ho, Kennedy, BBS, JP

Independent Non-Executive Directors

Mr. LAU Hon Chuen, GBS, JP
Mr. LAM Haw Shun, Dennis, JP
Mr. HUI Koon Man, Michael, JP

Remuneration Committee

Mr. LAM Haw Shun, Dennis, JP *(Chairman)*
Mr. LAU Hon Chuen, GBS, JP
Mr. LIU Yuk Chi, David

Audit Committee

Mr. LAM Haw Shun, Dennis, JP *(Chairman)*
Mr. LAU Hon Chuen, GBS, JP
Mr. LIU Yuk Chi, David

Authorised Representatives

Dr. LEUNG Anita Fung Yee Maria
Ms. YUEN Yee Fan

Company Secretary and Qualified Accountant

Ms. YUEN Yee Fan

Auditors

KPMG
Certified Public Accountants
8th Floor, Prince's Building
Central, Hong Kong

Tax Adviser

PricewaterhouseCoopers
Certified Public Accountants
21st Floor, Edinburgh Tower
15 Queen's Road
Central, Hong Kong

Registered Office

Scotia Centre, 4th Floor
P.O. Box 2804
George Town
Grand Cayman
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Units 7-11
7th Floor, Yale Industrial Centre
61-63 Au Pui Wan Street
Fotan, New Territories
Hong Kong

Principal Share Registrar and Transfer Office

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
311-312 Two Exchange Square
Central, Hong Kong

Principal Bankers

Standard Chartered Bank (HK) Ltd.
The Hong Kong and Shanghai Banking Corporation Ltd.
Hang Seng Bank Limited
CITIC Ka Wah Bank Limited
Bank of China (Hong Kong) Limited
The Bank of East Asia Limited
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited

Legal Advisers

As to Hong Kong law
Troutman Sanders

As to Cayman Islands law
Maples and Calder Asia

As to PRC law
Jingtian & Gongcheng

Stock Code

The Stock Exchange of Hong Kong Limited: 2366

Website

http://www.qjymedia.com

The Directors of Qin Jia Yuan Media Services Company Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 March 2006. These results have been reviewed by the Company's auditors, KPMG, in accordance with the Hong Kong Statement of Auditing Standards 700 "Engagements to review interim financial reports" and by the Audit Committee of the Board of Directors.

Management Discussion and Analysis

It is reported by The National Bureau of Statistics of China that growth of national Gross Domestic Product ("GDP") of the country reached 9.9% in 2005. The National Bureau of Statistics of China also reported that growth of national GDP for the first quarter of 2006 reached 10.3% when compared to 2005. Recent statistics from AGB Nielsen Media Research revealed that there was strong growth in advertising expenditures in the first quarter of 2006, an increase of 25% compared to same period last year. It is a good indication that demand from the domestic consumers market continues to be in a favorable position which is consistent with the growth of the national GDP. Traditionally, television media accounts for more than 75% of total expenditures in the national media advertising market. Advertising expenditures on TV drama series account for 43% of total television advertising expenditures. The Group is confident that its existing business strategies are right and is in a position to achieve a breakthrough in the steadily growing core business.

Business Review

The Group reported a turnover of approximately HK$63.5 million for the six months ended 31 March 2006 (the "Review Period") as compared to approximately HK$52.3 million for the corresponding period last year representing an increase of 21%. Profit for the period under review amounted to HK$43.3 million compared to HK$28.8 million for the same period last year representing an increase of 50%. Earnings per share were HK9.21 cents for the period.

