Annual Report 2007

Qin Jia Yuan Media Services Company Limited
(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 2366)

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勤奮 + 機緣

Diligence　Opportunities

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Success

Forbes Asia has ranked QJY as one of the 200 "Best Under a Billion", out of more than 22,000 small and midsize companies in the Asia-Pacific Region. Dr. Philip Wong, QJY's Chairman, went to Singapore to receive the award. On the other hand, Economic Digest, a well-known financial magazine in Hong Kong, has named QJY "Hong Kong Outstanding Enterprise 2007". Another well-known financial magazine in Hong Kong, Capital, also awarded Dr. Leung Fung Yee, CEO of QJY, as "CAPITAL Leader & Excellence 2007".

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. LEUNG Anita Fung Yee Maria
(Chief Executive Officer)
Mr. YIU Yan Chi, Bernard
Mr. TSIANG Hoi Fong

Non-Executive Directors

Dr. Honourable WONG Yu Hong, Philip, GBS
(Chairman)
Mr. PFITZNER Kym Richard
Mr. ZINGER Simon
Ms. LEE Kwei-Fen
Mr. HUNG Hak Hip
Mr. LIU Yuk Chi, David
Dr. 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. CHAN Wing Yi

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Ms. CHAN Wing Yi

AUDITORS

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

TAX ADVISER

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE

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

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

INVESTOR RELATION OFFICE IN HONG KONG

Room 203, 2nd Floor
Aon China Building
29 Queen's Road Central
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
Rooms 1901-02, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (HK) Limited
The Hongkong and Shanghai Banking Corporation Limited
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
Beijing Beilang Law Office

STOCK CODE

The Stock Exchange of Hong Kong Limited:
2366

WEBSITE

http://www.qjymedia.com

CHAIRMAN'S STATEMENT

Dr. Honourable Wong Yu Hong, Philip, GBS
Chairman

I am delighted to announce that for the third consecutive years since the Group went public in June 2004, we have recorded an annual net profit growth of over 26%. This year, we record a growth in profit of 67% compare to the previous year. This outstanding achievement has been driven by the concerted efforts of our staff in conjunction with China's open economic policies. Benefiting from China's open-door strategy and entry into the World Trade Organisation ("WTO") which result in the opening of the advertising market, the Group was successful in obtaining an advertising operation permit from authorities in China and established Qin Jia Yuan (China) Advertising Company Limited in Shenzhen this year. This enabled the Group to put advertising business development in high gear. The Group's unique advertising operations model in providing comprehensive one-stop TV media services has brought us results surpassing expectations.

As a result of China's strong economy, the growing demand for a better living and enhancement in the quality of TV programs, advertising expenditure on TV media in China has seen a strong growth of 20% annually over the last three years. This makes China one of the countries in the world with a sustaining high growth rate in advertising expenditure. The Group's advertising business primarily focused on the TV advertising market with a total annual advertising expenditures of over RMB 300 billion a year. Not contented with the fixed commission rate administrated by the traditional system adopted by many advertising companies, the Group focuses on the acquisition of exclusive advertising agency rights from TV channels. The results of our advertising operation are largely determined by viewing rate of TV stations, while TV stations' income depends on advertisement, and as such, the Group and TV stations are perfect partners. In other words, the rising TV ratings and viewership of TV stations in

CHAIRMAN'S STATEMENT

China will result in a surge of advertising placements which, in turn, will directly benefit the Group's total revenue.

During the year, the Group hired talents with extensive experience in China's advertising market, including professionals in advertising sales, operations and planning, and TV program packaging and promotion. Thus the Group is capable of providing professional and world-class advertising planning services to the mainland TV stations in partnership with us as well as attracting international advertising clients. With such a team and the close cooperative relationship with our partners, we believe that we will create a win-win situation for TV stations, advertisers and sponsors, viewers and the Group.

With government's encouragement of the production of good quality TV programs in the mainland and the implementation of the Closer Economic Partnership Arrangement (CEPA) for Hong Kong, the Group, as a TV content provider in Hong Kong, is enjoying the benefits. During the year under review, the TV drama series jointly produced by the Group and nine major mainland TV stations have been completed as scheduled. The series are of high quality and will provide the Group with a source of stable income.

The Group has adopted a dual-core development strategy, which is to build the TV advertising business platform and to become a leading TV drama provider. Leveraging on China's strong economy and the great efforts of the Board of Directors, the staff, and local and overseas business partners and advertisers, we are confident that the Group will make remarkable headway in the future.

On behalf of the Board of Directors, I would like to express my heartfelt thanks to the mainland TV stations for their long-term collaboration with us, our strategic partners in overseas distribution markets, advertising clients and our staff.

Wong Yu Hong, Philip
Chairman

Hong Kong, 26 November 2007

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The economy of the People's Republic of China ("China" or the "Country" or the "domestic") continued to prosper and grow during the past three years, with an average annual growth of up to 10%. According to statistics of the National Bureau of Statistics, the annual growth of China for the years 2004, 2005 and 2006 were 9.5%, 9.9% and 10.7%, respectively. It is believed that the economy will keep growing through this year and next year. As the Country's open-door economic policy results in success, international brands benefit directly under the implementation of a domestic-based production strategy. This in turn has driven overseas companies to increase their domestic advertising expenditures. In addition, upcoming international events, including the 2008 Olympic Games in Beijing, the 2010 Shanghai World Expo, the 2010 Asian Games in Guangzhou, as well as various international trade fairs and economy seminars held in provinces and cities across China have also effectively stimulated the people's consumptions in China. Since the Country is actively building a harmonious society and middle class households, it leads to considerable governmental support and encouragement in the production of high quality TV programs. Such factors undoubtedly have positive effects and become the driving forces of the domestic media advertising and TV drama industries.

According to AGB Nielsen Media Research, domestic media advertising expenditures have been growing at an annual rate of 20.7% over the past three years. During 2006, the media advertising expenditures even reached RMB 390.6 billion, the majority of which, about RMB 300 billion, went to TV advertising. Historically, TV media accounted for 75% of the total media advertising expenditures in the Country. TV drama series has been the most popular category for brand advertising, representing 43% of total TV advertising expenditures in the Country. Market players and industry participants are of the view that TV drama series will continue to dominate and not easily be replaced by other TV programs in the near future.

In view of the remarkable operating results and the motto "Remunerate the society with what we earn", the Group organizes charity events with the media partners every year. At the year end of 2006, the Group organized with CCTV for "Sing for China, Sing for Youth" concert. The concert drew a sellout crowd to the Hong Kong Coliseum in Hung Hom.

MANAGEMENT DISCUSSION AND ANALYSIS

Although different forms of media have proliferated in China during these years, TV media is still taking the lead according to the aforesaid market data. As a traditional media form, TV has a viewership comprising 95% of the total population in China. The advertising expenditures involving TV media will likely be in dominant position, and be far greater than those generated from other types of media. Hence it is believed that the risks of a decrease in TV advertising placements and ratings of TV drama series among other TV programs in the near future are relatively low.

Within the aforesaid domestic media businesses, the Group focuses on TV drama series related businesses including planning, investment, production, distribution, acquisition and sales. It is likely that the Group will become one of the leading suppliers of Chinese-language TV dramas in the world. With the dominant share of the domestic media advertising expenditures in TV sector, the Group has actively developed its advertising business and established a cross-media advertising agency platform with a focus on TV media and the development is smoother than expected.

BUSINESS OVERVIEW

After recording a net profit growth of at least 26% for three consecutive years subsequent to its listing, the Group has recorded a net profit growth of 67% this year. Basic earnings per share has also increased by 52%. Consistent with the Group's dividend policy subsequent to its listing, the Group declares interim and final dividend every year. For the current year, the Group also declares dividend in scrip form with an alternative to the shareholders to elect to receive in cash.

As a token of appreciation for the support to CCTV's "Sing for China, Sing for Youth" concert organized by QJY, Professor Lawrence Lau, Vice-Chancellor of the Chinese University of Hong Kong, presented a souvenir to Mr. Chan Hung To, Chairman of the Board of Guangdong Jiaduobao Drink & Food Company Limited, QJY's advertising client and the sponsor of the concert.

"Sing for China, Sing for Youth" charity concert jointly organized by QJY and CCTV had star cast including pop singers from Mainland China and Hong Kong such as Ms. Karen Mok, Ms. Miriam Yeung, Mr. Eason Chan, Ms. Josie Ho, Mr. Andy Hui, Mr. Leo Ku, Mr. Pang Long, Ms. Chen Ming, Ms. Tang Can, Ms. Mindy Kor, Shui Mu Nian Hua, Phoenix Legend, Ms. Yumiko Cheng, Mr. Kenny Kwan and so on (in random order).

MANAGEMENT DISCUSSION AND ANALYSIS

The proceeds of HK$240 million raised from the new shares placement this year was utilised for the planning, investment, production, distribution and buying and selling of TV drama series, as well as the expansion of the advertising business of Qin Jia Yuan (China) Advertising Company Limited, a company established in Shenzhen in the middle of 2007.

The number of TV drama series that the Group completed were 58 episodes/hours in 2004, 126 episodes/hours in 2005, 216 episodes/hours in 2006 and 287 episodes/hours in 2007. With market demand for TV drama series to be broadcasted during prime time (19:00-22:00) being up to 5,000 episodes/hours per year, the Group's market shares grew from 1.2% in 2004 to 2.5% in 2005, 4.3% in 2006 and 5.7% in 2007. All TV dramas have been completed as planned. "Qin Jia Yuan" has already been recognized in the market as a brand of confidence in providing quality TV drama series as the Group has established a consistent track record in the support of planning and investment in TV drama series that are demanded by domestic TV stations for prime time broadcasting.

With the benefits of the Closer Economic Partnership Arrangement ("CEPA") which the Country specially offered to Hong Kong, the Group has every confidence of a more outstanding performance in the investment and planning of TV programs, in particular TV drama series, through the collaboration with nine major domestic TV stations/media group in Beijing, Dalian, Guangdong, Fujian, Harbin, Chongqing, Jiangsu, Shanghai and Hubei.

Since the Country's permission for foreign companies to establish wholly owned advertising companies at the end of 2005 after entering the World Trade Organisation ("WTO"), there brings forth many business opportunities for foreign owned advertising enterprises. In the middle of 2007, the Group established Qin Jia Yuan (China) Advertising Company Limited, a wholly owned subsidiary which is permitted to engage full range of advertising business in China, in Shenzhen. Leveraging on the experience of engaging in domestic media services for twelve years, and long-term favorable business collaboration with major domestic TV stations, the

As a token of appreciation for her contribution to the Alma Mater, Professor Lawrence Lau, Vice-Chancellor of the Chinese University of Hong Kong, presented a souvenir to Dr. Leung Fung Yee, CEO of QJY.

Two students from the Chinese University of Hong Kong sang the theme song of the TV drama "The Struggle of a Dynasty" adapted from a novel of Dr. Leung Fung Yee, CEO of QJY and famous novelist in Hong Kong. The song, composed and written by Professor Richard Ho Man Wui of the Chinese University of Hong Kong, enchanted the audience.

MANAGEMENT DISCUSSION AND ANALYSIS

Group will dedicate itself to the media advertising agency business. As at the end of the year, three national newspapers, eleven national magazines, one program slot on radio and three TV channels have entered into advertising arrangements with the Group. This domestic cross-media advertising agency platform enables the Group to control advertising expenditures of up to RMB 2 billion, and will provide clients with a wide variety of choices as to the appropriate media for placing their advertisement. This will not only enhance the images and brands of the media entities collaborating with the Group by introducing clients of international brands, but also help to boost the Group's revenues from advertising and sponsorship. During the year, the Group has established a pool of talents for Qin Jia Yuan (China) Advertising Company Limited by hiring professionals with international expertise in advertising packaging, advertising planning, promotion of TV programs, public relations activities for brands and marketing. This talented professional pool generates synergies and helps to create a win-win situation for our media partners, advertisers and sponsors, viewers and the Group. Not content with the amount of commission obtained from arranging advertising placements for advertisers, the Group has decided to take on the advertising agency for media entities as our mainstream business. Given the principles of co-existence and mutual benefit, this partnership with the media entities enables the Group to achieve higher profits than the advertising commission alone would allow.

During the year, the Group exercised the right under the service agreement with Dr. Leung Fung Yee, Anita ("Dr. Leung") by adapting Dr. Leung's novel "Wonder Women" into TV dramas series at a price of HK$1 per episode, the script of the TV drama series recorded the highest profit since its listing.

The personnel policy of the Group has consistently focused on the strengthening of the senior professional management team. On the other hand, the Group outsources the personnel function and enters cooperation agreement with local experienced production houses and advertising agencies, which provide exclusive mid-level management teams for the Group. Such mid-level management teams work under the instructions and plans of the Group's senior management team. On top of these, the Group maintains a compact and professional personnel structure in order to minimize the heavy and indirect personnel costs, allows our elite management to focus on the development of the business.

Mr. Gao Siren, Director of the Liaison Office of the Central People's Government in the HKSAR, and Mr. Rafael Hui, then Acting Chief Executive of HKSAR, attended the CCTV's charity concert "Sing for China, Sing for Youth" organized by QJY. Both of them were invited to join the lighting ceremony along with Dr. Philip Wong, QJY's Chairman, Professor Lawrence Lau, Vice-Chancellor of the Chinese University of Hong Kong, Ms. Pansy Ho and Mr. Lee Woo Sing, Honored sponsors of the concert, and representatives of TVB and the Peking University.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS PROSPECTS

The Group will continue to pursue its defined development strategy in striving to become a major Chinese-language TV drama series provider in Greater China and to build up a leading cross-media advertising agency platform with focus on the TV media. Becoming a major TV drama provider can secure a stable growth in the Group's revenue, and put us in a competitive position to acquire exclusive advertising agency rights of media. This will, in turn, help the cross-media advertising agency platform to gain ground-breaking results. The profit model of the Group's advertising platform is different from those of other advertising companies. Although advertising expenses incurred by China's television media reached RMB 300 billion in 2006, the Group will not engage itself in the highly competitive markets of advertising creation and production, and neither be satisfied with earning a commission of 1% to 3 % similar to many other companies in traditional advertising agency business. The Group will use its best endeavours to acquire exclusive advertising agency rights of TV channels and to enjoy a higher profit margin without having to bear any infrastructure expenses of TV stations.

