Qin Jia Yuan Media Services Company Limited

(Incorporated in the Cayman Islands with limited liability) (Stock Code: 2366)

2012 interim report

Corporate Information

Board of Directors

Executive Directors
Dr. LEUNG Anita Fung Yee Maria
(Chairman & Chief Executive Officer)
Mr. YIU Yan Chi, Bernard
(resigned on 22 March 2012)
Mr. TSIANG Hoi Fong
(retired on 21 March 2012)
Mr. YEUNG Ching Wan *(Chief Financial Officer)*
(resigned on 22 March 2012)

Non-Executive Directors
Dr. Honourable WONG Yu Hong, Philip, GBS
(Chairman) (retired on 21 March 2012)
Mr. LIU Yuk Chi, David *(Vice Chairman)*
(retired on 21 March 2012)
Mr. LAM Haw Shun, Dennis, JP
(resigned on 22 March 2012)
Ms. HO Chiu King, Pansy Catilina
Mr. FLYNN Douglas Ronald
(resigned on 22 March 2012)
Mr. OWYANG Loong Shui, Ivan
(retired on 21 March 2012)
Mr. Stanley Emmett THOMAS
Mr. Lincoln PAN Lin Feng
Mr. Peter Alphonse ZALDIVAR
Mr. LAM Haw Shun, Dennis, JP (alternate director to Mr. Peter Alphonse ZALDIVAR)
(appointed on 30 April 2012)
Dr. LIN Junbo

Independent Non-Executive Directors
Mr. LAU Hon Chuen, GBS, JP
Mr. HUI Koon Man, Michael, JP
Mr. Wayne CHOU

Audit Committee

Mr. Wayne CHOU *(Chairman)*
Mr. LAU Hon Chuen, GBS, JP
Mr. LAM Haw Shun, Dennis, JP
(resigned on 22 March 2012)
Mr. HUI Koon Man, Michael, JP
Mr. Lincoln PAN Lin Feng

Remuneration Committee

Mr. LAU Hon Chuen, GBS, JP *(Chairman)*
Mr. LAM Haw Shun, Dennis, JP
(resigned on 22 March 2012)
Mr. HUI Koon Man, Michael, JP
Mr. Stanley Emmett THOMAS
Mr. Wayne CHOU

Authorised Representatives

Dr. LEUNG Anita Fung Yee Maria
Mr. TSIANG Hoi Fong
(retired on 21 March 2012)
Mr. Wayne CHOU
(appointed on 22 March 2012)

Company Secretary

Ms. MUI Ngar May

Auditors

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

Tax Adviser

Ernst & Young
Certified Public Accountants
22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Registered Office

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

Head Office and Principal Place of Business

Flat A–C, 19th Floor
Sing Tao News Corporation Building
No 3 Tung Wong Road
A Kung Ngam, Shau Kei Wan
Hong Kong

Branch Offices

Units 21–23
7th Floor, Yale Industrial Centre
61–63 Au Pui Wan Street
Fotan, New Territories
Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
18th Floor, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

Principal Bankers

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

Legal Advisers

As to Hong Kong Law
Troutman Sanders

As to Cayman Islands Law
Maples and Calder Asia

As to PRC Law
Jingtian & Gongcheng

Stock Code

2366

Website

http://www.qjymedia.com

The board of directors (the "Directors") of Qin Jia Yuan Media Services Company Limited (the "Company") is pleased to report the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 March 2012. These results have been reviewed by the Company's auditors, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, and by the Audit Committee.

Management Discussion and Analysis

Business Review

In 2009, the Chinese government launched the Cultural Industry Promotion Program, under which the eight major areas included television production, advertising, publishing, printing, performing arts, cultural creativity, conference and exhibition, digital content and animation. The promotion of the country's culture industry as a key government policy was reiterated at the Fifth Plenary Session of the 17th Central Committee of the Communist Party of China held in October 2010, thereby facilitating the active development of the Group's operations in China.

Investment in and planning, production and distribution of television series has been the Group's major business since its establishment over ten years ago. The Group's extensive experience and exposure in China, together with the support of such favorable national policy, enables the Group to better position and define its business for the future, and to further develop on a solid ground and capture future opportunities for business advancement.

Review of Operations

During the period, the Group recorded a turnover of HK$192.6 million, which shows a decrease of 38.8% compared to the previous year's corresponding period. Profit from operations of HK$70.4 million was recorded, representing 36.5% of turnover (31 March 2011: 23.3% of turnover). Profit for the period was HK$10.3 million. Excluding one-time financial impact from convertible note restructuring, the adjusted profit for the period was HK$30.0 million, representing 15.6% of turnover (31 March 2011: 16.2%).

According to the Group's dividend policy, interim dividend of HK0.025 cent per share for the six months ended 31 March 2012 is declared to shareholders of the Company in scrip form with cash option.