The improved performance during the period under review is mainly attributable to the Group's policies to consistently increase its supports towards the production and distribution of good quality TV drama series. During the first half of 2006, the Group completed one-stop services for a total of 65 hours of TV dramas. It is fully reflected in the three main streams of income for the Group, being TV programme production related, marketing advertisement related and public relations/sponsorship income. It is also a result of our focus for improvement in two areas of operation. First, the Group continues to recruit professionals and experts in TV programme production management and planning and therefore is able to exercise effective cost control. Second, the Group places a lot of emphasis on scripts and has implemented very strict script review control procedures in screening process. This will enhance the quality of the TV drama series the Group is involved in and meet the demand of Mainland China audiences for entertaining and meaningful TV dramas. The distribution of these good quality TV drama series is smooth and helps the Group to achieve better than expected results. In addition, the establishment of advertising planning and cooperation relationship with major TV stations during last year in the People's Republic of China ("PRC") has started to show positive results.

Prospects

The outstanding performance for the first half of 2006 indicates that business philosophy of the Group is right. The Group plans to provide more support services in relation to the production and distribution of TV dramas in the second half year and at the same time enhances the qualities of the TV dramas. As there is more demand than supply for good quality TV dramas, the Group is well-positioned to be the winner in the market.

Since the TV media related business is built on a well founded foundation and is operating smoothly, the Group began to involve in non-TV media businesses last year. The Group has entered into cooperation agreements with more than ten reputable and sizeable national newspapers and magazines, and also radio drama programmes of China National Radio. Operations will commence in the second half of 2006 and is expected to start generating revenue for the Group at the same time.

The Group entered into a cooperation agreement last year with Tianjin QJY Advertising Company Limited in the PRC for the establishment of a sino-foreign joint venture to be the operating platform of advertising agent. The approval procedure is now at the final stage. It is expected that the Group will be able to expand its businesses into advertising and/or advertising planning on or before the first quarter of 2007.

At the time of the listing of the Company in 2004, Fujian television station was the only unit working with the Group in the production and distribution of TV dramas. In 2006, the Group will continue to pursue its strategy adopted last year to cooperate with major TV stations in the PRC. The Group will also seek to foster closer long term cooperation relationship with more national and provincial TV stations to establish a wider operating platform in production, distribution, purchases and sales of TV drama series and advertising. Results of the cooperation are expected to be reflected and included in the revenue of one-stop TV media services, which is the unique business model of the Group, in the second half of 2006 and the year of 2007.

Liquidity and Financial Resources

During the Review Period, the Group's operations were financed by internally generated cashflows, the bank borrowings and the proceeds from both the initial public offering and the placement of shares.

As at the balance sheet date, the Group had outstanding bank borrowings of approximately HK$79.5 million, comprising secured bank loans of approximately HK$73.1 million and mortgage loans of HK$6.4 million. All the secured bank loans were repayable within one year. The mortgage loans comprised an amount of HK$5.3 million repayable after five years, an amount of HK$0.7 million which was repayable after two years but within five years, HK$0.2 million which was repayable after one year but within two years, and an amount of HK$0.2 million repayable within one year. Both the secured bank loans and the mortgage loans carried interest at floating rates. As at 31 March 2006, all bank balances and bank borrowings were denominated in Hong Kong Dollar ("HKD"), Renminbi ("RMB") and Macau Pataca ("MOP"). The Group therefore has no significant exposure to foreign exchange risk.

As at 31 March 2006, the Group's total available banking facilities amounted to HK$144.9 million (30 September 2005: HK$125.2 million) of which approximately HK$73.1 million was utilized.

As at 31 March 2006, the Group had cash and bank balances of HK$154.3 million (30 September 2005: HK$157.4 million) of which HK$131.4 million and HK$22.7 million and HK$0.2 million were denominated in HKD, RMB and MOP respectively.

The gearing ratio (expressed as a percentage of total liabilities over total assets of the Group) was 20% (30 September 2005: 18%).

As at 31 March 2006, the Group's bank loans of HK$73.1 million were secured by time deposits of approximately HK$41.5 million placed with banks while the mortgage bank loans of HK$6.4 million were secured by the land and buildings in the PRC with carrying value of approximately HK$9.3 million as at 31 March 2006.