In the light of the Group's experience in establishing the advertising agency platform during this financial year and the recorded results of advertising agency business, we are confident that the advertising expenditure we manage will continue to have multiple growth in 2008. Under this circumstances, the Group expects the advertising agency platform will strive to have a share of 10% in China's existing TV advertising market valued at RMB 300 billion and become a cross-media advertising agency giant within three years, capitalizing on the vast benefits of the advertising market in China.

Dr. Philip Wong, QJY's Chairman, presented the charity fund, raised by the premiere of movie "Wonder Women", to the Chinese University of Hong Kong, with the witnesses of Mr. John Tsang Chun Wah, Financial Secretary of HKSAR, Ms. Guo Li and Mr. Li Gui Kang, Deputy Director of Liaison Office of the Central People's Government in the HKSAR, Ms. Zhang Jing Ya, wife of the Commissioner of the Ministry of Foreign Affairs of the People's Republic of China in the HKSAR, Mrs. Rita Fan Hsu Lai-tai, President of the Legislative Council, Mrs. Peggy Lam, Chairman of Hong Kong Federation of Women, Ms. Ann Chiang Lai Wan, Convenor of Joint Alliance for Entrepreneurs Committee of Hong Kong Federation of Women, and Ms. Pansy Ho. Professor Kenneth Young, Acting Vice-Chancellor, received the cheque on behalf of the Chinese University of Hong Kong. The fund was raised for the livelihood for the poor girls in China.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

For the year ended 30 September 2007, the Group achieved a turnover of approximately HK$196.9 million (2006: HK$125.1 million), which represented an increase by 57%. Profit attributable to shareholders amounted to HK$139.4 million, recording a rise by 67% compared to HK$83.6 million in 2006.

Revenue from TV program related income reported an increase of 15% to HK$84.8 million (2006: HK$74.0 million). The marketing and advertising related income experienced a significant growth by 130% to HK$82.7 million (2006: HK$35.9 million). The impressive growth was attributable to the increase in the number of episodes/hours of TV drama series completed from 216 to 287 in the year. Revenue from the two categories contributed to approximately 85% of total turnover in the year. The Group reported a gross profit of HK$150.4 million (2006: HK$101.9 million), and a gross profit margin of 76% (2006: 81%). The rise of the general administrative expenses to HK$26.9 million (2006: HK$22.5 million) was due to the equity settled share-based payment expenses and an increase in the depreciation of fixed assets. Finance costs went up to HK$8.0 million (2006: HK$5.1 million) because of increase in interest rate and the loan utilization to support the Group's expansion.

The charity premiere of movie "Wonder Women", which was organized by QJY to celebrate the 10th anniversary of Hong Kong's handover to China, received generous support from Dr Lee Shau Kee, one of the world's richest people ranked by Forbes Magazine, Mr. Ambrose Lee Siu Kwong, Secretary for Security of HKSAR, and Mr. Henry Fan Hung Ling, Member of Executive Council of HKSAR. In the picture was Dr. Philip Wong, QJY's Chairman, and the guests.

Many honorable guests attended the "Sing for China, Sing for Youth" concert held in the Hong Kong Coliseum and raised funds in million for the Chinese University of Hong Kong.

BIOGRAPHIES OF DIRECTORS AND OFFICERS

EXECUTIVE DIRECTORS

Dr. LEUNG Anita Fung Yee Maria, aged 58, is the co-founder and the Chief Executive Officer of the Group. Dr. Leung is responsible for business development strategies and overall direction of the Group. She also participates in the provision of concepts and ideas for television ("TV") program production and the contribution of original novels and play scripts of TV dramas.

Dr. Leung holds a Doctorate degree (major in Chinese History) from The Chinese University of Hong Kong. She has more than 37 years' experience in media industry, having brought her talent into full play in the areas of TV program production, public relations, advertising and marketing for more than 30 years.

Dr. Leung worked for a number of renowned companies in Hong Kong in senior management position, including Sun Hung Kai Securities Limited, Ogilvy & Mather Advertising and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Dr. Leung had established a recruitment agency in Hong Kong from late 70's to mid 80's, which was the first agency to introduce Filipino domestic helpers for families in Hong Kong.

Dr. Leung is also a renowned novelist in Hong Kong and Mainland China, as well as in the Chinese communities over the world. She was the first to write novel series with financial and economic background. She has published more than 100 novels and essays since 1989. Dr. Leung founded Qin Jia Yuan Publishing Company in 1990. And within one year Qin Jia Yuan Publishing Company became one of the top five publishing firms in Hong Kong. In 1992, Dr. Leung was granted the Novelist of the Year 1992 Award by the Urban Council of Hong Kong and the Artists Alliance.

In 1992, People's Literature Press, a grade-A state literary publishing house, started publishing Dr. Leung's series novels and this was the first time People's Literature Press published a series of works by a Hong Kong novelist. The publishing house also printed a book of "The Phenomenon of Leung Anita Fung Yee ", a collection of literary criticism about Dr. Leung's novels, after her novels had been all the rage in China.

In addition, her novel "Old Sores Unlimited" won the Grand Prix Award for novels in the third "Legendary" contest organized by Legendary Magazine Corporation in China. Novels written by Dr. Leung were the best selling books in National Capital Book Fair in Beijing in 1994, 1995 and 1996. In 1995, one of Dr. Leung's work obtained Special Award in the Seventh Straits Sentiments Essay Contest organized by China Central Broadcasting Radio.

BIOGRAPHIES OF DIRECTORS AND OFFICERS

More than 30 of Dr. Leung's novels have been adapted for movies and TV drama series in the PRC, Taiwan and Hong Kong from time to time during these years. Her work "Embroidered Banner" was the first Hong Kong novel that was adapted to a TV drama series by China Central Television, as broadcast during prime time on Channel One of CCTV in 1996. Dr. Leung's novels were so popular all over China and became a momentum for the young generation, especially the women, to strive for their goals. Dr. Leung is a member of the Chinese People's Political Consultative Conference of Beijing in the PRC. She is the spouse of Dr. Wong Yu Hong, Co-founder and Non-executive Chairman of the Group's Board of Directors. Dr. Leung is also a director of various subsidiaries of the Group.

Dr. Leung is a director of Dynamic Master Developments Limited, Hunterland City Limited and Goodhold Limited, all of these companies have interests in the shares of the Company which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO").

Mr. YIU Yan Chi Bernard, aged 56, is the Chief Executive Officer of the advertising division of the Group. He is responsible for the overall sales and management of advertising time related to all media of the Group. Mr. Yiu obtained Bachelor Degree of Science from the Business School of Indiana University, Bloomington, Indiana, USA in 1973 and completed the Senior Executive Management Program offered by The University of Chicago in 1985. Mr. Yiu has over 33 years' experience in marketing and media communication in Greater China. Mr. Yiu has spent 25 years with the McCann-Erickson Group and was responsible for the launch of the McCann-Erickson China operation in 1991. Mr. Yiu was appointed as the Marketing Director during the launch of Asia Television in 1983 and achieved record sales during his tenure. Mr. Yiu then returned to the advertising industry and held senior position with McCann-Erickson China and Dentsu, Young & Rubicam. After leaving the advertising industry, Mr. Yiu spent two years until 2004 with one of the world's leading media group, Aegis Media, as the Executive Director of Carat Media in China. Mr. Yiu was also appointed as the Senior Advisor for the 2007 Special Olympic Games held in Shanghai, China.

Mr. TSIANG Hoi Fong, aged 44, is the production/distribution controller of the Group. Mr. Tsiang joined the Group in February 2001 and is responsible for overseeing the Group's TV program related services, in particular the coordination and negotiation with the TV stations to promote TV programs and commercial airtime to meet the requirements of advertisers and the launch of their public relations events and promotional activities. Mr. Tsiang graduated from Xiamen University in the PRC with a Bachelor degree in Science in 1984 and graduated from the faculty of Economy of Xiamen University in 1999. Before joining the Group, Mr. Tsiang worked for several companies in the PRC and Hong Kong and was responsible for the marketing and sales functions.

BIOGRAPHIES OF DIRECTORS AND OFFICERS

NON-EXECUTIVE DIRECTORS

Dr. Honourable WONG Yu Hong, Philip, GBS, aged 68, is the co-founder and the Non-executive Director and Chairman of the Group. He oversees overall strategic planning of the Group and particularly, the impact of regulatory development to the business of the Group. Dr. Wong holds a Bachelor of Science degree and a Master of Science degree in Engineering from University of California, USA, a Doctorate degree in Law from Southland University, USA and a Doctorate degree in Engineering from California Coast University, USA. Dr. Wong has more than 33 years' experience in business management and is now the Chairman and Chief Executive of his own business, Winco Paper Products Company Limited. He also serves as the director of a number of companies, including Hop Hing Holdings Limited and Asia Financial Holdings Limited which are companies listed on the Main Board. He received the Gold Bauhinia Star Award from the Hong Kong government in 2003. He received the Courvoisier Awards for Business Excellency from the then Chief Justice of Hong Kong, Sir Denys Roberts, in 1986. Dr. Wong concurrently provides services to a number of public bodies. He is a Deputy of the National People's Congress of the PRC, a member of the Legislative Council of Hong Kong, Life Honorary Chairman of the Chinese General Chamber of Commerce in Hong Kong, and a board member of the Hong Kong Trade Development Council. Dr. Wong is the spouse of Dr. Leung Anita Fung Yee Maria, an Executive Director. Dr. Wong is also a director of certain subsidiaries of the Group.

Dr. Wong is a director of Dynamic Master Developments Limited, Hunterland City Limited and Goodhold Limited; all of these companies have interests in the shares of the Company which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. PFITZNER Kym Richard, aged 44, joined the Group in December 2003. Mr. Pfitzner was appointed as the Aegis Media Regional Chief Financial Officer for Asia Pacific of Aegis Group plc in February 2003 and is based in Singapore. Mr. Pfitzner is a Chartered Accountant and has membership of the Institute of Chartered Accountants in Australia. He holds a degree in Accounting from South Australian Institute of Technology (currently the University of South Australia) with Distinction. Mr. Pfitzner has vast commercial financial experience through holding senior financial roles in the past, including several years of experience with multinational advertising/media/marketing groups. Prior to joining Aegis Group plc, Mr. Pfitzner was employed by Totam Communications Limited, a public unlisted company based in Sydney as the Chief Financial Officer, the McManus Group, which was a multinational advertising group headquartered in New York as Regional Chief Financial Officer of Asia Pacific South and South Africa and Ayers Resort Company Limited as Finance Director and acting Company Secretary.

Mr. Pfitzner is an employee of group of Aegis Group plc; this company has interests in shares of the Company which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

BIOGRAPHIES OF DIRECTORS AND OFFICERS

Mr. ZINGER Simon, aged 37, joined the Group in December 2003. Mr. Zinger joined Aegis Group plc in January 2003 as General Counsel of the Aegis Media division of the Aegis Group plc. In this capacity he primarily oversees a variety of legal and corporate issues in operations including mergers and acquisitions, corporate strategy and media services client development. Prior to joining Aegis Group plc, he was from 1999 based in Paris with Vivendi as Vice President and Assistant to the General Counsel. He had also worked in San Francisco as a Corporate Attorney with the international law firm of Baker & McKenzie. Mr. Zinger received his Jurisdoctorate degree from the University of San Francisco School of Law in the USA in 1996 and his Bachelor's degree with Distinction from McGill University in Canada.

Mr. Zinger is an employee of group of Aegis Group plc; this company has interests in shares of the Company which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Ms. LEE Kwei-Fen, aged 52, joined the Group in July 2006. She is the Chief Executive Officer of Aegis/Carat Greater China and joined the Carat Taiwan in 2000. Prior to joining Carat, Ms. Lee held various senior positions in D,Y&R Taiwan, Saatchi & Saatchi Advertising Taiwan and United Advertising Taiwan. She was awarded the 'Best Manager of Media Agency' in Taiwan by Brain Magazine in 2004 and 2005. She was also presented the 'Best Manager of the Year' by D,Y&R Global. Ms. Lee received her Master of Science in Advertising from University of Illinois and Master of Science in Chemistry from University of Notre Dame, both in USA. Ms. Lee also holds a Bachelor Degree in Chemistry from University of Tunghai in Taiwan.

Ms. Lee is an employee of group of Aegis Group plc; this company has interests in shares of the Company which fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. HUNG Hak Hip, aged 62, joined the Group in December 2000. He has about 31 years' experience in the production and distribution of edible oils by serving Hop Hing Holdings Limited, a listed company on the Main Board of the Stock Exchange of which Mr. Hung is the Chairman. Mr. Hung is also a Chartered Accountant.