The overall turnover and net profit dipped as compared to the corresponding period of the previous year. However, excluding the financial effects of the non-operating activities, including but not limited to the accounting treatment of the convertible notes, the profit from operations to turnover ratio recorded for the period has improved as compared to last period as stated above.

In respect of the major/core business, namely investment in and planning, production and distribution of TV series, since its foundation, the Group has always been in partnership with provincial TV stations for the production of mid-scale television series, which are then distributed on local TV channels in various provinces and cities in China. The Group has not had the opportunity to partner with China Central Television for the investment in as well as the production and distribution of large-scale TV series, nor has the Group broadcasted the TV series on major network comprising dominant satellite channels. With the support of the national policy as well over ten years of experience and exposure in the operation of TV program production in China, the Group managed to make a major business breakthrough in the beginning of 2011. The Group formed a long-term partnership with 中國電視劇製作中心有限責任公司 (China TV Program Production Centre Company Limited), a subsidiary of China Central Television, (hereafter referred to as the "China TV") for the investment in and planning, production and distribution of TV series. As a result, the Group has shifted its operational focus onto the partnership with China TV by working with major provincial TV stations to produce large-scale and high-quality TV series that will be premiered on China Central Television's channels and/or major provincial satellite channels. Clearly, the rate of coverage and ratings of premiere on major satellite channels of China Central Television are far more superior, and it is expected that the turnover and profitability of the Group's major business will further improve. Unfortunately, the time span from between the planning and the broadcast of a collaborative project with China TV is generally no less than two years. With the outstanding TV series projects with China TV, the partnership has not made any contribution to the Group's performance during the first six months ended 31 March 2012.

Over 50% of the Group's turnover in 2009, 2010 and 2011 was attributable to the sale of the Group's film library. The coming unification of three networks (internet, telecommunications and cable TV) means that media content will be favored over form. The competition between the traditional platform of television and new media platforms will become more fierce in serving as distribution networks. Since the Group has the capability of producing and distributing large-scale and high-quality TV series, this will increase the distributive value of the Group's film library. The corporate strategy during the year was to focus on its major business, and hence, there is no short-term plan to sell the Group's film library. A long-term view of management and operations has been undertaken to ensure that short-term gains are not made at the expense of long-term growth and development. Strengthening the Group's TV series assets is of utmost priority.

2012 will be a year for strengthening the Group's core business and the results for this year reflects a "spring board" period for the Group.

While the Group spent great efforts in defining its business strategies, its cross-media platform, which includes TV and outdoor advertising, marketing planning and public relations activities undertaken by the subsidiaries of the Group, has shown a stable development. This has had a positive effect on the maintenance of the core operations.

In the second half of 2011, the threat of recession hanged over the global economy and the securities market was vulnerable. Under such environment of anemic investment sentiment, the Group announced a rights issue and raised nearly HK$300 million. The proceeds were intended for reducing debts, including but not limited to redeeming the convertible notes issued by the Group by the end of the year, and for developing the Group's mainstream businesses. The rights issue was completed in February 2012, recording an over-subscription of nearly 6 times. This reflected the support of the public and shareholders to the Group's plan to repay its debts and their confidence over the Group's business prospects.

Business Prospects

Upon the successful completion of the rights issue, the Group signed an agreement with First Media Holdings, Ltd. to redeem the convertible note issued to it. The Group also entered into agreements with each of Smart Peace Development Limited and Star Group International Investment Limited to amend the terms of the convertible notes issued to them to enable the Group to redeem the outstanding principal amount of the convertible notes. It is believed that this will boost investors' confidence and have a positive effect overall.

Despite the weak market sentiment, the rights issue was completed with an over-subscription, giving the Group confidence to continue to develop its mainstream businesses. At a time when TV content is and will continue to be of utmost importance, the majority of the Group's resources will be devoted to content provision.

The Group is taking a two-pronged approach to consolidate and strengthen its cultural assets for content diversification: owing to the length of time required for making a TV series, the Group's strategy is to increase the number of TV series co-produced with China TV and major provincial TV stations, and to acquire quality TV series and films domestically and internationally. The government's support in Chinese television production is a way to protect and advocate the Chinese culture, and it is believed that foreign productions are also supported in order to broaden the horizons of the Chinese people and to enhance their knowledge of the world. In fact, the demand for quality TV productions in China has always been significantly higher than the supply, and there is a huge development potential for quality productions on both television and new media. In response to the immense demand for TV content in China, the Group will emphasized on its two-pronged approach to produce, acquire and introduce domestic and foreign quality TV series, so as to consolidate the Group's position as a leading content provider.

Also, the Group holds the adaptation right to the works of a number of renowned writers, allowing the Group to generate revenue from the sale of such adaptation rights and the production of TV series based on the adaptation, and thus make satisfactory net profits. With over a thousand works available for screen adaptation, the right contributes long-term value to the Group's intangible assets and is undoubtedly the crown jewel for the Group's TV series production that adds to and consolidates the Group's mainstream business, and was critical in increasing the long-term value of the Group's assets.