Employees

As at 31 March 2006, the Group had a total staff of 33. Staff remuneration is maintained at competitive levels and bonuses are calculated based on an evaluation of efforts and the financial performance of the Group. The Group also provides provident funds, insurance, medical cover and share option scheme.

Interim Dividend

The Directors have declared an interim dividend for the six months ended 31 March 2006 in scrip form equivalent to HK1.8 cents per share (2005: interim dividend in cash of HK1.5 cents per share) with a cash option to shareholders whose names appeared on the register of members on 23 June 2006. The interim dividend will be payable on 18 August 2006.

Subject to the Listing Committee of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") granting listing of and permission to deal in the new shares, each shareholder will be allotted fully paid shares having an aggregate market value equal to the total amount which such shareholders could elect to receive in cash and that they be given the option to elect to receive payment in cash of HK1.8 cents per share instead of the allotment of shares. Full details of the interim scrip dividend will be set out in a letter which will be sent to shareholders together with a form of election for cash as soon as practicable.

Closure of the Register of Members

The register of members of the Company will be closed from Monday, 19 June 2006 to Friday, 23 June 2006 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share certificates with completed transfer forms must be lodged with the Company's Registrars in Hong Kong, Union Registrars Limited, 311-312 Two Exchange Square, Central, Hong Kong not later than 4:00 p.m. on Friday, 16 June 2006.

Use of Proceeds from the Company's Initial Public Offering ("IPO") and Placement in August 2005 ("The Placement")

The remaining proceeds from the IPO amounting to HK$18 million mainly represent funds to finance the establishment of a production centre in the PRC.

During the Review Period, around HK$58 million from the placement proceeds was utilized to finance the initial stage of production of TV programmes in the form of reimbursements receivable and HK$24 million was used as general working capital for the Group.

Share Option Scheme

Pursuant to the written resolutions of the shareholders passed on 13 June 2004, the Company has established a share option scheme ("Share Option Scheme") whereby the Directors of the Company may, at their discretion, invite any full time or part time employees and Directors, consultants and advisers to the Group (subject to the eligibility requirements as set out therein) to take up options which entitle them to subscribe for shares. The Share Option Scheme shall be valid and effective for a period of ten years ending on 12 June 2014.

No option has been granted, exercised, cancelled or lapsed during the six months ended 31 March 2006 and up to the date of this report.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

At 31 March 2006, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Interests in the Company

		Number of ordinary shares of the Company				Per cent of total issued share capital of the Company
Name of Director	**Capacity**	**Personal Interests**	**Family Interests**	**Corporate Interests**	**Total**	**as at 31 March 2006**
Dr. LEUNG Anita Fung Yee Maria ("Dr. Leung")	Interests in controlled corporation	Nil	Nil	173,590,000 *(Note 1)*	173,590,000	36.93%
Honourable Dr. WONG Yu Hong, Philip, GBS ("Dr. Wong")	Interests of spouse and interests in controlled corporation	Nil	970,000 *(Note 2)*	172,620,000 *(Note 3)*	173,590,000	36.93%
Mr. LAM Haw Shun, Dennis, JP	Beneficial owner	231,000	Nil	Nil	231,000	0.05%

Notes:

1. The 173,590,000 shares are held as to 162,360,000 shares by Dynamic Master Developments Limited, 970,000 shares by Hunterland City Limited and 10,260,000 shares by Goodhold Limited. Dynamic Master Developments Limited is owned as to 53.07% and 32.76% by Goodhold Limited and Hunterland City Limited respectively. Dr. Leung is entitled to exercise control of 99.99% in Hunterland City Limited and 50% in Goodhold Limited and therefore is deemed to be interested in the 173,590,000 shares under the SFO.

2. The family interest of 970,000 shares refers to the 970,000 shares held by Hunterland City Limited which are included in corporate interests of 173,590,000 shares held by Dr. Leung, spouse of Dr. Wong.