Mr. LIU Yuk Chi, David, aged 52, joined the Group in January 2006. He was appointed in November 2005 as Regional Managing Director and member of the Corporate Executive Board of Rentokil Initial plc, the largest global support service company listed in the London Stock Exchange (FTSE). Prior to joining Rentokil Initial, Mr. Liu was Chief Executive Officer of Aegis Media heading up all operations of Aegis Media in the Asia Pacific region from 1998. He was also appointed as a member of the Aegis Media Global Executive Board in 2001. Mr. Liu has over 28 years of experience in the media and services sector across several markets in Asia Pacific, Europe and America. A Hong Kong born Chinese, Mr. Liu was graduated from the University of Alberta, Canada in the 70's and started his career in the advertising industry with McCann-Erickson Worldwide Group.

BIOGRAPHIES OF DIRECTORS AND OFFICERS

Dr. WONG Ying Ho, Kennedy, BBS, JP, aged 44, joined the Group in September 2000. Dr. Wong obtained a Bachelor of Arts in Laws and Hon Doctor of Civil Law from University of Kent, UK. He has about 20 years of practising experience in the legal field and is currently the managing partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co. a firm of solicitors in Hong Kong. He is also an attesting officer appointed by the Ministry of Justice of the PRC. Dr. Wong is director of a number of companies in Hong Kong, including Goldlion Holdings Limited, Great Wall Technology Company Limited, Computime Group Limited and China Overseas Land & Investment Limited, which are listed companies on the Main Board, and International Financial Network Holdings Ltd., listed on the Growth Enterprise Market of the Stock Exchange. In addition, Dr. Wong serves a number of public bodies and is currently a national committee member of the Chinese People's Political Consultative Conference and Vice-Chairman of the All China Youth Federation. Dr. Wong is also a director of a subsidiary of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAU Hon Chuen, GBS, JP, aged 60, obtained a LLB degree from the University of London and is a Solicitor of the High Court of the HKSAR, a China-Appointed Attesting Officer and a Notary Public, the Senior Partner of Messrs Chu and Lau, Solicitors and Notaries. Awarded "Gold Bauhinia Star" by the HKSAR Government in 2001, a Standing Committee member of the National Committee of the Chinese People's Political Consultative Conference. Mr. Lau is an independent non-executive director of a number of companies listed on the Main Board of the Stock Exchange including Beijing Enterprises Holdings Limited, Glorious Sun Enterprises Limited, Guangzhou Investment Company Limited, GZI Transport Limited, The Hong Kong Parkview Group Limited and Wing Hang Bank Limited.

Mr. LAM Haw Shun, Dennis, JP, aged 61, joined the Group in May 2004. Mr. Lam has a Bachelor's degree in Electrical Engineering from the University of Washington and a Master of Business Administration degree from the University of California, Los Angeles. Mr. Lam has over 28 years' experience in the finance industry. He is currently a senior adviser of Mizuho Securities Asia Limited. Prior to his current appointment, Mr. Lam has held senior positions in various financial institutions. Mr. Lam also held directorships in China Travel International Investment Hong Kong Limited and Asia Financial Holdings Limited, both of which are companies listed on the Main Board of the Stock Exchange of Hong Kong. Mr. Lam was also the First Vice-Chairman of the Stock Exchange of Hong Kong, First Deputy Chairman of Hong Kong Securities Clearing Company Limited, and member of the Securities & Futures Appeals Panel in Hong Kong.

BIOGRAPHIES OF DIRECTORS AND OFFICERS

Mr. HUI Koon Man, Michael, JP, aged 65, joined the Group in December 2003. He graduated from The Chinese University of Hong Kong with a Bachelor degree in Social Science in 1969. He has more than 33 years' experience in the film industry as actor, script-writer, director and producer. Mr. Hui founded the Hui's Film Production Company Limited in 1975. Mr. Hui was awarded with the "Best Actor" by the Hong Kong Film Awards in 1982 and the "Best Performance Actor" by the American Film Institute in 1989. Mr. Hui is engaged in promoting the film making industry of Hong Kong and is the Consultant of Hong Kong Screen-Writers' Guild and the Honourary President of Hong Kong Performing Artistes' Guild for life. Mr. Hui was also a member of the Hong Kong Tourism Board.

SENIOR MANAGEMENT

Ms. CHAN Wing Yi, aged 34, is the Chief Financial Officer of the Group. She holds a Bachelor Degree of Business Administration in Professional Accountancy from the Chinese University of Hong Kong. Ms. Chan is a fellow member of Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Before joining the Group in October 2005, she worked in big four accounting firms and held senior financial position in a listed company.

Mr. KWOK Chi Shan, aged 44, is the Senior Financial Controller of the Group. He holds a Master of Science Degree in Finance from the Chinese University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants. Before joining the Group in September 2007, he worked in one of big four accounting firms and several listed companies.

Mr. HE Ping, aged 58, is the customer services controller of the Group. Mr. He joined the Group since its establishment and is responsible for the management of the Group's marketing and customer services. He has about 15 years' experience in the media industry by providing services relating to editing, marketing and customer services. Mr. He graduated from the Chinese Literature Department of Yangzhou Education College in the PRC.

Ms. ZHAO Hui Xia, aged 45, is the public relationship officer of the Group. Before joining the Group in December 2003, she had over 20 years' experience in media industry by serving as a reporter, program producer, editor of radio stations such as Radio Guangdong, Voice of City and newspaper "Voice". Since 1997, Ms. Zhao has worked for the Group as a representative from Voice of City and Voice and has completed a number of public relation projects.

CORPORATE GOVERNANCE REPORT

The board (the "Board") of directors (the "Directors") and management are committed to uphold a high standard of corporate governance to safeguard the interests of shareholders and the Company as a whole.

The Company has complied with all requirements set out in the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year under review.

The Board will continue to monitor and review the Company's corporate governance practices to ensure compliance with the Code.

THE BOARD

Role of Directors

The Board is accountable to the shareholders for leading the Company in a responsible and effective manner. Every Director is charged to act in the best interest of the Company and contribute to the Company within their expertise and knowledge. The Board decides on overall strategies, implements such strategies and monitors the Group's performance on behalf of the shareholders.

Composition

The Board, which currently comprises thirteen Directors, is responsible for supervising the management of the Group. Ten of the thirteen Directors are non-executive Directors with three of them being independent non-executive Directors.

The diversified expertise and experience of the non-executive Directors contribute significantly in advising management on strategy and policy development. They also serve to ensure that the Board maintains high standards in financial and other mandatory reporting as well as to provide adequate checks and balances for safeguarding the interests of the shareholders and the Company as a whole. Having considered the functions of non-executive Directors, particularly the checks and balances provided, it is considered that there is a reasonable balance between the executive and non-executive Directors on the Board.

CORPORATE GOVERNANCE REPORT

Except for those relationships disclosed in the "Biographies of Directors and Officers" of this annual report, the Directors have no other financial, business, family or other material/relevant relationships with each other.

Independent Non-executive Directors

The independent non-executive Directors are appointed for a specific term, subject to retirement by rotation under the Articles of Association of the Company. Mr. Lam Haw Shun, Dennis, JP, one of the independent non-executive Directors has appropriate accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules. The Board has received from each independent non-executive Director a written annual confirmation of their independence and is satisfied with their independence in accordance with the Listing Rules. The Company considers that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent.

Appointment and Re-election of Directors

All non-executive Directors have entered into letters of appointment with the Company for a specific term of two years.

In accordance with the Code and the Company's Articles of Association (after its amendment on 19 January 2006), all Directors (including independent non-executive Directors) are subject to retirement by rotation once every three years. Composition of the Board will be reviewed regularly to ensure that it covers a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The Directors' profile is set out on page 12 to 17.

The Company has not established a Nomination Committee. The appointment of a new director is a matter for consideration and decision by the Board. Reference would be made to the skills, experience, professional integrity and time commitment of the proposed director to the Company's need, role of the proposed director and the duties he/she will be charged with and other applicable statutory requirement. The Board as a whole is responsible for the procedures of agreeing to the appointment of directors and for nominating appropriate person for election or re-election by shareholders at the annual general meeting.

Mr. Yiu Yan Chi, Bernard was appointed as an executive Director on 26 November 2007. The appointment of the said director was recommended by the Chief Executive Officer and considered and approved at Board meeting at which 11 Directors were present (except Mr. Liu Yuk Chi, David and Mr. Hui Koon Man, Michael, JP). There was no other change in directorship during the year and up to the date of this report.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer of the Company are currently held by Dr. Wong Yu Hong, Philip, GBS and Dr. Leung Anita Fung Yee Maria respectively. The Chairman is responsible for ensuring that the Board is functioning properly, with good corporate governance practices and procedures. He also steers the Board and the Company towards corporate goals. The Chief Executive Officer is responsible for effective implementation of the overall strategies and initiatives adopted by the Board as well as the daily operation of the Group.

With the support of the Chief Executive Officer and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues brought up at Board meetings and receive adequate and reliable information on a timely basis.

Directors' Duties

The Directors are continually updated with the regulatory requirements, business activities and development of the Company to facilitate the discharge of their responsibilities. Through regular Board meetings, all Directors are kept abreast of the conduct, business activities and development of the Company.

Board Delegation

The Board, led by the Chairman, is responsible for setting overall corporate strategies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature. Supported by senior management members, the Chief Executive Officer is responsible for effective implementation of the Board's decisions and the day-to-day operations of the Group.

CORPORATE GOVERNANCE REPORT

Board Process

During the year ended 30 September 2007, the Board held four regular board meetings with at least fourteen days' notices given to all Directors and additional board meetings were held as and when necessary. The Directors participated in person or through electronic means of communication. The attendance of each Director is set out as follows:

Name of Director	*Number of meetings attended/held*
Executive Directors	
Dr. LEUNG Anita Fung Yee Maria *(Chief Executive Officer)*	4/4
Mr. TSIANG Hoi Fong	4/4
Non-executive Directors	
Dr. Honourable WONG Yu Hong, Philip, GBS *(Chairman)*	4/4
Mr. PFITZNER Kym Richard	2/4
Mr. ZINGER Simon	2/4
Ms. LEE Kwei-Fen	1/4
Mr. HUNG Hak Hip	1/4
Mr. LIU Yuk Chi, David	3/4
Dr. WONG Ying Ho, Kennedy, BBS, JP	1/4
Independent Non-executive Directors	
Mr. LAU Hon Chuen, GBS, JP	4/4
Mr. LAM Haw Shun, Dennis, JP	4/4
Mr. HUI Koon Man, Michael, JP	3/4

CORPORATE GOVERNANCE REPORT

Directors are provided with relevant information to make informed decisions. The Board and each Director have separate and independent access to the Company's senior management for information and making enquires if necessary. A director of the Company who considers it necessary to seek independent professional advice in order to perform his/her duties as a director of the Company may convene, or request the Company Secretary of the Company to convene, a meeting of the Board to approve the consultation of independent legal or other professional advisor for advice. For regular Board meetings, an agenda and accompanying board papers of the meeting are sent in full to all Directors at least three days before the intended date of a meeting.

Every Director is entitled to have access to the advice and services of the Company Secretary with a view to ensure that the Board procedures, and all applicable rules and regulations, are complied with. All minutes are kept by the Company Secretary and are open for inspections by any Director during normal office hours by giving reasonably advance notice. Minutes of Board meetings and Board committee meetings record in sufficient details the matters considered in the meetings and decisions reached. Draft and final versions of minutes of Board and Board committee meetings have been sent to all Directors for their comments and record respectively within a reasonable time after the relevant meeting was held.

If a substantial shareholder or a Director has a conflict of interest in a matter before the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent board committee will be set up to deal with the matter.

BOARD COMMITTEES

The Board has established the following committees with defined terms of reference, which are of no less than exact terms than those set out in the Code.

Remuneration Committee

The Chairman of the Remuneration Committee is Mr. Lam Haw Shun, Dennis, JP and other members are Mr. Lau Hon Chuen, GBS, JP and Mr. Liu Yuk Chi, David, the majority being independent non-executive directors of the Company. The primary function of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management. The Company's emolument policy is to ensure that the remuneration offered to employees including executive Directors and senior management is based on the skills, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages are also determined by reference to the Company's performance and profitability, remuneration level in the industry and the prevailing market conditions. The emolument policy for non-executive Directors, mainly comprising directors' fees, is subject to an annual assessment with reference to the market standard. Individual Director and senior management would not be involved in deciding their own remuneration. The specific written terms of reference which follows closely the requirements of the code provisions of the Code have been adopted by the Board and are available on the Company's website, www.qjymedia.com.

CORPORATE GOVERNANCE REPORT

During the year ended 30 September 2007, the Remuneration Committee held two meetings, with attendance record as follows:

Name of member	*Number of meetings attended/held*
Mr. LAM Haw Shun, Dennis, JP *(Chairman)*	2/2
Mr. LAU Hon Chuen, GBS, JP	2/2
Mr. LIU Yuk Chi, David	2/2

During the year under review, the Remuneration Committee reviewed matters relating to remuneration and fee of Directors and discussed the share option scheme.

Audit Committee

The Chairman of the Audit Committee is Mr. Lam Haw Shun, Dennis, JP and other members are Mr. Lau Hon Chuen, GBS, JP, and Mr. Liu Yuk Chi, David, the majority being independent non-executive directors of the Company. The Audit Committee is to oversee the Group's financial reporting system and internal control procedures, and to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with the applicable standard. Other duties of the Audit Committee are set out in its specific written terms of reference which deal clearly with their authority and duties and are available on the Company's website, www.qjymedia.com.

During the year ended 30 September 2007, the Audit Committee held two meetings with attendance record as follows:

Name of member	*Number of meetings attended/held*
Mr. LAM Haw Shun, Dennis, JP *(Chairman)*	2/2
Mr. LAU Hon Chuen, GBS, JP	2/2
Mr. LIU Yuk Chi, David	1/2

At the meetings, the Audit Committee has reviewed the audited financial statements for the year ended 30 September 2006 and the interim report for the six months ended 31 March 2007 respectively with senior management and the Company's external auditors. The Audit Committee has also reviewed the Group's accounting principles and practices, Listing Rules and statutory compliance, internal controls and financial reporting matters.