Liquidity and Financial Resources

The Group adopts a prudent funding and treasury policy. As at 31 March 2012, the Group's cash level stood at HK$310.3 million (30 September 2011: HK$301.2 million). The balances are in Hong Kong Dollar and Renminbi. With cash in hand and banking facilities available, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

In addition, the Group issued convertible notes amounting to HK$249.8 million (2011: HK$221.5 million) to third parties for the purpose of financing the Group's expansion in TV production and advertising related businesses.

As at 31 March 2012, the Group had outstanding bank borrowings of approximately HK$430.6 million, comprising, unsecured bank overdrafts of HK$4.0 million, short term revolving loan of HK$349.6 million, term loan of HK$22.5 million and mortgage bank loan of HK$54.5 million. All the Group's bank borrowings are at floating rates and denominated in Hong Kong Dollar and Renminbi. The unutilised bank loan facilities amount to HK$248.5 million (30 September 2011: HK$166.6 million).

The gearing ratio (expressed as a percentage of total borrowings net of pledged deposits over total equity) was 31.8% (30 September 2011: 34.3%).

Mortgage and Charge

As at 31 March 2012, bank deposits of HK$103.3 million (30 September 2011: HK$89.3 million) were pledged to banks to secure general banking facilities granted to the Group.

Certain land and buildings with carrying value of HK$106.6 million (30 September 2011: HK$108.1 million) was secured for mortgage bank loan of HK$54.5 million (30 September 2011: HK$57.0 million).

As at 31 March 2012, the entire amount of issued share capital of certain subsidiaries held by the Company is pledged for convertible notes with outstanding principal amount of HK$100.0 million (30 September 2011: HK$100.0 million). Aggregate net assets held by those subsidiaries amounted to HK$18.6 million (30 September 2011: HK$28.8 million), which consist of purchased licence rights with carrying value of HK$315.8 million (30 September 2011: HK$322.9 million) as at 31 March 2012.

There have been no significant changes in the Group's policy in terms of exchange rate exposure. Transactions of the Group are mainly denominated either in Hong Kong Dollar or Renminbi. However, the management monitors closely the exposures and will consider hedging the exposures should the need arises.

Employees

As at 31 March 2012, the Group had a total staff of 100. Staff remuneration is maintained at competitive levels and bonuses are calculated based on an evaluation of efforts and the financial performance of the Group. The Group also provides provident funds, insurance, medical cover and share option scheme.

Interim Dividend

The Directors have declared an interim dividend for the six months ended 31 March 2012 in scrip form equivalent to HK0.025 cent per share with a cash option (2011: interim dividend in scrip form of HK1.28 cents per share with a cash option) to shareholders whose names appeared on the register of members on Thursday, 24 May 2012. The interim dividend will be payable on Wednesday, 4 July 2012.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 21 May 2012 to Thursday, 24 May 2012, both dates inclusive. To qualify for the interim scrip dividend, all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited of 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration no later than 4:00 pm on Friday, 18 May 2012.

Share Option Scheme

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

During the six months ended 31 March 2012, the Company did not grant any option (six months ended 31 March 2011: nil options) to Participants to subscribe for shares of the Company.

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

At 31 March 2012, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Interests in the Company

		Number of ordinary shares of the Company					
Name of director	**Capacity**	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**Number of underlying shares pursuant to share option**	**Per cent of total issued share capital of the Company as at 31 March 2012**
Dr. LEUNG Anita Fung Yee Maria ("Dr. Leung")	Interests in controlled corporation and beneficial owner and interests of spouse	21,427,470 *(Note 1)*	2,704,550 *(Note 2)*	1,026,895,590 *(Note 3)*	1,051,027,610	Nil	22.46%
Ms. HO Chiu King, Pansy Catilina	Beneficial owner	Nil	Nil	Nil	Nil	3,002,821	0.06%
Mr. HUI Koon Man, Michael, JP	Beneficial owner	2,282,670	Nil	Nil	2,282,670	1,269,220	0.07%
Mr. LAU Hon Chuen, GBS, JP	Beneficial owner	Nil	Nil	Nil	Nil	2,692,910	0.05%

Notes:

1. These 21,427,470 shares include 20,000,000 shares which will be allotted and issued to Dr. Leung as bonus shares, credited as fully paid, pursuant to her service agreement.

2. The family interest of 2,704,550 shares refers to those shares beneficially owned by Dr. Honourable WONG Yu Hong, Philip, GBS, a substantial shareholder of the Company, spouse of Dr. Leung.

3. The 1,026,895,590 shares are held as to 933,119,965 shares by Dynamic Master Developments Limited, 5,559,815 shares by Hunterland City Limited, 9,458,485 shares by Goodhold Limited and 78,757,325 shares by Up & Rise Limited. Dynamic Master Developments Limited is owned as to 58.37% 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 1,026,895,590 shares under the SFO.