3. The 172,620,000 shares are held as to 162,360,000 shares by Dynamic Master Developments Limited and 10,260,000 shares by Goodhold Limited. Dynamic Master Developments Limited is owned as to 53.07% by Goodhold Limited. Dr. Wong is entitled to exercise control of 50% in Goodhold Limited and therefore is deemed to be interested in the 172,620,000 shares under the SFO.

(ii) Interests in associated corporations

Name of associated corporation	Name of Director	Capacity	Class of shares	Number of shares of the associated corporation: Personal interests	Family interests	Corporate interests	Total	Per cent of total issued share capital of associated corporation as at 31 March 2006
Qin Jia Yuan Cultural Assets (Hong Kong) Company Limited ("QJY Cultural")	Dr LEUNG Anita Fung Yee Maria	Beneficial owner and interests in spouse	Class A (non-voting)	1	1	Nil	2 *(Note 1)*	2.13%
	Honourable Dr Wong Yu Hong, Philip, GBS	Beneficial owner and interests in spouse	Class A (non-voting)	1	1	Nil	2 *(Note 1)*	2.13%
Qin Jia Yuan Publishing Company Limited ("QJY Publishing")	Dr LEUNG Anita Fung Yee Maria	Beneficial owner and interests in controlled corporation	Class A (non-voting)	1	Nil	1 *(Note 2)*	2	50%
	Honourable Dr Wong Yu Hong, Philip, GBS	Interests of spouse and interests in controlled corporation	Class A (non-voting)	Nil	1 *(Note 3)*	1 *(Note 2)*	2	50%

Notes:

1. The 2 shares in QJY Cultural are held as to 1 share by Dr. Leung and 1 share by Dr. Wong. As Dr. Leung and Dr. Wong are a married couple, they are deemed to be interested in these 2 shares.

2. The 1 share in QJY Publishing is held by Triglory Corporation. Triglory Corporation is owned as to 60% by Dr. Leung and 40% by Dr. Wong. Dr. Leung and Dr. Wong are entitled to exercise control over the Triglory Corporation, and therefore, Dr. Leung and Dr. Wong are deemed to be interested in this 1 share in QJY Publishing.

3. The family interest of 1 share in QJY Publishing is the personal interest held by Dr. Leung, spouse of Dr. Wong.

Save as mentioned above, as at 31 March 2006, none of the Directors or chief executive of the Company or any of their spouses or children under eighteen years of age has interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

During the period, no right has been granted to or exercised by, any Director or chief executive of the Company to subscribe for shares, warrants and debentures of the Company.

Discloseable Interests and Short Positions of Shareholders under the SFO

As at 31 March 2006, the interests and short positions of those persons (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of substantial shareholder	Capacity	Total number of ordinary shares held	Per cent of total issued share capital as at 31 March 2006	Notes
Dynamic Master Developments Limited	Beneficial owner	162,360,000	34.54%	1
Goodhold Limited	Interests in controlled corporation and beneficial owner	172,620,000	36.73%	2
Hunterland City Limited	Interests in controlled corporation and beneficial owner	163,330,000	34.75%	2
Aegis Media Asia Pacific Pte. Ltd.	Beneficial owner	96,000,000	20.43%	3
Aegis International Ltd.	Interests in controlled corporation	96,000,000	20.43%	4
Aegis Group plc	Interests in controlled corporation	96,000,000	20.43%	5
Value Partners Limited	Investment manager	23,500,000	5.00%	6
Cheah Cheng Hye	Interests in controlled corporation	23,500,000	5.00%	6

Notes:

1. The issued share capital of Dynamic Master Developments Limited is owned as to 53.07%, 32.76%, 5.3%, 3.55%, 3.55% and 1.77% by Goodhold Limited, Hunterland City Limited, Sliver Well Limited, Madam Au Tak Yee, Y. Y. Yao & Co., Limited and Commanding Profits Limited respectively.