CORPORATE GOVERNANCE REPORT

REMUNERATION TO EXTERNAL AUDITORS OF THE COMPANY

The remuneration to the external auditors of the Company for the year ended 30 September 2007 is set out as follows:

	HK$'000
Audit services	1,115
Other services	263
	1,378

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE ACCOUNTS

The management provides the explanation and information to the Board to facilitate an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. Meanwhile, the Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. In preparing the financial statements for the year ended 30 September 2007, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the applicable laws were complied with.

The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as going concern. The Board has prepared the financial statements on a going concern basis.

The reporting responsibilities of external auditors of the Company are disclosed in "Independent Auditor's Report".

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The system includes a defined management structure with limits of authority, safeguards its assets against unauthorized use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensures compliances with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage the risks of failure in the Group's operational systems and in the achievement of the Group's objectives.

Management has conducted regular review during the year on the effectiveness of the internal control system covering all material controls in area of financial and compliance controls and various functions for risks management.

The Company has engaged an external advisor to perform internal control design assessment on certain systems and to prepare a report (the "Internal Controls Review Report") to enable the management of the Company to evaluate and, where appropriate, carry out the recommended controls procedures of Internal Control Review Report. No material control failure or significant area of concern were identified during the review.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Confirmations have been sought from all Directors that they have complied with the required standards set out in the Model Code throughout the year ended 30 September 2007. The Board has also adopted the Model Code as guidelines for relevant employees in respect of their dealings in the securities of the Company.

COMMUNICATIONS WITH SHAREHOLDERS

Effective communication

The Company discloses relevant information to shareholders through the Company's annual report and financial statements, the interim report, as well as the Annual General Meeting (the "AGM"). The sections under "Chairman's Statement" and "Management Discussion and Analysis" of the annual report facilitate the shareholders' understanding of the Company's activities. The AGM allows the Directors to meet and communicate with shareholders. The Company's financial statements and each of the required disclosure of information are despatched within the prescribed period imposed by laws and regulations.

CORPORATE GOVERNANCE REPORT

To manage its relationship with investment community, the Group meets regularly with the press and financial analysts and participates frequently in other conferences and presentations.

To further promote effective communication, the corporate website is maintained to disseminate Company's announcements and other relevant financial and non-financial information electronically on a timely basis.

Voting by poll

Details of the rights of shareholders to demand a poll are included in the circular to shareholders despatched together with the annual report. The circular also includes relevant details of proposed resolutions, including biographies of each Director standing for re-election. Results of the poll (if any) are made available on the websites of the Company www.qjymedia.com and the Stock Exchange, www.hkex.com.hk.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30 September 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the provision of media services including television ("TV") program related services and marketing and advertising related services in the People's Republic of China (the "PRC"), and public relations services.

The particulars of the subsidiaries are set out in note 12 to the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 30 September 2007 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 45 to 107.

SHARE CAPITAL

On 7 June 2007, 66,000,000 existing ordinary shares of the Company were placed at a price of HK$3.65 per share (the "Placing Price") through a share placement arrangement (the "Share Placement") and the Company subsequently issued 66,000,000 new ordinary shares (the "New Shares"), with a view to broaden the capital base of the Company. The placees included not less than six independent professional, institutional and/or individual investors to be procured by the placing agents on a best effort basis. The Placing Price represented a discount of approximately 6.17% to the closing price of HK$3.89 per share quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 1 June 2007, and a discount of approximately 3.44% to the ten day average closing price of HK$3.78 per share on and immediately preceding 1 June 2007, the last day of trading of the Company's shares on the Stock Exchange before the signing of the placing agreement.

The New Shares represented approximately 12.88% of the issued share capital of the Company prior to the Share Placement. The issue price of each New Shares was approximately HK$3.51 per share, which is equivalent to the Placing Price less expenses and commissions of the Share Placement. Proceeds of approximately HK$232 million net of expenses were received from the Share Placement.

The net proceeds from the Share Placement will be used to finance the expansion and business development in advertising agency business in the PRC and the production and acquisition of television programs and also scripts for TV programs.

Details of the movements in share capital of the Company during the year are set out in note 23 to the financial statements.

REPORT OF THE DIRECTORS

RESULTS AND RESERVES

The results of the Group for the year ended 30 September 2007 are set out in the consolidated income statement on page 45 of the annual report. The movements in reserves are set out in note 23 to the financial statements.

An interim dividend in scrip form of HK2.5 cents per share with a cash option (2006: interim dividend in scrip form of HK1.8 cents per share with a cash option) was paid on 9 August 2007.

The Directors now recommend the payment of a final scrip dividend of HK2.8 cents per share, totalling HK$16.3 million for the year ended 30 September 2007, by way of issue of new shares with an alternative to the shareholder to elect to receive the final dividend (or part thereof) in cash in lieu of such allotment (2006: final dividend in scrip form of HK1.8 cents per share with a cash option), payable on or about 11 February 2008 to the shareholders whose names appear on the register of members of the Company as at the date of the annual general meeting ("AGM") to be held on 2 January 2008 (the "Scrip Dividend Scheme").

Subject to the approval by shareholders at the forthcoming AGM, a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or about 8 January 2008. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the new shares to be issued pursuant thereto. It is expected that the final dividend warrants and certificates for the new shares will be dispatched to shareholders on or about 11 February 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 28 December 2007 to 2 January 2008, both dates inclusive. To qualify for the proposed final dividend, all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited of Rooms 1901-2, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 27 December 2007.

REPORT OF THE DIRECTORS

CHARITABLE DONATIONS

During the year, the Group made donations of HK$664,000 (2006: HK$767,000) for charitable purposes.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 108 of the annual report.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 11 to the financial statements.

BANK LOANS

The bank loans of the Group are set out in note 20 to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the financial year and up to the date of this report were:

Executive Directors

Dr. LEUNG Anita Fung Yee Maria
(Chief Executive Officer)
Mr. YIU Yan Chi, Bernard (appointed on 26 November 2007)
Mr. TSIANG Hoi Fong

Non-executive Directors

Dr. Honourable WONG Yu Hong, Philip, GBS *(Chairman)*
Mr. PFITZNER Kym Richard
Mr. ZINGER Simon
Ms. LEE Kwei-Fen
Mr. HUNG Hak Hip
Mr. LIU Yuk Chi, David
Dr. 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

In accordance with Clause 95 of the Company's Articles of Association, Mr. Yiu Yan Chi, Bernard, who was appointed to the Board after the date of the last annual general meeting retires at the forthcoming AGM, and being eligible, offers himself for re-election.

In accordance with Clause 96(A) of the Company's Articles of Association, Dr. Leung Anita Fung Yee Maria, Mr. Zinger Simon, Mr. Lam Haw Shun, Dennis, JP and Mr. Hui Koon Man, Michael, JP will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 September 2007, 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

Name of director	Capacity	Number of ordinary shares of the Company				Per cent of total issued share capital of the Company as at 30 September 2007
		Personal interests	Family interests	Corporate interests	Total	
Dr. LEUNG Anita Fung Yee Maria ("Dr. Leung")	Interests in controlled corporation and beneficial owner	254,930	Nil	184,705,636 (Note 1)	184,960,566	31.76%
Dr. Honourable WONG Yu Hong, Philip, GBS ("Dr. Wong")	Interests of spouse and interests in controlled corporation	Nil	8,265,210 (Note 2)	176,695,356 (Note 3)	184,960,566	31.76%

Notes:

(1) The 184,705,636 shares are held as to 166,192,975 shares by Dynamic Master Developments Limited, 992,914 shares by Hunterland City Limited, 10,502,381 shares by Goodhold Limited and 7,017,366 shares by Up & Rise 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, 50% in Goodhold Limited and 100% in Up & Rise Limited and therefore is deemed to be interested in the 184,705,636 shares under the SFO.

(2) The family interests of 8,265,210 shares refers to the 992,914 shares held by Hunterland City Limited and 7,017,366 shares by Up & Rise Limited which are included in corporate interests of 184,705,636 shares held by Dr. Leung, the spouse of Dr. Wong, and 254,930 shares held by Dr. Leung personally.

(3) The 176,695,356 shares are held as to 166,192,975 shares by Dynamic Master Developments Limited and 10,502,381 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 176,695,356 shares under the SFO.

REPORT OF THE DIRECTORS

(ii) Share option of the Company

Directors	Date of Grant	Exercise Period	Closing price immediately before date of grant HK$	Weighted average closing price immediate before date of exercise HK$	Exercise price per share HK$	Number of share options: As at 1 October 2006	Granted during the year	Exercise during the year	Cancelled during the year	As at 30 September 2007	Per cent of total issued share capital of the Company as at 30 September 2007
Dr. LEUNG Anita Fung Yee Maria	28 February 2007	28 February 2007 to 13 June 2014	2.42	3.74	2.26	–	254,930	254,930	–	–	–
Dr. Honourable WONG Yu Hong, Philip, GBS	28 February 2007	28 February 2007 to 13 June 2014	2.42	–	2.26	–	254,930	–	–	254,930	0.04%
Mr. TSIANG Hoi Fong	15 March 2007	15 March 2007 to 13 June 2014	2.04	–	2.26	–	5,098,594	–	–	5,098,594	0.88%
Mr. HUNG Hak Hip	6 March 2007	6 March 2007 to 13 June 2014	2.04	–	2.26	–	509,859	–	–	509,859	0.09%
Mr. LIU Yuk Chi, David	2 March 2007	2 March 2007 to 13 June 2014	2.23	4.90	2.26	–	509,859	254,930	–	254,929	0.04%
Dr. WONG Ying Ho, Kennedy, BBS, JP	1 March 2007	1 March 2007 to 13 June 2014	2.32	4.00	2.26	–	509,859	509,859	–	–	–
Mr. LAU Hon Chuen, GBS, JP	21 March 2007	21 March 2007 to 13 June 2014	2.09	–	2.26	–	509,859	–	–	509,859	0.09%
Mr. LAM Haw Shun, Dennis, JP	6 March 2007	6 March 2007 to 13 June 2014	2.04	–	2.26	–	509,859	–	–	509,859	0.09%
Mr. HUI Koon Man, Michael, JP	6 March 2007	6 March 2007 to 13 June 2014	2.04	–	2.26	–	509,859	–	–	509,859	0.09%
Total							8,667,608	1,019,719	–	7,647,889	

Notes:

1. These share options represent personal interests held by the relevant Directors as beneficial owners.

2. During the year, no share options were lapsed under the Share Option Scheme.

3. Details of the value of options granted during the year is set out in note 22 to the financial statements.

REPORT OF THE DIRECTORS

(iii) Interests in associated corporations

Name of associated corporation	Name of director	Capacity	Class of shares	Number of shares of associated corporation: Personal interests	Family interests	Corporate interests	Total	Per cent of total issued share capital of associated corporation as at 30 September 2007
Qin Jia Yuan Cultural Assets (Hong Kong) Company Limited ("QJY Cultural")	Dr. LEUNG Anita Fung Yee Maria	Beneficial owner and interests of spouse	Class A (non-voting)	1	1	Nil	2 (Note 1)	2.13%
	Dr. Honourable WONG Yu Hong, Philip, GBS	Beneficial owner and interests of 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%
	Dr. Honourable 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%

REPORT OF THE DIRECTORS

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

Save as mentioned above, as at 30 September 2007, 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.

Save as mentioned above, during the year, 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.

DIRECTORS' SERVICE CONTRACTS

Dr. Leung Anita Fung Yee Maria has entered supplemental service agreement with the Company on 4 June 2007 and was approved by the shareholders in the general meeting on 16 August 2007. The term of the employment is for a period up to 31 December 2010.

Mr. Tsiang Hoi Fong has entered into a service contract with the Group for a term of five years commencing on 1 October 2003.

Mr. Yiu Yan Chi, Bernard has entered into a service agreement with the Group for a term of three years up to 31 July 2010.

Save as mentioned above, no Director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

Pursuant to the service agreement entered into between Dr. Leung Anita Fung Yee Maria and the Company dated 1 December 2003, with respect to the copyrights of novels, essays and scripts which are originally written by Dr. Leung not in the course of her employment with the Company and which have not been assigned to the Group, the Company was granted the first priority to request Dr. Leung to sell them to the Group for TV program production at a consideration of HK$1 per episode.

Pursuant to the supplemental service agreement entered between Dr. Leung and the Company on 4 June 2007, the Company will have the first priority right to adopt the work of Dr. Leung at HK$1 per episode provided that:

(i) if such right is exercised before 30 September 2009, production has to commence within 6 months after the exercise of the right;

(ii) if such right is exercised during the period from 1 October 2009 to 30 September 2010, production has to be completed on or before 30 September 2010, otherwise the consideration shall be equivalent to the value of such right as valued by an independent valuer; and

(iii) any exercise of the first priority right after 30 September 2010 shall be equivalent to the value of such right as valued by an independent valuer.

Dr. Leung was interested in this contract as a Director and a controlling shareholder of the Company. The Company has exercised the right and produced a TV program production based on a novel composed by Dr. Leung during the year.