(ii) Share options of the Company

				Number of share options					
Participants	**Date of Grant**	**Exercise Period**	**Exercise price per share HK$**	**As at 1 October 2011**	**Adjusted during the period***	**Exercise during the period**	**Lapsed/ Cancelled during the period**	**As at 31 March 2012**	**Per cent of total issued share capital of the Company as at 31 March 2012**
Directors									
Ms. HO Chiu King, Pansy Catilina	10 June 2008	10 June 2008 to 13 June 2014	2.0249*	682,930	1,050,661	—	—	1,733,591	0.037%
	21 December 2009	29 January 2010 to 13 June 2014	0.6422*	500,000	769,230	—	—	1,269,230	0.027%
Mr. LAU Hon Chuen, GBS, JP	21 March 2007	21 March 2007 to 13 June 2014	0.8076*	560,844	862,836	—	—	1,423,680	0.030%
	21 December 2009	8 January 2010 to 13 June 2014	0.6422*	500,000	769,230	—	—	1,269,230	0.027%
Mr. HUI Koon Man, Michael, JP	21 December 2009	15 January 2010 to 13 June 2014	0.6422*	500,000	769,230	—	—	1,269,230	0.027%
Consultant	21 December 2009	12 January 2010 to 13 June 2014	0.6422*	500,000	769,230	—	—	1,269,230	0.027%
Other participants	6 March 2007 to 15 March 2007	6 March 2007 to 13 June 2014	0.8076*	6,169,297	9,491,225	—	—	15,660,522	0.33%
	16 April 2008	16 April 2008 to 13 June 2014	1.6231*	1,365,861	2,101,324	—	—	3,467,185	0.074%
	22 May 2008	22 May 2008 to 13 June 2014	2.0249*	682,930	1,050,661	—	—	1,733,591	0.037%
	21 December 2009	7 Jan 2010 to 13 June 2014	0.6422*	4,500,000	6,923,072	—	—	11,423,072	0.24%
Total				15,961,862	24,556,699	—	—	40,518,561	

* *Exercise price and number of options were adjusted after the Rights Issue of four shares for every one existing share on 14 February 2012*

Notes:

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

2. Mr. WONG Ying Ho, Kennedy, GBS, JP, resigned as Director on 29 November 2010 and was appointed as consultant of the Company. His interests in share options to subscribe for shares of the Company were reclassified under the category of consultant.

3. Other participants include Mr. LAM Haw Shun, Dennis, JP, Mr. TSIANG Hoi Fong, Mr. YIU Yan Chi, Bernard, and Mr. FLYNN Douglas Ronald, who resigned as directors on 22 March 2012; and Dr. Honourable WONG Yu Hong, Philip, GBS, Mr. LIU Yuk Chi, David, and Mr. Owyang Loong Shui Ivan, who retired on 21 March 2012.

4. During the period, no options are granted under the Share Option Scheme.

(iii) Interests in associated corporations

Name of associated corporation	Name of director	Capacity	Class of shares	Number of shares of the associated corporation: Personal interests	Family interests	Corporate interests	Total	Per cent of total issued share capital of relevant class of associated corporation as at 31 March 2012
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)*	100%
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	100%

Notes:

1. The 2 shares in QJY Cultural are held as to 1 share by Dr. Leung and 1 share by Dr. Honourable Wong Yu Hong Philip, GBS. As Dr. Leung and Dr. Wong are a married couple, Dr. Leung is 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. Dr. Leung is entitled to exercise control over the Triglory Corporation, and therefore, Dr. Leung is deemed to be interested in this 1 share in QJY Publishing.

Save as mentioned above, as at 31 March 2012, 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 for Securities Transactions.

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

Discloseable Interests and Short Positions of Shareholders under the SFO

The interests and short positions of those persons (other than a Director or chief executive of the Company disclosed above) in the shares and underlying shares of the Company as at 31 March 2012, which have been notified to the Company and recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of substantial shareholder	Capacity	Nature of interest	Total number of ordinary shares held	Total number of underlying shares pursuant to option/ share options	Per cent of total issued share capital as at 31 March 2012	Notes
Dynamic Master Developments Limited	Beneficial owner	Beneficial interest	933,119,965	—	19.94%	1
Goodhold Limited	Interest in controlled corporation and beneficial owner	Corporate interest/ Beneficial interest	942,578,450	—	20.14%	2
Hunterland City Limited	Interest in controlled corporation and beneficial owner	Corporate interest/ Beneficial interest	938,679,780	—	20.06%	2
Dr. Honorable Wong Yu Hong, Philip, GBS ("Dr. Wong")	Beneficial owner, Interest in controlled corporation and interest of spouse	Personal interest/ corporate interest/ family interest	1,049,758,380	1,269,230	22.46%	3
Hong Kong Xinhu Investment Co., Limited	Beneficial owner	Beneficial interest	330,900,000	233,916,302	12.07%	4
Xinhu Zhongbao Co Ltd	Interest in controlled corporation	Corporate Interest	330,900,000	233,916,302	12.07%	4
Kabouter Management LLC	Investment manager	Other interest	272,895,995	—	5.83%	—

Notes:

1. The issued share capital of Dynamic Master Developments Limited is owned as to 58.37%, 32.76%, 3.55%, 3.55% and 1.77% by Goodhold Limited, Hunterland City Limited, Madam Au Tak Yee, Y. Y. Yao & Co., Limited and Up & Rise Limited.