2. The issued share capital of Dynamic Master Developments Limited is owned as to 53.07% and 32.76% by Goodhold Limited and Hunterland City Limited. As each of Goodhold Limited and Hunterland City Limited is entitled to exercise control over Dynamic Master Developments Limited, they are deemed to be interested in the 162,360,000 shares held by Dynamic Master Developments Limited under the SFO. In addition, Goodhold Limited directly holds 10,260,000 shares and Hunterland City Limited directly holds 970,000 shares.

3. Aegis Media Asia Pacific Pte. Ltd. is the registered owner of the 96,000,000 shares.

4. Aegis Media Asia Pacific Pte. Ltd. is a directly wholly owned subsidiary of Aegis International Ltd., a company incorporated in the United Kingdom. Aegis International Ltd. is deemed to be interested in the 96,000,000 shares under the SFO.

5. Aegis Media Asia Pacific Pte. Ltd. is an indirectly wholly owned subsidiary of Aegis Group plc which is a company listed on the London Stock Exchange. Aegis Group plc is deemed to be interested in the 96,000,000 shares under the SFO.

6. These 23,500,000 shares are held by Value Partners Limited, a company which is held 32.77% by Mr. Cheah Cheng Hye. Accordingly, Mr. Cheah Cheng Hye is deemed to be interested in the 23,500,000 shares under the SFO.

Save as disclosed above, the Company had not been notified of any other interests or short positions in the shares or underlying shares representing 5% or more of the issued share capital of the Company as at 31 March 2006.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 31 March 2006, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out by the Stock Exchange in the Model Code in Appendix 10 to the Listing Rules. Having made specific enquiry, the Company confirmed that all Directors have complied with the required standard of dealings set out therein throughout the six months ended 31 March 2006.

Compliance with Code on Corporate Governance Practices

During the six months ended 31 March 2006, the Group has complied with the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

Audit Committee

The Audit Committee has reviewed the interim financial report for the six months ended 31 March 2006 before they were tabled for the Board's review and approval and are of the opinion that such report complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

On Behalf of the Board of Directors

LEUNG Anita Fung Yee Maria
Director

Hong Kong, 1 June 2006

Consolidated income statement

for the six months ended 31 March 2006

(Expressed in Hong Kong dollars)

	Note	Six months ended 31 March 2006 Unaudited $'000	2005 Unaudited $'000
Turnover	4	**63,484**	52,344
Cost of services		**(8,580)**	(10,512)
		54,904	41,832
Other revenue	5	**2,074**	368
Other net (loss)/income		**(12)**	446
Administrative and other operating expenses		**(10,958)**	(11,626)
Profit from operations		**46,008**	31,020
Finance costs		**(2,240)**	(1,181)
Profit before taxation	6	**43,768**	29,839
Income tax	7	**(501)**	(1,019)
Profit for the period		**43,267**	28,820
Dividends	8	**9,137**	6,000
Earnings per share			
– Basic	9(a)	**9.21 cents**	7.21 cents
– Diluted	9(b)	**N/A**	N/A

The notes on pages 13 to 21 form part of this interim financial report.

Consolidated balance sheet

at 31 March 2006

(Expressed in Hong Kong dollars)

	Note	At 31 March 2006 Unaudited $'000	At 30 September 2005 Audited $'000
Non-current assets			
Fixed assets		**27,954**	22,562
Intangible assets	10	**40,076**	19,030
Reimbursements receivable	11	**8,269**	41,058
Long term receivables	12	**16,862**	15,640
Long term deposits		**13,447**	13,447
Other asset		**380**	380
		106,988	112,117
Current assets			
Inventories	13	**22,540**	16,200
Work in progress	14	**30,250**	–
Accounts receivable	12	**43,456**	51,401
Reimbursements receivable	11	**124,375**	114,195
Prepayments, deposits, and other receivables		**35,497**	14,272
Pledged deposits		**41,509**	40,330
Cash at bank and in hand		**112,753**	117,064
		410,380	353,462
Current liabilities			
Bank loans		**(73,275)**	(55,028)
Accruals and other payables		**(15,767)**	(17,863)
Current taxation		**(7,149)**	(6,712)
		(96,191)	(79,603)
Net current assets		**314,189**	273,859
Total assets less current liabilities		**421,177**	385,976
Non-current liabilities			
Mortgage bank loans		**(6,199)**	(6,275)
NET ASSETS		**414,978**	379,701
CAPITAL AND RESERVES			
Share capital	15	**36,660**	36,660
Reserves	16	**378,318**	343,041
		414,978	379,701

The notes on pages 13 to 21 form part of this interim financial report.