Apart from the foregoing, no contract of significance to which the Company or its subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed that none of the Directors has any interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's businesses, except for three non-executive Directors, namely Mr. Pfitzner Kym Richard, Mr. Zinger Simon and Ms. Lee Kwei-Fen. All of these non-executive Directors are employees of Aegis Group plc ("Aegis") which provides a broad range of marketing services. The Directors are of the view that any potential conflict of interests would be effectively mitigated given that the operations of the Group and the Aegis group of companies are operated separately and independently with the respective board of directors of the members of the Aegis group of companies and the Company performing their fiduciary duties and providing their oversight to safeguard the interests of their respective shareholders. Furthermore, the non-executive Directors nominated by Aegis only act as representatives of Aegis and do not control the Board. Except for the non-executive Directors nominated by Aegis, there is no common member between the management of the Group and the Aegis group of companies. In the event of conflict of interests, the non-executive Directors nominated by Aegis would be required to abstain from voting on the relevant resolution proposed in accordance with the Articles of Association of the Company which complied with the requirements of Appendix 3 and Appendix 13 to the Listing Rules.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

Pursuant to the written resolutions of the shareholders passed on 13 June 2004, the Company has established a share option scheme (the "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 representing up to a maximum in nominal value of 30% of the issued share capital of the Company from time to time. The total number of shares available for issue under the Scheme and any other schemes must not in aggregate exceed 10% of the issued share capital of the Company as at the date of listing of the Company's shares on the Stock Exchange unless further shareholders' approval has been obtained. The total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12 months' period up to the date of grant to a substantial shareholder or an independent non-executive director or their associates would not exceed 0.1% of the shares in issue or an aggregate value of HK$5,000,000 unless further shareholders' approval has been obtained; and to each other eligible person would not exceed 1% of the shares in issue. The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full time and part time), Directors, consultants and advisers of the Group and to promote the success of the business of the Group. The Scheme shall be valid and effective for a period of ten years ending on 13 June 2014. The exercise price of options shall be determined by the Board and shall not be less than the highest of the closing price of the shares of the company as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options and the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer and the nominal value of a share of the Company. An option may be exercised at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof.

As at 30 September 2007, 8,667,608 options were granted to Directors of which 1,019,719 options were exercised during the year. Details of the options granted to the Directors are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures". Save for the said options granted to Directors, no other option has been granted.

REPORT OF THE DIRECTORS

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 30 September 2007, 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 shareholders	Capacity	Total number of ordinary shares held	Per cent of total issued share capital as at 30 September 2007	Notes
Dynamic Master Developments Limited	Beneficial owner	166,192,975	28.53%	1
Goodhold Limited	Interests in controlled corporation and beneficial owner	176,695,356	30.34%	2
Hunterland City Limited	Interests in controlled corporation and beneficial owner	167,185,889	28.70%	2
Aegis Media Asia Pacific Pte. Ltd.	Beneficial owner	98,267,915	16.87%	3
Aegis International Ltd.	Interests in controlled corporation	98,267,915	16.87%	4
Aegis Group plc	Interests in controlled corporation	98,267,915	16.87%	5

REPORT OF THE DIRECTORS

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, Silver 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 166,192,975 shares held by Dynamic Master Developments Limited under the SFO. In addition, Goodhold Limited directly holds 10,502,381 shares and Hunterland City Limited directly holds 992,914 shares.

(3) Aegis Media Asia Pacific Pte. Ltd. is the registered owner of the 98,267,915 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 98,267,915 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 98,267,915 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 30 September 2007.

CONNECTED TRANSACTIONS

During the year, the Group has entered into the following continuing connected transactions as defined under the Listing Rules:

i) On 28 December 2006, the Group has entered into a tenancy agreement with Winco (Dongguan) Paper Products Co., Ltd., a wholly foreign owned enterprise controlled by Dr. Leung Anita Fung Yee Maria ("Dr. Leung") and Dr. Wong Yu Hong, Philip ("Dr. Wong") for a term of 3 years commencing from 1 January 2007. The Group has the right to renew the lease for a term of three years.

REPORT OF THE DIRECTORS

Details of the area are as follows:

(a) an annex block of production services/office building on a piece of land located at Shitanbu Control Zone, Tangsha, Dongguan ("Dongguan Land") with a total gross floor area of 3,259 square metres;

(b) portion of level 3 of a building on Dongguan Land with a total gross floor area of 2,376 square metres;

(c) a piece of vacant land on a portion of Dongguan Land with an area of 6,318 square metres.

The annual amount of the rent payable is subject to RMB774,000, RMB1,032,000 and RMB1,032,000 for the years 2007, 2008 and 2009 respectively.

ii) On 10 May 2007, the Group has entered into a tenancy agreement with Huge Smart Asia Limited, a company wholly owned by Dr. Leung and Dr. Wong in respect of House No. 11, Phase 3(B), Regency Park, No. 8 Yinhu Road, Luohu District, Shenzhen with a gross floor area of approximately 661.53 square metres. The lease term is for 3 years commencing from 1 June 2007. The annual amount of rent payable is RMB332,000, RMB996,000 and RMB996,000 for 2007, 2008 and 2009 respectively.

On the same date, the Group has entered into a tenancy agreement with Dr. Leung in respect of Unit 1209, 12th Floor, Block A, Center Plaza, No. 161 Linhe Xi Road, Tianhe District, Guangzhou with a gross floor area of approximately 209.75 square metres. The lease term is for 3 years commencing from 1 June 2007. The annual amount of rent payable is RMB113,200, RMB339,600 and RMB339,600 for 2007, 2008 and 2009 respectively.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There were no purchases, sales or redemptions of the Company's listed securities by the Company and any of its subsidiaries during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws in Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover attributable to the Group's five largest customers accounted for approximately 65.4% (2006: 61.6%) and the largest customer accounted for approximately 19.8% (2006: 17.8%) of the Group's total turnover for the year ended 30 September 2007.

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 32.8% (2006: 22.5%) and the largest supplier accounted for approximately 9% (2006: 10.5%) of the Group's total purchases for the year ended 30 September 2007.

At no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

CORPORATE GOVERNANCE

Details of Corporate Governance Report are set out on pages 18 to 26.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial statements for the year ended 30 September 2007, and the accounting principles and practices adopted by the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the interests in the Company's shares in public hands exceed 25% as at the date of this report.

REPORT OF THE DIRECTORS

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board of Directors

LEUNG Anita Fung Yee Maria
Director

Hong Kong, 26 November 2007

INDEPENDENT AUDITOR'S REPORT

KPMG

To the shareholders of Qin Jia Yuan Media Services Company Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Qin Jia Yuan Media Services Company Limited (the "Company") set out on pages 45 to 107, which comprise the consolidated and company balance sheets as at 30 September 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT (continued)

AUDITOR'S RESPONSIBILITY (continued)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

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

Hong Kong, 26 November 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2007 *(Expressed in Hong Kong dollars)*

	Note	2007 $'000	2006 $'000
Turnover	2	**196,949**	125,062
Direct costs		**(46,549)**	(23,212)
		150,400	101,850
Other revenue	3(a)	**4,409**	4,491
Other net income	3(b)	**20,182**	5,241
Administrative and other operating expenses		**(26,883)**	(22,511)
Profit from operations		**148,108**	89,071
Finance costs	4(a)	**(8,013)**	(5,095)
Profit before taxation	4	**140,095**	83,976
Income tax	5	**(696)**	(371)
Profit for the year		**139,399**	83,605
Dividends payable to equity shareholders of the Company attributable to the year:	8		
– Interim dividend declared during the year		**14,463**	9,137
– Final dividend proposed after the balance sheet date		**16,308**	9,177
		30,771	18,314
Earnings per share			
– Basic	9(a)	**26.15 cents**	17.21 cents
– Diluted	9(b)	**26.10 cents**	N/A

The notes on pages 52 to 107 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 30 September 2007 *(Expressed in Hong Kong dollars)*

	Note	2007 $'000	2006 $'000
Non-current assets			
Fixed assets	11	**23,392**	30,038
Intangible assets	13	**226,258**	70,412
Reimbursements receivable	14	**41,484**	64,275
Long term receivables	15	**695**	9,707
Long term deposits	25(b)(ii)	**13,447**	13,447
		305,276	187,879
Current assets			
Inventories	16	**71,383**	45,108
Accounts receivable	15	**128,262**	77,770
Reimbursements receivable	14	**270,715**	136,319
Prepayments, deposits and other receivables		**81,195**	62,053
Pledged deposits	18	**59,827**	45,270
Cash and cash equivalents	19	**168,635**	144,713
		780,017	511,233
Assets classified as held for sale	21	**3,586**	–
		783,603	511,233
Current liabilities			
Bank loans	20	**(93,477)**	(108,585)
Accruals and other payables		**(85,799)**	(45,879)
Current taxation		**(6,165)**	(5,519)
		(185,441)	(159,983)
Liabilities directly associated with assets classified as held for sale	21	**(2,390)**	–
		(187,831)	(159,983)
Net current assets		**595,772**	351,250

CONSOLIDATED BALANCE SHEET (continued)

At 30 September 2007 *(Expressed in Hong Kong dollars)*

	Note	2007 $'000	2006 $'000
Total assets less current liabilities		**901,048**	539,129
Non-current liabilities			
Mortgage bank loan	20	**(3,643)**	(6,102)
NET ASSETS		**897,405**	533,027
CAPITAL AND RESERVES			
Share capital	23(a)	**45,429**	39,769
Reserves	23(b)	**851,976**	493,258
		897,405	533,027

Approved and authorised for issue by the Board of Directors on 26 November 2007.

LEUNG Anita Fung Yee Maria
Director

LAM Haw Shun, Dennis
Director

The notes on pages 52 to 107 form part of these financial statements.

BALANCE SHEET

At 30 September 2007 *(Expressed in Hong Kong dollars)*

	Note	2007 $'000	2006 $'000
Non-current asset			
Interests in subsidiaries	12	60,943	60,943
Current assets			
Amounts due from subsidiaries	17	602,541	326,872
Prepayments and other receivables		45	36
Cash and cash equivalents	19	818	124
		603,404	327,032
Current liabilities			
Amounts due to subsidiaries	17	(12,226)	(11,288)
Accruals and other payables		(2,154)	(1,007)
		(14,380)	(12,295)
Net current assets		589,024	314,737
NET ASSETS		649,967	375,680
CAPITAL AND RESERVES			
Share capital	23(a)	45,429	39,769
Reserves	23(c)	604,538	335,911
		649,967	375,680

Approved and authorised for issue by the Board of Directors on 26 November 2007.

LEUNG Anita Fung Yee Maria
Director

LAM Haw Shun, Dennis
Director

The notes on pages 52 to 107 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2007 *(Expressed in Hong Kong dollars)*

	Note	2007 $'000	2006 $'000
Shareholders' equity at the beginning of the year		**533,027**	379,701
Net loss recognised directly in equity:			
Exchange differences on translation of financial statements of PRC subsidiaries	23(b)	**(3,965)**	(916)
Net profit for the year	23(b)	**139,399**	83,605
Dividends declared or approved during the year	23(b)	**(23,640)**	(17,127)
Movements in equity arising from capital transactions:			
Shares issued during the year			
– scrip dividends	23(b)	**16,537**	5,009
– share placement	23(b)	**231,821**	82,755
– shares issued under share option scheme	23(b)	**2,304**	–
– equity settled share-based transactions	23(b)	**1,922**	–
		252,584	87,764
Shareholders' equity at the end of the year		**897,405**	533,027

The notes on pages 52 to 107 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2007 *(Expressed in Hong Kong dollars)*

	Note		2007		2006
		$'000	$'000	$'000	$'000
Operating activities					
Profit before taxation			140,095		83,976
Adjustments for:					
– Amortisation and depreciation			24,338		7,091
– Interest income			(4,330)		(4,018)
– Finance costs			8,013		5,095
– Gain on disposal of fixed assets			(21)		–
– Equity share-based payment expenses			1,922		–
– Exchange difference			(6,839)		(2,203)
Operating profit before changes in working capital			163,178		89,941
Increase in inventories		(26,275)		(28,908)	
Increase in accounts receivable		(41,480)		(20,436)	
Increase in reimbursements receivable		(111,605)		(75,592)	
Increase in prepayments, deposits and other receivables		(57,432)		(47,781)	
Increase in accruals and other payables		40,632		26,996	
			(196,160)		(145,721)
Cash used in operations			(32,982)		(55,780)
Tax paid			(50)		(1,564)
Net cash used in operating activities			(33,032)		(57,344)

CONSOLIDATED CASH FLOW STATEMENT (continued)

For the year ended 30 September 2007 *(Expressed in Hong Kong dollars)*

	Note		2007		2006
		$'000	$'000	$'000	$'000
Investing activities					
Proceeds from disposal of fixed assets		32		–	
Payment for purchase of fixed assets		(3,730)		(13,222)	
Payment for purchase of intangible assets		(134,315)		(21,752)	
Interest received		4,330		4,018	
Net cash used in investing activities			(133,683)		(30,956)
Financing activities					
Increase in pledged deposits		(14,557)		(4,940)	
(Repayment of)/proceeds from bank loans		(15,250)		53,384	
Interests paid		(8,649)		(4,059)	
Other borrowing costs paid		(3)		(16)	
Proceeds from issuance of shares		240,900		85,728	
Expenses paid in connection with the issuance of shares		(9,079)		(2,973)	
Dividends paid		(7,103)		(12,118)	
Exercise of share option		2,304		–	
Net cash generated from financing activities			188,563		115,006
Net increase in cash and cash equivalents			21,848		26,706
Cash and cash equivalents at the beginning of the year			144,713		117,064
Effect of foreign exchange rate changes			2,144		943
Cash and cash equivalents at the end of the year	19		168,705		144,713

The notes on pages 52 to 107 form part of these financial statements.

NOTES TO 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 ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the 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 "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not have significant impact on the Group's results of operations and financial position for the current and prior accounting periods presented in these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 28).

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 30 September 2007 comprise the Company and its subsidiaries (together referred to as the "Group").

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

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 1(s)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in note 27.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(c) Subsidiaries (continued)

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(g)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(s)).