2. The issued share capital of Dynamic Master Developments Limited is owned as to 58.37% and 32.76% by Goodhold Limited and Hunterland City Limited respectively. 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 933,119,965 shares held by Dynamic Master Developments Limited under the SFO. In addition, Goodhold Limited directly holds 9,458,485 shares and Hunterland City Limited directly holds 5,559,815 shares.

3. Dr. Wong is spouse of Dr. Leung, he is deemed to be interested in 105,744,610 shares (including 20,000,000 bonus shares to be issued to Dr. Leung) in which Dr. Leung had interested. Dr. Wong has personal interest in 1,435,320 shares and share options to subscribe for 1,269,230 shares. Dr. Wong also has corporate interest in 933,119,965 shares and 9,458,485 shares held by Dynamic Master Developments Limited and Goodhold Limited respectively. Dynamic Master Developments Limited is owned as to 58.37% by Goodhold Limited. Dr. Wong is entitled to exercise control of 50% in Goodhold Limited.

4. Hong Kong Xinhu Investment Co., Limited is wholly owned by Xinhu Zhongbao Co Ltd. which is listed on the Shanghai Stock Exchange. Hong Kong Xinhu Investment Col, Limited is the beneficial owner of 330,900,000 shares and the interest in 233,916,302 underlying shares through equity derivatives. The terms of the option granted for underlying shares are set out in the announcement made by the Company on 17 May 2011.

Save as disclosed above, the Company had not been notified of any other interests or short positions in the shares or underlying shares representing 5% or more of the issued share capital of the Company as at 31 March 2012.

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 period.

Material Acquisition and Disposal of Subsidiary and Associated Company

The Group had no other material acquisition or disposal of subsidiaries and associated companies during the six months ended 31 March 2012.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than the required standard set out by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in the Model Code in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the ''Listing Rules''). Having made specific enquiry, the Company confirmed that all Directors have complied with the required standard of dealings set out therein throughout the six months ended 31 March 2012.

Corporate Governance Practices

During the six months ended 31 March 2012, the Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules except that due to his personal commitment and out of Hong Kong on that day, the then Chairman of the Company, Dr. Honourable Wong Yu Hong, Philip, did not attend the 2011 annual general meeting held on 21 March 2012. In addition, due to personal commitments, the independent non-executive directors did not attend an extraordinary general meeting of the Company held on 30 March 2012 to approve a transaction subject to independent shareholders' approval. These constitute deviations from the code provision E.1.2 of the Code.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Dr. Leung Anita Fung Yee Maria has the combined role of Chairman and Chief Executive Officer since 22 March 2012. The Company has deviated from code provision A.2.1 for the period from 22 March 2012 to 31 March 2012. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group as the non-executive directors form the majority of the Board, with three out of nine of the Directors being independent non-executive directors. The Board believes the appointment of Dr. Leung to the posts of Chairman and Chief Executive Officer is beneficial to the Group as she has considerable industry experience.

Changes of Director's Information under Rule 13.51B(1) of the Listing Rules

The Company is not aware of any change in the information of directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the period since the date of the 2011 Annual Report.

Audit Committee

The audit committee has reviewed the interim financial report for the six months ended 31 March 2012 before they were tabled for the Board's review and approval and are of the opinion that the interim financial report complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

On behalf of the Board of Directors
Qin Jia Yuan Media Services Company Limited

LEUNG Anita Fung Yee Maria
Director

Hong Kong, 30 April 2012

Consolidated Income Statement

for the six months ended 31 March 2012
(Expressed in Hong Kong dollars)

		Six months ended 31 March	
		2012	2011
		Unaudited	Unaudited
	Note	**$'000**	$'000
Turnover	4	**192,628**	314,669
Direct costs		**(109,050)**	(216,619)
		83,578	98,050
Other revenue	5(a)	**878**	496
Other net income	5(b)	**908**	8,168
Administrative and other operating expenses		**(14,964)**	(33,305)
Profit from operations		**70,400**	73,409
Change in fair value of derivative financial instruments	16	**40,937**	11,013
Share of profit of an associate		**1,277**	2,788
Finance costs	6(a)	**(100,183)**	(31,915)
Profit before taxation	6	**12,431**	55,295
Income tax	7	**(2,097)**	(4,167)
Profit for the period		**10,334**	51,128

The notes on pages 20 to 38 form part of these financial statements. Details of dividends payable to equity shareholders of the company attributable to the profit for the period are set out in note 8.