Consolidated statement of changes in equity

for the six months ended 31 March 2006

(Expressed in Hong Kong dollars)

		Six months ended 31 March	
		2006	2005
		Unaudited	Unaudited
	Note	**$'000**	$'000
Shareholders' equity at 1 October 2005/2004		**379,701**	211,104
Net profit for the period	16	**43,267**	28,820
Dividend approved and paid during the period	16	**(7,990)**	(11,600)
Shareholders' equity at 31 March		**414,978**	228,324

The notes on pages 13 to 21 form part of this interim financial report.

Condensed consolidated cash flow statement

for the six months ended 31 March 2006

(Expressed in Hong Kong dollars)

	Six months ended 31 March	
	2006	2005
	Unaudited	Unaudited
	$'000	$'000
Net cash generated from/(used in) operating activities	**17,706**	(43,566)
Net cash used in investing activities	**(28,779)**	(7,176)
Net cash generated from financing activities	**6,762**	3,241
Net decrease in cash and cash equivalents	**(4,311)**	(47,501)
Cash and cash equivalents at 1 October 2005/2004	**117,064**	85,282
Cash and cash equivalents at 31 March	**112,753**	37,781

The notes on pages 13 to 21 form part of this interim financial report.

Notes on the unaudited interim financial report

(Expressed in Hong Kong dollars)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It was authorised for issuance on 1 June 2006.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2005 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700, Engagements to review interim financial reports, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 22.

The financial information relating to the financial year ended 30 September 2005 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 September 2005 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 15 December 2005.

2 Changes in accounting policies

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards (HKFRSs, which term collectively includes HKASs and Interpretations) that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 30 September 2006, on the basis of HKFRSs currently in issue. The adoption of these new HKFRSs did not result in substantial changes in the Group's accounting policies.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 30 September 2006 may be affected by the issue of additional interpretations or other changes announced by the HKICPA subsequent to the date of issuance of this interim report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

3 Segment information

No analysis of the Group's turnover and contribution 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 People's Republic of China (the "PRC") and less than 10 per cent of the Group's turnover and contribution to profit from operations are derived from activities outside the Group's media related services.

4 Turnover

	Six months ended 31 March	
	2006	2005
	$'000	$'000
TV programme related income	**36,169**	27,010
Marketing related income	**18,220**	11,289
Public relations service income	**9,095**	14,045
	63,484	52,344

5 Other revenue

	Six months ended 31 March	
	2006	2005
	$'000	$'000
Interest income	**1,746**	174
Others	**328**	194
	2,074	368

6 Profit before taxation

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

	Six months ended 31 March	
	2006	2005
	$'000	$'000
Interest on borrowings	**2,226**	1,173
Other borrowing costs	**14**	8
Depreciation	**2,673**	2,331
Amortisation of intangible assets	**414**	–
Profit on sale of properties	**–**	(446)

7 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 six months ended 31 March 2006.

(b) Pursuant to the Macao SAR's Offshore Laws, Qin Jia Yuan Media Services Investment Macao Commercial Offshore Limited, a Macao Offshore Company, is exempted from all taxes in Macau.

(c) 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 six months ended 31 March 2006, calculated at 15% which is the tax rate applicable to foreign investment enterprises located and operated 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 incorporated outside the PRC has been calculated at the applicable tax rate of 15% or 33% (depending on the provinces where the services are rendered) on a deemed profit basis on its PRC sourced income during the six months ended 31 March 2006.