(d) Fixed assets

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

(ii) Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(iii) Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- land and buildings are depreciated 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 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") program is included in the cost of services rendered in connection with the production of that particular TV program;
- other fixed assets are depreciated 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

Where parts of an item of fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(e) Intangible assets

TV programs in progress

TV programs in progress are stated in balance sheet at cost less any impairment losses (see note 1(g)). Costs include capital injected and all other direct costs associated with the production of TV programs. Costs of TV programs are transferred to licence rights upon completion.

Licence rights

Licence rights that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see note 1(g)). Amortisation is charged to profit or loss at rates calculated to write off the costs in proportion to the expected revenues from the licensing of the rights. Such rates are subject to annual review by the directors.

Customer contract costs

Costs incurred to acquire contractual relationships with customers are capitalised if it is probable that future economic benefits will flow from the customers to the Group and such costs can be measured reliably. Customer contract costs are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see note 1(g)). Capitalised customer contract costs are amortised on a straight line basis over the minimum enforceable contractual periods. By the end of the minimum enforceable contractual period, fully amortised customer contract costs will be written off.

In the event that a customer terminates the contract prior to the end of the minimum enforceable contractual period, the unamortised customer contract cost will be written off immediately to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(e) Intangible assets (continued)

Advertising rights

Advertising rights represent fees paid to secure exclusive rights to procure advertising clients to place advertisements with certain specified newspapers, magazines, TV channels and radio program for a specific period of time.

Advertising rights are stated at cost less accumulated amortisation and any impairment losses (see note 1(g)).

Amortisation is calculated on a straight line basis over the agreed periods of use of the advertising rights, starting from the date of commencement of commercial use of the advertising rights. Both the period and method of amortisation are reviewed annually.

Other intangible assets

Other intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses (see note1(g)).

Amortisation of other intangible assets is charged to profit or loss on a straight line basis over the asset's estimated useful lives (unless such lives are indefinite) or over the contractual period. Both the period and method of amortisation and any conclusion that the useful life of an intangible asset is indefinite are reviewed annually.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(f) Leased assets

(i) Classification of assets leased to the Group

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except where land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, in such cases, it is accounted for as being under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

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

(g) 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;

– intangible assets; and

– investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(g) Impairment of assets (continued)

(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) Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

(iii) 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 an impairment loss 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 profit or loss in the year in which the reversals are recognised.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(h) 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 is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Impairment losses for bad and doubtful debt are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted where the effect of discounting is material.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(j) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(k) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Cash and 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) Short-term employee benefits

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(m) Employee benefits (continued)

(ii) Contributions to defined contribution retirement plans

Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised in profit or loss as incurred.

Employees of the subsidiaries established in the People's Republic of China ("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 profit or loss 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.

(iii) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the option will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(m) Employee benefits (continued)

(iv) *Termination benefits*

Termination benefits are recognised when, only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(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 profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(n) Income tax (continued)

(iii) (continued)

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 goodwill not deductible for tax purposes, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(n) Income tax (continued)

(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 the Company or 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 Company or 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(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.

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 profit or loss 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 program related investments to investors. Commission income is recognised when the broadcasting schedule of the relevant TV commercial airtime is confirmed by major TV 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 advertising related services to investors and advertising agencies, ancillary services relating to production of TV program to production houses, and public relations services. Service income is recognised when the services are rendered.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(p) Revenue recognition (continued)

(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 programs in accordance with the terms of the contracts.

(iv) Costume rental

Costume rental receivable under operating leases is recognised 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.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(q) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(r) Borrowing costs

Borrowing costs are expensed in profit or loss 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) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present conditions. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets or disposal groups are recognised at lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(t) Related parties

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

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

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

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

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

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

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(u) 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Turnover and segment reporting

The Group is principally engaged in the provision of media services including TV program related services and marketing and advertising 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 programs.

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 programs for investment.

In addition, the Group provides other value-added services such as provision of scripts, script editing of TV programs, public relations services, product promotional services, marketing planning and advertising related services to advertisers, advertising firms and TV stations.

The Group purchases certain distribution licence rights directly from other rights holders. The Group earns licence fees by granting such rights to film or TV program trading companies.

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

	2007	2006
	$'000	$'000
TV program related income	**84,759**	73,951
Marketing and advertising related income	**82,670**	35,895
Public relations service income	**29,520**	15,216
	196,949	125,062

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Other revenue and other net income

	2007 $'000	2006 $'000
(a) Other revenue		
Interest income	4,330	4,018
Others	79	473
	4,409	4,491
(b) Other net income		
Net exchange gain	20,161	5,241
Gain on disposal of fixed assets	21	–
	20,182	5,241

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

4 Profit before taxation

Profit before taxation is arrived at after charging:

	2007 $'000	2006 $'000
(a) Finance costs:		
Interest on bank advances and other borrowings wholly repayable within five years	**8,010**	5,079
Other borrowing costs	**3**	16
	8,013	5,095
(b) Staff costs:		
Salaries, wages and other benefits	**4,405**	4,642
Contributions to defined contribution plans	**177**	141
	4,582	4,783
(c) Other items:		
Amortisation of intangible assets	**16,752**	1,001
Depreciation of fixed assets	**7,586**	6,090
Auditors' remuneration		
– Audit services	**1,115**	1,000
– Other services	**263**	600
Operating lease charges in respect of properties	**3,572**	1,587
Cost of inventories	**5,331**	540

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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) Pursuant to the Macao SAR's Offshore Laws, Qin Jia Yuan Media Services Investment Macao Commercial Offshore Limited, a subsidiary of the Group and 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 year, 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 year.

(d) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which will take effect on 1 January 2008. The new tax law introduces a tax resident concept whereby companies not registered in PRC but being managed and controlled from PRC would be subject to PRC Enterprise Income Tax ("EIT") under the new tax law at the EIT rate of 25%. However, detailed implementation of the new tax law has yet to be made public. Consequently, the Group is not able to make an estimate of the expected financial effect of the new tax law. The expected financial effect of the new tax law, if any, will be reflected in the Group's 2008 annual financial statements. The enactment of the new tax law is not expected to have any financial effect on the amounts incurred in the balance sheet as at 30 September 2007 in respect of current tax payable.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

5 Income tax (continued)

(e) Reconciliation between tax expense and profit before taxation at applicable tax rate is as follows:

	2007 $'000	2006 $'000
Profit before taxation	140,095	83,976
Notional tax on profit before taxation, calculated at the rates applicable to profits	14,341	8,948
Tax effect of non-deductible expenses	10,275	5,877
Tax effect of non-taxable income	(26,359)	(15,408)
Tax effect of unused tax losses not recognised	2,439	954
Actual tax expense	696	371

(f) Deferred tax assets not recognised:

The Group has not recognised deferred tax assets in respect of tax losses of $18,234,000 (2006: $5,367,000) as it is not probable that future taxable profits against which the unused tax losses can be utilised will be available in the relevant tax jurisdiction and entity. Out of the above tax losses, $9,197,000 (2006: $458,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

6 Directors' remuneration and five highest paid individuals

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

	Directors' fees	Basic salaries, other allowances and emolument	Discretionary bonuses	Retirement scheme contributions	Equity settled share-based payment expenses (note 23(b))	2007 Total
	$'000	$'000	$'000	$'000	$'000	$'000
Executive Directors						
Dr. LEUNG Anita Fung Yee Maria	–	6,738	1,870	12	57	8,677
Mr. TSIANG Hoi Fong	–	304	–	–	1,130	1,434
Non-executive Directors						
Dr. Honourable WONG Yu Hong, Philip, GBS	100	–	–	–	57	157
Mr. PFITZNER Kym Richard	–	–	–	–	–	–
Mr. ZINGER Simon	–	–	–	–	–	–
Mr. HUNG Hak Hip	100	–	–	–	113	213
Dr. WONG Ying Ho, Kennedy, BBS, JP	100	–	–	–	113	213
Mr. LIU Yuk Chi, David	100	–	–	–	113	213
Ms. LEE Kwei-Fen	–	–	–	–	–	–
Independent Non-executive Directors						
Mr. LAU Hon Chuen, GBS, JP	100	–	–	–	113	213
Mr. LAM Haw Shun, Dennis, JP	100	–	–	–	113	213
Mr. HUI Koon Man, Michael, JP	100	–	–	–	113	213
Total	700	7,042	1,870	12	1,922	11,546

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

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

	Directors' fees $'000	Basic salaries, other allowances and emolument $'000	Retirement scheme contributions $'000	2006 Total $'000
Executive Directors				
Dr. LEUNG Anita Fung Yee Maria	–	7,386	12	7,398
Mr. TSIANG Hoi Fong	–	116	–	116
Non-executive Directors				
Dr. Honourable WONG Yu Hong, Philip, GBS	100	–	–	100
Mr. PFITZNER Kym Richard	100	–	–	100
Mr. ZINGER Simon	100	–	–	100
Mr. HUNG Hak Hip	100	–	–	100
Dr. WONG Ying Ho, Kennedy, BBS, JP	100	–	–	100
Mr. LEE Woo Sing (retired on 19 January 2006)	30	–	–	30
Mr. LIU Yuk Chi, David (elected on 19 January 2006)	70	–	–	70
Mr. WONG Seung Ho, Thomas (resigned on 31 July 2006)	83	–	–	83
Ms. LEE Kwei-Fen (appointed on 31 July 2006)	17	–	–	17
Independent Non-executive Directors				
Mr. LAU Hon Chuen, GBS, JP	100	–	–	100
Mr. LAM Haw Shun, Dennis, JP	100	–	–	100
Mr. HUI Koon Man, Michael, JP	100	–	–	100
Total	1,000	7,502	12	8,514

During the year ended 30 September 2007, three directors (2006: Nil) agreed to waive their emoluments totalling $300,000 (2006: Nil).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

The above analysis include two (2006: one) individuals whose emoluments are among the five highest paid individuals in the Group. Details of the emoluments paid to the remaining three (2006: four) individuals are:

	2007 $'000	2006 $'000
Basic salaries, housing and other allowances and benefits in kind	1,423	2,608
Retirement scheme contributions	32	47
	1,455	2,655

The emoluments of the individuals fell within the following bands:

	2007 Number of individuals	2006 Number of individuals
$0 – $1,000,000	3	3
$1,000,000 – $1,500,000	–	1
	3	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 equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of $45,343,000 (2006: $18,454,000) which has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

8 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2007 $'000	2006 $'000
Interim dividend declared and paid of 2.5 cents per share (2006: 1.8 cents per share)	**14,463**	9,137
Final dividend proposed after the balance sheet date of 2.8 cents per share (2006: 1.8 cents per share)	**16,308**	9,177
	30,771	18,314

During the year, interim scrip dividends were offered to shareholders with cash option. Details of dividends paid are disclosed in note 23(a).

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

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2007 $'000	2006 $'000
Final dividend in respect of the previous financial year, approved and paid during the year of 1.8 cents per share (2006: 1.7 cents per share)	**9,177**	7,990

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

9 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $139,399,000 (2006: $83,605,000) and the weighted average number of 533,039,000 (2006: 485,724,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2007	2006
	'000	'000
Issued ordinary shares at 1 October	**509,859**	470,000
Effect of placement of shares (note 23(a))	**20,976**	15,452
Effect of scrip dividends (note 23(a))	**1,986**	272
Effect of share option exercised (note 23(a))	**218**	–
Weighted average number of ordinary shares at 30 September	**533,039**	485,724

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 30 September 2007 is based on the profit attributable to equity shareholders of the Company of $139,399,000 and the weighted average number of 534,026,000 ordinary shares (diluted). Diluted earnings per share for the year ended 30 September 2006 is not presented as there were no dilutive potential ordinary shares in existence during the year ended 30 September 2006.

Weighted average number of ordinary shares (diluted) for the year ended 30 September 2007 is calculated as follows:

	'000
Weighted average number of ordinary shares at 30 September 2007	533,039
Effect of deemed issue of shares under the Company's share option scheme (note 22)	987
Weighted average number of ordinary shares (diluted) at 30 September 2007	534,026

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

11 Fixed assets

	The Group					
	Land and buildings $'000	Leasehold improvements $'000	Furniture, fixtures and computer equipment $'000	Production equipment $'000	Props and costumes $'000	Total $'000
Cost:						
At 1 October 2006	13,158	12,752	5,556	1,654	13,005	46,125
Exchange adjustments	–	498	221	43	570	1,332
Additions	–	1,429	1,176	453	672	3,730
Disposals	–	–	(59)	–	–	(59)
Transfer to assets classified as held for sales	(3,722)	(64)	–	–	–	(3,786)
At 30 September 2007	9,436	14,615	6,894	2,150	14,247	47,342
Accumulated depreciation:						
At 1 October 2006	681	2,996	2,722	1,430	8,258	16,087
Exchange adjustments	–	142	77	10	373	602
Charge for the year	270	2,435	1,137	95	3,649	7,586
Written back on disposal	–	–	(48)	–	–	(48)
Transfer to assets classified as held for sale	(241)	(36)	–	–	–	(277)
At 30 September 2007	710	5,537	3,888	1,535	12,280	23,950
Net book value:						
At 30 September 2007	8,726	9,078	3,006	615	1,967	23,392
Cost:						
At 1 October 2005	13,158	2,959	4,681	1,632	9,948	32,378
Exchange adjustments	–	195	75	9	246	525
Additions	–	9,598	800	13	2,811	13,222
At 30 September 2006	13,158	12,752	5,556	1,654	13,005	46,125
Accumulated depreciation:						
At 1 October 2005	410	1,526	1,763	1,361	4,756	9,816
Exchange adjustments	–	42	26	3	110	181
Charge for the year	271	1,428	933	66	3,392	6,090
At 30 September 2006	681	2,996	2,722	1,430	8,258	16,087
Net book value:						
At 30 September 2006	12,477	9,756	2,834	224	4,747	30,038

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

11 Fixed assets (continued)

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

	The Group	
	2007	2006
	$'000	$'000
In Hong Kong under medium-term lease	**3,194**	3,272
In the PRC under long leases	**5,532**	9,205
	8,726	12,477

(b) Land and buildings held by certain subsidiaries with carrying value of $5,532,000 (2006: $9,205,000) were pledged as security for mortgage bank loans of $3,781,000 (2006: $6,302,000) (note 20).