Consolidated Income Statement

for the six months ended 31 March 2012
(Expressed in Hong Kong dollars)

		Six months ended 31 March	
		2012	2011
		Unaudited	Unaudited
	Note	**$'000**	$'000
Attributable to:			
Equity shareholders of the company		**12,131**	49,879
Non-controlling interests		**(1,797)**	1,249
Profit for the period		**10,334**	51,128
Earnings per share			
Basic	9(a)	**0.62 cent**	3.60 cents
Diluted	9(b)	**0.62 cent**	3.15 cents

The notes on pages 20 to 38 form part of these financial statements.

Consolidated Statement of Comprehensive Income

for the six months ended 31 March 2012
(Expressed in Hong Kong dollars)

	Six months ended 31 March	
	2012	2011
	Unaudited	Unaudited
	$'000	$'000
Profit for the period	**10,334**	51,128
Other comprehensive income for the period		
Exchange difference on translation of financial statements of foreign operations	**(918)**	(3,086)
Cash flow hedge: effective portion of changes in fair value, net of deferred tax	**—**	48
	(918)	(3,038)
Total comprehensive income for the period	**9,416**	48,090
Attributable to:		
— Equity shareholders of the company	**11,213**	46,841
— Non-controlling interests	**(1,797)**	1,249
Total comprehensive income for the period	**9,416**	48,090

The notes on pages 20 to 38 form part of these financial statements.

Consolidated Balance Sheet

at 31 March 2012
(Expressed in Hong Kong dollars)

	Note	**At 31 March 2012 Unaudited $'000**	At 30 September 2011 Audited $'000
Non-current assets			
Fixed assets		**118,804**	120,447
Interest in an associate		**72,249**	70,973
Intangible assets	10	**1,184,493**	877,661
Goodwill		**21,076**	21,076
Other financial assets	11	**31,908**	31,908
Other asset		**380**	380
		1,428,910	1,122,445
Current assets			
Inventories	13	**498,030**	377,903
Accounts receivable	12	**102,390**	409,663
Prepayments, deposits and other receivables		**327,718**	254,283
Pledged deposits		**103,289**	89,281
Cash and cash equivalents		**206,981**	211,875
		1,238,408	1,343,005
Current liabilities			
Bank loans and overdrafts		**(381,293)**	(332,248)
Loan from a shareholder		**—**	(28,000)
Accruals and other payables	14	**(389,288)**	(504,301)
Current taxation		**(20,574)**	(19,252)
Derivative financial instruments	15	**—**	(40,937)
Convertible notes	16	**(190,029)**	(120,790)
		(981,184)	(1,045,528)
Net current assets		**257,224**	297,477

Consolidated Balance Sheet

at 31 March 2012
(Expressed in Hong Kong dollars)

	Note	**At 31 March 2012 Unaudited $'000**	At 30 September 2011 Audited $'000
Total assets less current liabilities		**1,686,134**	1,419,922
Non-current liabilities			
Bank loans		**(49,271)**	(68,703)
Deferred tax liability		**(8,084)**	(8,609)
		(57,355)	(77,312)
NET ASSETS		**1,628,779**	1,342,610
CAPITAL AND RESERVES			
Share capital	17	**364,909**	72,879
Reserves		**1,263,464**	1,267,528
Total equity attributable to equity shareholders of the company		**1,628,373**	1,340,407
Non-controlling interests		**406**	2,203
TOTAL EQUITY		**1,628,779**	1,342,610

The notes on pages 20 to 38 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the six months ended 31 March 2012
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the company												
	Share capital $'000	Share premium $'000	General reserve $'000	Capital redemption reserve $'000	Capital reserve $'000	Exchange reserve $'000	Hedging reserve $'000	Equity component of convertible notes $'000	Warrant reserve $'000	Retained earnings $'000	Total $'000	Non-controlling Interests $'000	Total $'000
At 1 October 2010	63,827	851,106	666	95	8,838	(13,341)	(4,264)	—	5,392	192,400	1,104,719	894	1,105,613
Total comprehensive income for the period	—	—	—	—	—	(3,086)	48	—	—	49,879	46,841	1,249	48,090
Conversion of convertible notes *(note 17(ii))*	1,775	26,587	—	—	—	—	—	—	—	—	28,362	—	28,362
Reclassification of convertible notes *(note 16)*	—	—	—	—	—	—	—	54,371	—	—	54,371	—	54,371
Equity settled share-based transactions *(note 17(v))*	—	—	—	—	1,829	—	—	—	—	—	1,829	—	1,829
At 31 March 2011	65,602	877,693	666	95	10,667	(16,427)	(4,216)	54,371	5,392	242,279	1,236,122	2,143	1,238,265
At 1 October 2011	72,879	991,135	666	95	12,529	(20,106)	—	54,371	5,392	223,446	1,340,407	2,203	1,342,610
Total comprehensive income for the period	—	—	—	—	—	(918)	—	—	—	12,131	11,213	(1,797)	9,416
Dividends declare in respect of prior year *(notes 8 and 17(iv))*	103	1,317	—	—	—	—	—	—	—	(1,404)	16	—	16
Rights issue *(note 17(vii))*	291,927	(8,296)	—	—	—	—	—	—	—	—	283,631	—	283,631
Equity settled share-based transactions *(note 17(v))*	—	—	—	—	(6,894)	—	—	—	—	—	(6,894)	—	(6,894)
At 31 March 2012	364,909	984,156	666	95	5,635	(21,024)	—	54,371	5,392	234,173	1,628,373	406	1,628,779