8 Dividends

	Six months ended 31 March	
	2006	2005
	$'000	$'000
Interim dividend declared after the interim period of 1.8 cents (2005: 1.5 cents) per share	**9,137**	6,000
Final dividend in respect of the financial year ended 30 September 2005, approved and paid during the following interim period, of 1.7 cents (year ended 30 September 2004: 2.9 cents) per share	**7,990**	11,600

The interim dividend has not been recognised as a liability at the balance sheet date.

9 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period of $43,267,000 (2005: $28,820,000) and 470,000,000 ordinary shares (2005: 400,000,000 ordinary shares) in issue during the period.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in existence during the six months ended 31 March 2005 and 2006.

10 Intangible assets

The intangible assets represent licence rights of $34,288,000 (2005: $19,030,000) and marketing/production service contracts of $5,787,600 (2005: $Nil). They are stated at cost less accumulated amortisation and any impairment losses. Amortisation is provided on a systematic basis over their estimated useful lives.

11 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 for certain TV programmes in which the advertising agencies have invested. The reimbursements receivable 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.

12 Accounts receivable

	At 31 March 2006 $'000	At 30 September 2005 $'000
Accounts receivable	**60,318**	67,041
Less: Amount expected to be recovered after more than one year, included as non-current assets	**(16,862)**	(15,640)
	43,456	51,401

Included in accounts receivable within twelve months from the balance sheet date are debtors with the following aging analysis:

	At 31 March 2006 $'000	At 30 September 2005 $'000
Current	**43,456**	51,401

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 three years. Subject to negotiations, extended credit terms are available for certain major customers with well-established operating records. Amounts to be recovered after more than one year based on repayment schedules agreed with the relevant customers have been included as non-current assets.

13 Inventories

The inventories as at 31 March 2006 represent the cost of acquisition of certain scripts, synopses and editing rights. They are carried at the lower of cost and net realisable value.

14 Work in progress

The work in progress as at 31 March 2006 represents television drama series under production, stated at cost incurred to date less any identified impairment loss.

15 Share capital

	At 31 March 2006		At 30 September 2005	
	Number of shares '000	**$'000**	Number of shares '000	$'000
Authorised:				
Ordinary shares of US$0.01 each	**800,000**	**62,400**	800,000	62,400
Issued:				
At the beginning of the period	**470,000**	**36,660**	400,000	31,200
Placement of shares	**–**	**–**	70,000	5,460
At the end of the period	**470,000**	**36,660**	470,000	36,660

16 Reserves

	Share premium $'000	**General reserve** $'000	**Capital reserve** $'000	**Exchange reserve** $'000	**Retained earnings** $'000	**Total** $'000
At 1 October 2004	67,633	406	(1,560)	–	113,425	179,904
Profit for the period	–	–	–	–	28,820	28,820
Dividends approved in respect of previous financial year (note 8)	–	–	–	–	(11,600)	(11,600)
At 31 March 2005	67,633	406	(1,560)	–	130,645	197,124
At 1 October 2005	182,227	406	(1,560)	(104)	162,072	343,041
Profit for the period	–	–	–	–	43,267	43,267
Dividends approved in respect of the previous financial year (note 8)	–	–	–	–	(7,990)	(7,990)
At 31 March 2006	182,227	406	(1,560)	(104)	197,349	378,318

17 Commitments

(a) 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 six months ended 31 March 2006, the Group did not procure any funding for the production of TV programmes (year ended 30 September 2005: 33 hours). The total funding required for the remaining 5,713 hours (year ended 30 September 2005: 5,713 hours) is to be determined when individual projects for TV programme production are agreed and therefore is not quantifiable as at 31 March 2006.

During the six months ended 31 March 2006, 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 $Nil (year ended 30 September 2005: $16,981,000). 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.

(b) 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 of which 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, 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 31 March 2006, 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 (30 September 2005: $13,447,000). The outstanding commitment at 31 March 2006 was $19,553,000 (30 September 2005: $19,553,000).