12 Interests in subsidiaries

	The Company	
	2007	2006
	$'000	$'000
Unlisted shares, at cost	**60,943**	60,943

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

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

NOTES TO THE FINANCIAL STATEMENTS

(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		Issued share capital/ registered capital	Principal activity
			Directly	Indirectly		
Communication and You Holdings Company Limited	Hong Kong	PRC and Hong Kong	–	100%	$100	Provision of production equipment for use by group companies
Qin Jia Yuan Shares Company Limited	British Virgin Islands ("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%	$56,000,000	Provision of market research and broadcasting report for advertisers
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
Qin Jia Yuan Cultural Assets (Hong Kong) Company Limited	Hong Kong	Hong Kong	100%	–	$2# $92##	Property investment

NOTES TO THE FINANCIAL STATEMENTS

(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 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
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
Hangwai Enterprises Limited	BVI	Hong Kong	–	100%	US$1	Holding of distribution rights

NOTES TO THE FINANCIAL STATEMENTS

(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
Sheen Global Services Limited	BVI	Hong Kong	–	100%	US$1	Holding of advertising and public relations rights of TV drama channel
Soar Up Holdings Limited	BVI	Hong Kong	–	100%	US$1	Holding of advertising rights of printed media
Jumbo Add Investments Limited	BVI	Hong Kong	–	100%	US$1	Holdings of advertising rights of printed media
Qin Jia Yuan International Cultural Media Planning and Services Company Ltd.	BVI	Hong Kong	–	100%	US$1	Holding of advertising rights of printed media and a radio show
Qin Jia Yuan (China) Advertising Company Limited*+	PRC	PRC	–	100%	$18,000,000	Holding of customer contracts and provision of advertising related services
Vast Top Investments Limited	BVI	Hong Kong	–	100%	US$1	Holding of adaptation rights of fiction series

* Wholly foreign owned enterprises established in the PRC
# Class A non-voting shares
Class B voting shares
\+ For identification purpose only

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

13 Intangible assets

	The Group					
	Purchased licence rights $'000	TV programs in progress $'000	Purchased advertising rights $'000	Customer contract costs $'000	Others $'000	Total $'000
Cost:						
At 1 October 2006	34,600	30,251	–	–	6,562	71,413
Additions	84,378	–	50,220	38,000	–	172,598
At 30 September 2007	118,978	30,251	50,220	38,000	6,562	244,011
Accumulated amortisation:						
At 1 October 2006	692	–	–	–	309	1,001
Charge for the year	3,041	–	11,808	1,594	309	16,752
At 30 September 2007	3,733	–	11,808	1,594	618	17,753
Net book value:						
At 30 September 2007	115,245	30,251	38,412	36,406	5,944	226,258
Cost:						
At 1 October 2005	19,030	–	–	–	380	19,410
Additions	15,570	30,251	–	–	6,182	52,003
At 30 September 2006	34,600	30,251	–	–	6,562	71,413
Accumulated amortisation:						
At 1 October 2005	–	–	–	–	–	–
Charge for the year	692	–	–	–	309	1,001
At 30 September 2006	692	–	–	–	309	1,001
Net book value:						
At 30 September 2006	33,908	30,251	–	–	6,253	70,412

The amortisation charge for the year is included in "direct costs" in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 Reimbursements receivable

Reimbursements receivable represents funding advanced to the production houses on behalf of advertising agencies for investment in the production of TV programs. The amounts expected to be recoverable after one year are included under non-current assets. The Group's credit policy is set out in note 24(a).

15 Accounts receivable

	The Group	
	2007	2006
	$'000	$'000
Accounts receivable	**128,957**	87,477
Less: Amount expected to be recovered after one year, included as non-current assets	**(695)**	(9,707)
	128,262	77,770

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	
	2007	2006
	$'000	$'000
Current	**128,262**	77,770

The Group's credit policy is set out in note 24(a).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

16 Inventories

The inventories as at 30 September 2007 represent the cost of acquisition of certain scripts, synopses and adaptation rights. They are carried at the lower of cost and net realisable value.

17 Amounts due from/(to) subsidiaries

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

18 Pledged deposits

The balances at 30 September 2007 and 30 September 2006 represent bank deposits pledged as security for banking facilities (note 20).

19 Cash and cash equivalents

	The Group		The Company	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Deposits with banks	**123,263**	93,987	**–**	–
Cash at bank and in hand	**45,372**	50,726	**818**	124
Cash and cash equivalents in the balance sheets	**168,635**	144,713	**818**	124
Cash and cash equivalents classified as held for sale	**70**	–		
Cash and cash equivalents in the consolidated cash flow statement	**168,705**	144,713		

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

20 Bank loans

	The Group	
	2007	2006
	$'000	$'000
Secured bank loans	**93,339**	108,385
Mortgage bank loans		
Current portion	**138**	200
Non-current portion	**3,643**	6,102
	3,781	6,302
	97,120	114,687

	The Group	
	2007	2006
	$'000	$'000
Repayable as follows:		
– Within 1 year or on demand	**93,477**	108,585
– After 1 year but within 2 years	**148**	215
– After 2 years but within 5 years	**508**	747
– After 5 years	**2,987**	5,140
	3,643	6,102
	97,120	114,687

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

20 Bank loans (continued)

At 30 September 2007, certain bank loan facilities was secured by pledged deposits of $59,827,000 (2006: $45,270,000) and the corporate guarantee provided by the Company and its subsidiaries. Such banking facilities totalling $279,646,000 (2006: $181,592,000) were utilised to the extent of $93,339,000 (2006: $108,385,000) at year end (note 18).

At 30 September 2007, mortgage bank loan of $3,781,000 (2006: $6,302,000) were secured by the Group's land and buildings with carrying value of $5,532,000 (2006: $9,205,000) (note 11), and the corporate guarantee provided by the Company.

21 Assets classified as held for sale

On 16 August 2007, the Group entered into a sale and purchase agreement with an independent third party, to dispose of its entire interest of a wholly-owned subsidiary, namely Amazing Investments Limited ("Amazing"), at a consideration of $4,800,000. The transaction has been completed on 13 November 2007. Accordingly, the assets and liabilities of Amazing were classified as held for sale as at 30 September 2007 and stated at the lower of the carrying amount and fair value less costs to sell.

The major classes of assets and liabilities classified as held for sale as at 30 September 2007 are as follows:

	$'000
Assets classified as held for sale	
Fixed assets	3,509
Prepayments, deposits and other receivables	7
Cash and cash equivalents	70
	3,586
Liabilities directly associated with assets classified as held for sale	
Accruals and other payables	73
Mortgage bank loan	2,317
	2,390
Net assets classified as held for sale	1,196

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 Equity settled share-based transactions

The Company has a share option scheme which was adopted on 13 June 2004 (the "Scheme") whereby the Directors of the Company are authorised, at their discretion, to invite any full time or part time employees and Directors, consultants and advisers of the Group, to take up options at $1 to subscribe for ordinary shares of the Company. The Scheme shall be effective for a period of ten years ending on 13 June 2014. Each option gives the holder the right to subscribe for one ordinary share in the Company.

No options were outstanding as at 30 September 2006. During the year, the Company granted 8,667,608 options to the Directors of the Company pursuant to the Scheme to subscribe for 8,667,608 ordinary shares of the Company at a price of $2.26 per ordinary share. 1,019,719 options were exercised during the year ended 30 September 2007.

(a) The terms and conditions of the grants that existed during the year ended 30 September 2007 are as follows:

Date granted	Exercise period	Exercise price	Number of options granted
Options granted to Directors			
28 February 2007	28 February 2007 to 13 June 2014	$2.26	509,860
1 March 2007	1 March 2007 to 13 June 2014	$2.26	509,859
2 March 2007	2 March 2007 to 13 June 2014	$2.26	509,859
6 March 2007	6 March 2007 to 13 June 2014	$2.26	1,529,577
15 March 2007	15 March 2007 to 13 June 2014	$2.26	5,098,594
21 March 2007	21 March 2007 to 13 June 2014	$2.26	509,859
			8,667,608

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 Equity settled share-based transactions (continued)

(b) The number and weighted average exercises prices of share options are as follows:

	2007		2006	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at 1 October	**–**	**–**	–	–
Granted during the year	**$2.26**	**8,667,608**	–	–
Exercised during the year	**$2.26**	**(1,019,719)**	–	–
Outstanding at 30 September	**$2.26**	**7,647,889**	–	–
Exercisable at 30 September	**$2.26**	**7,647,889**	–	–

No options were forfeited or expired during the year (2006: Nil). All the share options outstanding as at 30 September 2007 are exercisable.

The weighted average share price at the date of exercise for share options exercised during the year was $4.14.

All the options outstanding at 30 September 2007 had an exercise price of $2.26 and a weighted average remaining contractual life of 6.7 years.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 Equity settled share-based transactions (continued)

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is determined with the Black-Scholes pricing model based on the following assumptions:

Fair value of share option as of the grant date	$0.22
Weighted average share price	$2.26
Exercise price	$2.26
Expected volatility	21.1%
Annual risk-free interest rate (based on Exchange Fund Notes)	4.0%
Expected dividend yield	–
Expected life of options	1.1 years

The expected volatility is based on the historic volatilities of the share prices of comparable companies over the periods that are equal to the expected lives before the grant date. The expected life of options is determined with reference to the vesting periods of the Scheme and the historical share price. The expected dividend yield is determined based on historical and forecasted dividend payments. Changes in the subjective input assumptions could materially affect the fair value estimate.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23 Capital and reserves

(a) Share capital

	Note	2007 Number of shares '000	2007 Amount $'000	2006 Number of shares '000	2006 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		**509,859**	**39,769**	470,000	36,660
Placement of shares	(i),(iv)	**66,000**	**5,148**	37,600	2,933
Shares issued as scrip dividends	(ii), (iii)	**5,549**	**433**	2,259	176
Shares issued under share option scheme	(v)	**1,020**	**79**	–	–
At the end of the year		**582,428**	**45,429**	509,859	39,769

Notes:

(i) 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 placing price represented a discount of approximately 4% to the closing price of the Company's share of $2.375 per share on the Stock Exchange on 20 April 2006, and a premium of approximately 1.33% to the ten day average closing price of $2.25 per share on and immediately preceding 20 April 2006. Subsequently, 37,600,000 new ordinary shares of the Company were issued at the same price per share. The net proceeds will be used to finance the production of TV programs in the PRC pursuant to the co-operation arrangements to produce TV programs.

(ii) On 18 August 2006, the Company issued and allotted 2,259,419 ordinary shares of US$ 0.01 each at $2.217 to the shareholders who received shares of the Company in lieu of cash for 2006 interim dividend pursuant to a scrip dividend scheme announced by the Company on 27 June 2006. These shares rank pari passu with the existing ordinary shares of the Company in all respects.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23 Capital and reserves (continued)

(a) Share capital (continued)

(iii) On 1 March 2007, the Company issued and allotted 2,676,028 ordinary shares of US$0.01 each at $2.034 per share to the shareholders who received shares of the Company in lieu of cash for 2006 final dividend pursuant to a scrip dividend scheme announced by the Company on 15 January 2007. These shares rank pari passu with the existing ordinary shares of the Company in all respects.

On 9 August 2007, the Company issued and allotted 2,872,677 ordinary shares of US$0.01 each at $3.862 per share to the shareholders who received shares of the Company in lieu of cash for 2007 interim dividend pursuant to a scrip dividend scheme announced by the Company on 6 July 2007. These shares rank pari passu with the existing ordinary shares of the Company in all respects.

(iv) A placement of 66,000,000 shares of the Company at a price of $3.65 per share was made with independent investors on 7 June 2007. The placing price represented a discount of approximately 6.17% to the closing price of the Company's share of $3.89 per share on the Stock Exchange on 1 June 2007, and a discount of approximately 3.44% to the ten day average closing price of $3.78 per share on and immediately preceding 1 June 2007. Subsequently, 66,000,000 new ordinary shares of the Company were issued at the same price per share. The net proceeds will be used as to finance the Group's expansion and business development in advertising agency business in the PRC, including but not limited to further acquisitions of TV drama series broadcasting licence rights, and the production and acquisition of television programs and also scripts for TV programs. These shares rank pari passu with the existing ordinary shares of the Company in all respects.

(v) On 13 June 2007, 3 August 2007 and 29 August 2007, a total of 1,019,719 share options were exercised to subscribe for 1,019,719 ordinary shares in the Company at a total consideration of $2,304,000 of which $79,000 was credited to share capital and the balances of $2,225,000 was credited to the share premium account. $226,000 has been transferred from the capital reserve to the share premium account in accordance with policy set out in note 1(m)(iii).