The notes on pages 20 to 38 form part of these financial statements.

Condensed Consolidated Statement of Cash Flows

for the six months ended 31 March 2012
(Expressed in Hong Kong dollars)

	Six months ended 31 March	
	2012	2011
	Unaudited	Unaudited
	$'000	$'000
Net cash generated from operating activities	**83,076**	64,878
Net cash used in investing activities	**(329,681)**	(65,872)
Net cash generated from financing activities	**241,711**	37,048
Net (decrease)/increase in cash and cash equivalents	**(4,894)**	36,054
Cash and cash equivalents at 1 October 2011/2010	**211,875**	236,796
Cash and cash equivalents at 31 March 2012/2011	**206,981**	272,850

The notes on pages 20 to 38 form part of these financial statements.

Notes to the Unaudited Interim Financial Statements

(Expressed in Hong Kong dollars)

1 Basis of Preparation

These interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). They were authorised for issuance on 30 April 2012.

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements.

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

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2011 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively includes HKASs and Interpretations issued by the HKICPA.

These interim financial statements are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on pages 39 to 40.

The financial information relating to the financial year ended 30 September 2011 that is included in the interim financial statements as being previously reported information does not constitute the company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 September 2011 are available from the company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 28 December 2011.

2 Changes in Accounting Policies

The HKICPA has issued a number of new or revised HKFRSs, which term collectively included individual HKFRSs, HKASs and Interpretations, that are first effective or available for early adoption for the current accounting period of the group. There have been no significant changes to the accounting policies applied in these condensed interim financial statements for the periods presented as a result of these developments.

Notes to the Unaudited Interim Financial Statements

(Expressed in Hong Kong dollars)

3 Segment Information

An operating segment is a component of the group that engages in business activities from which the group may earn revenues and incur expenses, and is identified on the basis of the internal financial reports that are provided to and regularly reviewed by the group's chief operating decision maker in order to allocate resources and assess performance of the segment. For the periods presented, management has determined that no operating segment has been presented as the group is only engaged in media related services. The group's assets located and operating revenues derived from activities outside the People's Republic of China (the "PRC") are less than 5 per cent of the group's assets and operating revenues, respectively. No geographical area information has been presented as such information is immaterial.

4 Turnover

	Six months ended 31 March	
	2012	2011
	Unaudited	Unaudited
	$'000	$'000
TV program related income	**132,935**	268,750
TV advertising income	**54,132**	16,060
Outdoor advertising income	**3,621**	25,057
Public relations service income	**1,940**	4,802
	192,628	314,669

5 Other Revenue and Other Net Income

(a) Other revenue

	Six months ended 31 March	
	2012	2011
	Unaudited	Unaudited
	$'000	$'000
Interest income	**609**	474
Others	**269**	22
	878	496

Notes to the Unaudited Interim Financial Statements

(Expressed in Hong Kong dollars)

5 Other Revenue and Other Net Income *(continued)*

(b) Other net income

	Six months ended 31 March	
	2012	2011
	Unaudited	Unaudited
	$'000	$'000
(Loss)/gain on disposal of fixed assets	**(11)**	4,711
Net exchange gain	**919**	3,457
	908	8,168

6 Profit Before Taxation

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 31 March	
	2012	2011
	Unaudited	Unaudited
	$'000	$'000
Interest on bank advances and other borrowings wholly repayable within five years	**19,428**	16,015
Interest on other borrowings wholly repayable after five years	**889**	1,056
Effective interest on convertible notes	**69,239**	14,844
Premiums on redemption of convertible notes	**10,627**	—
	100,183	31,915

(b) Other items

	Six months ended 31 March	
	2012	2011
	Unaudited	Unaudited
	$'000	$'000
Amortisation of intangible assets	**20,921**	18,210
Depreciation of fixed assets	**4,542**	4,414
Cost of inventories	**18,163**	2,778

Notes to the Unaudited Interim Financial Statements

(Expressed in Hong Kong dollars)

7 Income Tax

	Six months ended 31 March	
	2012	2011
	Unaudited	Unaudited
	$'000	$'000
Current taxation — Hong Kong Profits Tax	**—**	59
Current taxation — Overseas	**2,622**	4,451
Deferred taxation	**(525)**	(343)
	2,097	4,167

(a) The provision for Hong Kong Profits Tax for the six months ended 31 March 2011 is calculated at 16.5% of the estimated assessable profits for the period.