(c) 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 31 March 2006, the joint venture has not yet been established and no contribution has been made by the Group.

17 Commitments (continued)

(d) During the six months ended 31 March 2006, the Group entered into several agreements with certain independent third parties to purchase advertising rights to secure exclusive rights to sell advertising space on certain specified publications for a period of 10 years and radio dramas for a period of not less than 10 years. The total consideration in relation to the purchase of the advertising rights amounting to RMB53 million (approximately $51 million) and pursuant to the agreements, the Group is entitled to a guaranteed advertising/sponsorship income (net of service charges) from the sellers of not less than RMB8.5 million (approximately $8.2 million) per annum. As at 31 March 2006, the Group has made payments totalling RMB26.5 million (approximately $25.5 million) (30 September 2005: $Nil). The outstanding commitment at 31 March 2006 was RMB26.5 million (approximately $25.5 million) (30 September 2005: $Nil).

18 Subsequent event

A placement of 47,000,000 shares of the Company at a price of $2.28 per share was made with independent investors on 26 April 2006. The shares placed were existing shares of the Company sold by Dynamic Master Developments Limited ("Dynamic Master"), a substantial shareholder of the Company and other vendors. The placing price represented a discount of approximately 4% to the closing price of the Company's share on the Stock Exchange on 20 April 2006 and a premium of approximately 1.33% to the average closing price of the shares as quoted on the Stock Exchange of the ten trading days up to and including 20 April 2006. On 4 May 2006, 37,600,000 new shares of the Company were subscribed for by Dynamic Master at the same price. The net proceeds will be used to finance the production of television programmes pursuant to the co-operation arrangements with various television programme production and distribution companies in the PRC.

19 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ending 30 September 2006

Up to the date of issue of this interim financial report, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ending 30 September 2006:

	Effective for accounting periods beginning on or after
HKFRS 6, Exploration for and evaluation of mineral resources	1 January 2006
HKFRS 7, Financial instruments: disclosures	1 January 2007
HK(IFRIC) 4, Determining whether an arrangement contains a lease	1 January 2006
HK(IFRIC) 5, Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	1 January 2006
HK(IFRIC) 6, Liabilities arising from participating in a specific market – Waste electrical and electronic equipment	1 December 2005
HK(IFRIC) 7, Applying the restatement approach under HKAS 29, financial reporting in hyperinflationary economics	1 March 2006
HK(IFRIC) 8, Scope of HKFRS 2	1 May 2006
HK(IFRIC) 9, Reassessment of embedded derivatives	1 June 2006
Amendment to HKAS 19, Employee benefits – Actuarial gains and losses, group plans and disclosures	1 January 2006
Amendment to HKAS 21, The effects of changes in foreign exchange rate – Net investment in a foreign operation	1 January 2006
Amendments to HKAS 39, Financial instruments: Recognition and measurement:	
– Cash flow hedge accounting of forecast intragroup transactions	1 January 2006
– The fair value option	1 January 2006
– Financial guarantee contracts	1 January 2006
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:	
– HKAS 1, Presentation of financial statements	1 January 2006
– HKAS 27, Consolidated and separate financial statements	1 January 2006
– HKFRS 3, Business combinations	1 January 2006
Amendment to HKAS 1, Presentation of financial statements: capital disclosures	1 January 2007

19 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ending 30 September 2006 (continued)

The above amendments, new standards and interpretations were not applied in this interim financial report because the directors expect that the Group will not early apply them when preparing the Group's annual financial statements for the year ending 30 September 2006.

The Group is in the process of making an assessment of the impact of these amendments, new standards and new interpretations in the period of initial application and has so far concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Independent review report

To the Board of Directors of Qin Jia Yuan Media Services Company Limited

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 9 to 21.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of Group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review, which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 31 March 2006.

KPMG
Certified Public Accountants
Hong Kong, 1 June 2006