(vi) Terms of unexpired and unexercised share options at balance sheet date are as follows:

Exercise period	Exercise price	Number of options outstanding	
		2007	2006
28 February 2007 to 13 June 2014	$2.26	**254,930**	–
2 March 2007 to 13 June 2014	$2.26	**254,929**	–
6 March 2007 to 13 June 2014	$2.26	**1,529,577**	–
15 March 2007 to 13 June 2014	$2.26	**5,098,594**	–
21 March 2007 to 13 June 2014	$2.26	**509,859**	–
		7,647,889	–

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23 Capital and reserves (continued)

(b) The Group

	Share capital $'000	Share premium $'000	General reserve $'000	Capital reserve $'000	Exchange reserve $'000	Retained earnings $'000	Total $'000
At 1 October 2005	36,660	182,227	406	(1,560)	(104)	162,072	379,701
Profit for the year	–	–	–	–	–	83,605	83,605
Dividends approved in respect of the previous year (note 8(b))	–	–	–	–	–	(7,990)	(7,990)
Dividends declared in respect of the current year (note 8(a) and 23 (a)(ii))	176	4,833	–	–	–	(9,137)	(4,128)
Exchange differences on translation of financial statements of subsidiaries in the PRC	–	–	–	–	(916)	–	(916)
Placement of shares (note 23(a)(i))	2,933	82,795	–	–	–	–	85,728
Share issuance costs	–	(2,973)	–	–	–	–	(2,973)
At 30 September 2006	39,769	266,882	406	(1,560)	(1,020)	228,550	533,027

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23 Capital and reserves (continued)

(b) The Group (continued)

	Share capital $'000	Share premium $'000	General reserve $'000	Capital reserve $'000	Exchange reserve $'000	Retained earnings $'000	Total $'000
At 1 October 2006	39,769	266,882	406	(1,560)	(1,020)	228,550	533,027
Profit for the year	–	–	–	–	–	139,399	139,399
Dividends approved in respect of the previous year (note 8(b) and 23(a)(iii))	209	5,234	–	–	–	(9,177)	(3,734)
Dividends declared in respect of the current year (note 8(a) and 23(a)(iii))	224	10,870	–	–	–	(14,463)	(3,369)
Exchange differences on translation of financial statements of subsidiaries in the PRC	–	–	–	–	(3,965)	–	(3,965)
Exercise of share options (note 23(a)(v))	79	2,451	–	(226)	–	–	2,304
Placement of shares (note 23(a)(iv))	5,148	235,752	–	–	–	–	240,900
Share issuance costs	–	(9,079)	–	–	–	–	(9,079)
Equity settled share-based transaction (note 6 and 23(a)(v))	–	–	–	1,922	–	–	1,922
Transfer to statutory reserves	–	–	260	–	–	(260)	–
At 30 September 2007	45,429	512,110	666	136	(4,985)	344,049	897,405

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23 Capital and reserves (continued)

(c) The Company

	Share capital $'000	Share premium $'000	Capital reserve $'000	Contributed surplus $'000	Retained earnings $'000	Total $'000
At 1 October 2005	36,660	182,227	–	59,382	8,320	286,589
Profit for the year	–	–	–	–	18,454	18,454
Dividends approved in respect of the previous year (note 8(b))	–	–	–	–	(7,990)	(7,990)
Dividends declared in respect of the current year (note 8(a) and 23(a)(ii))	176	4,833	–	–	(9,137)	(4,128)
Placement of shares (note 23(a)(i))	2,933	82,795	–	–	–	85,728
Share issuance costs	–	(2,973)	–	–	–	(2,973)
At 30 September 2006	39,769	266,882	–	59,382	9,647	375,680
At 1 October 2006	39,769	266,882	–	59,382	9,647	375,680
Profit for the year	–	–	–	–	45,343	45,343
Dividends approved in respect of the previous year (note 8(b) and 23(a)(iii))	209	5,234	–	–	(9,177)	(3,734)
Dividends declared in respect of the current year (note 8(a) and 23(a)(iii))	224	10,870	–	–	(14,463)	(3,369)
Exercise of share option (note 23(a)(v))	79	2,451	(226)	–	–	2,304
Placement of shares (note 23(a)(iv))	5,148	235,752	–	–	–	240,900
Share issuance costs	–	(9,079)	–	–	–	(9,079)
Equity settled share-based transaction (note 6 and 23(a)(v))	–	–	1,922	–	–	1,922
At 30 September 2007	45,429	512,110	1,696	59,382	31,350	649,967

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23 Capital and reserves (continued)

(d) Nature and purpose of reserves

(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 the 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.

The capital reserve also comprises the fair value of the number of unexercised share options granted to Directors of the Company recognised in accordance with the accounting policy adopted for share based payment in note 1(m)(iii).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of subsidiaries in the PRC. The reserve is dealt with in accordance with the accounting policies set out in note 1(q).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23 Capital and reserves (continued)

(d) Nature and purpose of reserves (continued)

(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.

(e) Distributability of reserves

At 30 September 2007, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $604,538,000 (2006: $335,911,000), subject to the restriction stated in note (d)(i) above. After the balance sheet date the directors proposed a final dividend of 2.8 cents per ordinary share (2006: 1.8 cents per ordinary share), amounting to $16,308,000 (2006: $9,177,000). This dividend has not been recognised as a liability at the balance sheet date.

24 Financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's financial management policies and practices are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to reimbursements receivable, accounts receivable and bank deposits. The Group maintain a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis.

(i) Reimbursements receivable

In respect of reimbursements receivable, the amounts are recoverable by the Group from the sales proceeds of commercial airtime to be granted by the relevant broadcasting TV stations to the advertising agencies. 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

24 Financial instruments (continued)

(a) Credit risk (continued)

(i) Reimbursements receivable (continued)

The Group's credit risk on its reimbursements receivable is concentrated on some of its major advertising agencies.

The advances are secured by the advertising agencies' rights to certain benefits to be derived from the first round broadcasting licence rights in the PRC in certain TV programs 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.

(ii) Accounts receivable

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. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables.

(iii) Bank deposits

Cash is deposited with financial institutions with sound credit ratings that are located where the group companies are operated and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(b) Liquidity risk

The treasury function of the Group is arranged centrally to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

24 Financial instruments (continued)

(c) Interest rate risk

The Group is exposed to interest rate risk through the impact of rates changes on interest bearing borrowings. In respect of income earning financial assets and interest bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or the maturity dates, if earlier.

2007

	Fixed/ Floating	Effective interest rate	Within one year $'000	One to two years $'000	Two to five years $'000	Total $'000
Cash and cash equivalents	Floating	3.3%	168,635	–	–	168,635
Bank loans	Floating	6.3%	93,477	148	3,495	97,120

2006

	Fixed/ Floating	Effective interest rate	Within one year $'000	One to two years $'000	Two to five years $'000	Total $'000
Cash and cash equivalents	Floating	3.3%	144,713	–	–	144,713
Bank loans	Floating	5.6%	108,585	215	5,887	114,687

(d) Foreign currency risk

The currency risk of the Group is primarily attributable to the net investments in the PRC. The Group monitors the currency risk by designating bank borrowing denominated in Renminbi to migrate the foreign currency risk arising from the exposure of Renminbi against Hong Kong dollars.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

24 Financial instruments (continued)

(e) Sensitivity analysis

In managing interest rate and foreign currency risks, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 30 September 2007 and 2006.

25 Commitments

(a) Commitments under operating leases

At 30 September 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2007	2006
	$'000	$'000
Within one year	**5,663**	2,193
After one year but within five years	**10,871**	4,734
After five years	**340**	–
	16,874	6,927

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

25 Commitments (continued)

(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 TV programs. During the year ended 30 September 2007, the Group did not procure any funding for the production of TV programs (2006: Nil). The total funding required for the remaining 5,713 hours (2006: 5,713 hours) is to be determined when individual projects for TV program production are agreed and therefore is not quantifiable as at 30 September 2007.

During the year ended 30 September 2007, there is no corresponding funding paid by the licensed advertising agencies pursuant to the agreements among the Group, the production house and the advertising agencies concluded on an individual program basis (2006: Nil). 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 program, 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 program; 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 program.

(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 of which upon its completion. Pursuant to the terms of the agreement, which was supplemented by three supplementary agreements dated 28 April 2005, 12 December 2005 and 28 December 2006 respectively, the Group agreed to make instalment payments to Shanghai Yali totalling $30,000,000 on or before 30 November 2007, 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

25 Commitments (continued)

(b) Other commitments (continued)

(ii) (continued)

As at 30 September 2007, 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 (2006: $13,447,000). The outstanding commitment at 30 September 2007 was $19,553,000 (2006: $19,553,000).

(iii) On 29 June 2007 and 17 September 2007, the Group entered into acquisition agreements of exclusive advertising agency rights in respect of the Entertainment Channel of Chongqing TV station for 10 years from 1 January 2008 and Life Channel of Xiamen TV station for 9 years from 1 January 2008, with acquisition costs of RMB525,000,000 and RMB383,700,000 respectively. As at 30 September 2007, the Group has made progress payments of $32,000,000. The outstanding commitment at 30 September 2007 was as follows:

	Entertainment Channel of Chongqing TV station $'000	Life Channel of Xiamen TV station $'000
Within one year	18,668	20,742
After one year but within five years	207,420	191,656
After five years	285,202	185,510
	511,290	397,908

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

26 Material related party transactions

(a) On 28 December 2006, the Group entered into three leasing agreements with Winco (Dongguan) Paper Products Co., Ltd. ("Winco") to lease three properties located at Dongguan at annual rental of RMB1,032,000 (equivalent to $1,070,000) from 1 January 2007 to 31 December 2009. Winco is a foreign wholly owned enterprise established in the PRC and controlled by Dr. Wong Yu Hong, Philip ("Dr. Wong") and Dr. Leung Anita Fung Yee Maria ("Dr. Leung"), both are Directors of the Company. Rental expenses paid/payable to Winco amounted to $784,000 during the year ended 30 September 2007. The transactions were carried out on normal commercial terms and in the ordinary course of business.

(b) On 10 May 2007, the Group entered into a leasing agreement with Huge Smart Asia Limited ("Huge Smart") to lease a property located at Shenzhen at annual rental of RMB996,000 (equivalent to $1,033,000) from 1 June 2007 to 31 May 2010. Huge Smart is a company wholly owned by Dr. Wong and Dr. Leung, both are Directors of the Company. Rental expenses paid/payable to Huge Smart amounted to $336,000 during the year ended 30 September 2007. The transactions were carried out on normal commercial terms and in the ordinary course of business.

(c) On 10 May 2007, the Group entered into a leasing agreement with Dr. Leung to lease a property located at Guangzhou at annual rental of RMB339,600 (equivalent to $352,000) from 1 June 2007 to 31 May 2010. Rental expenses paid/payable to Dr. Leung amounted to $115,000 during the year ended 30 September 2007. The transactions were carried out on normal commercial terms and in the ordinary course of business.

(d) Key management personnel remuneration

Remuneration for key management personnel represented the amount paid to the Company's Directors and the five highest paid individuals as disclosed in note 6.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

27 Accounting estimates and judgements

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

(a) Provision for impairment of TV programs in progress

The management estimates the net realisable value for such finished goods of the TV programs in progress based primarily on the latest market price and current market conditions. In addition, the Group carries out a review on each TV drama series at each balance sheet date and provision is made when events or changes in circumstances indicate that the carrying amount may not be realised.

(b) Provision for impairment of receivables

The provisioning policy for impairment of receivables of the Group is based on the evaluation of collectability and ageing analysis of the receivables and on management's judgements. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

In respect of the reimbursements receivable, the advances include certain funding for the preliminary preparation work for the production of programs that may or may not be eventually filmed. Apart from assessing the financial positions of the advertising agencies, the management further reviews the progress of the production of each TV program and the estimated sales proceeds of commercial airtime to be granted by the relevant broadcasting TV stations. When it is probable that the total amount of funding advanced in respect of a program will exceed the total revenue arising from such program, the expected loss is recognised as an expense immediately. When the outcome of the program cannot be estimated reliably, the related advances are recognised as expenses in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

28 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ended 30 September 2007

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 September 2007 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of the following developments may result in new or amended disclosure in the financial statements.

		Effective for accounting periods beginning on or after
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007
HKFRS 7	Financial instruments: disclosures	1 January 2007
HKFRS 8	Operating segments	1 January 2009

In respect of other amendments, new standards and new interpretations, the Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

FINANCIAL SUMMARY

(Expressed in Hong Kong dollars)

	2003 $'000	2004 $'000	2005 $'000	2006 $'000	**2007** **$'000**
INCOME STATEMENT					
Turnover	56,207	85,463	106,300	125,062	**196,949**
Profit before taxation	38,639	51,967	68,477	83,976	**140,095**
Income tax	(2,775)	(1,606)	(2,230)	(371)	**(696)**
Profit after taxation	35,864	50,361	66,247	83,605	**139,399**
Minority interests	177	–	–	–	**–**
Profit attributable to equity shareholders	36,041	50,361	66,247	83,605	**139,399**
Dividends	7,000	11,600	13,990	18,314	**30,771**
Earnings per share					
– Basic (cents)	12.01	15.46	16.17	17.21	**26.15**
– Diluted (cents)	–	–	–	–	**26.10**
BALANCE SHEET					
Fixed assets	21,714	27,081	22,562	30,038	**23,392**
Intangible assets	380	10,010	19,410	70,412	**226,258**
Long term reimbursements receivable	–	–	41,058	64,275	**41,484**
Long term receivables	8,429	15,626	15,640	9,707	**695**
Long term deposits	–	8,477	13,447	13,447	**13,447**
Net current assets	39,678	156,398	273,859	351,250	**595,772**
Non–current mortgage bank loans	(6,731)	(6,488)	(6,275)	(6,102)	**(3,643)**
Net assets	63,470	211,104	379,701	533,027	**897,405**
Equity attributable to equity shareholders of the Company	63,470	211,104	379,701	533,027	**897,405**
Total equity	63,470	211,104	379,701	533,027	**897,405**