No provision has been made for Hong Kong Profits Tax during the six months ended 31 March 2012 as the group did not earn any income subject to Hong Kong Profits Tax.

(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) The provision of the PRC income tax is made as follows:

— For subsidiaries which are foreign investment enterprises located and operated in Shenzhen, the PRC and approved to be established before 16 March 2007 by the State Administration of Industrial and Commerce, the Corporate Income Tax Law of the PRC provides a five-year transition period during which the transitional rates are 18%, 20%, 22%, 24% and 25% for the years ended 31 December 2008, 2009, 2010, 2011 and 2012 onwards, respectively. Profits of other subsidiaries established in the PRC are subject to the PRC income tax. Pursuant to the Corporate Income Tax Law of the PRC, income tax rates for domestic and foreign enterprises in the PRC are unified at 25%.

— Foreign enterprises with permanent establishment in the PRC are also subject to the PRC income tax at a rate of 25% on a deemed profit basis on their PRC sourced income.

Notes to the Unaudited Interim Financial Statements

(Expressed in Hong Kong dollars)

8 Dividends

	Six months ended 31 March	
	2012	2011
	Unaudited	Unaudited
	$'000	$'000
Interim dividend declared of 0.025 cent (2011: 1.28 cents) per share	**1,170**	10,765
Final dividend in respect of the financial year ended 30 September 2011, approved during the following interim period, of 0.03 cent per share	**1,404**	—
Final dividend in respect of the financial year ended 30 September 2010, approved and paid during the following interim period, of 1.28 cents per share	**—**	10,474

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

9 Earnings per Share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the company of $12,131,000 (period ended 31 March 2011: $49,879,000) and the weighted average number of 1,963,826,000 ordinary shares in issue during the period (period ended 31 March 2011: 1,386,541,000 ordinary shares after adjusting for the rights issue completed in February 2012), calculated as follows:

Weighted average number of ordinary shares

	Six months ended 31 March	
	2012	2011
	Unaudited	Unaudited
	$'000	$'000
Issued ordinary shares at 1 October 2011/2010	**934,340**	818,294
Effect of conversion of convertible notes	**—**	13,631
Effect of scrip dividends	**1,282**	—
Effect of rights issue	**1,028,204**	554,616
Weighted average number of ordinary shares at 31 March	**1,963,826**	1,386,541

Notes to the Unaudited Interim Financial Statements

(Expressed in Hong Kong dollars)

9 Earnings per Share *(continued)*

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 31 March 2011 is based on the profit attributable to ordinary equity shareholders of the company after adjusting for interest expenses and change in fair value of convertible notes, totalled $47,831,000, and the weighted average number of ordinary shares of 1,516,397,000 after adjusting for the incremental ordinary shares from assumed exercise of warrants and convertible notes and the rights issue completed in February 2012.

The calculation of diluted earnings per share for the six months ended 31 March 2012 is based on the profit attributable to ordinary equity shareholders of the company of $12,131,000, and the weighted average number of ordinary shares of 1,965,575,000 after adjusting for the incremental ordinary shares from assumed issuance of potential ordinary shares from equity settled share-based transactions.

10 Intangible Assets

	At 31 March 2012 Unaudited $'000	At 30 September 2011 Audited $'000
Purchased licence rights	**1,134,262**	822,300
Customer contract costs	**43,874**	46,929
Others	**6,357**	8,432
	1,184,493	877,661

Intangible assets are stated at cost less accumulated amortisation and any impairment losses. Amortisation is provided on a systematic basis over their estimated useful lives.

11 Other Financial Assets

	At 31 March 2012 Unaudited $'000	At 30 September 2011 Audited $'000
Available-for-sale equity securities		
— Unlisted	**31,908**	31,908

Notes to the Unaudited Interim Financial Statements

(Expressed in Hong Kong dollars)

12 Accounts Receivable

The following is an ageing analysis of accounts receivable:

	At 31 March 2012 Unaudited $'000	At 30 September 2011 Audited $'000
Current	**102,390**	409,663

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 to fifteen months. Subject to negotiations, extended credit terms are available for certain major customers with well-established operating records. An ageing analysis of the receivable is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables. As at 30 September 2011 and 31 March 2012, the group assessed that all of the debtors and receivables are neither past due nor impaired.

13 Inventories

The inventories as at 31 March 2012 represent the cost of acquisition of certain scripts, synopses, publication rights, copyrights and editing rights. They are carried at the lower of cost and net realisable value.

No inventories were written off during the period ended 31 March 2012 (30 September 2011: Nil).

14 Accruals and Other Payables

All accruals and payable are expected to be settled within one year.

Notes to the Unaudited Interim Financial Statements

(Expressed in Hong Kong dollars)

15 Derivative Financial Instruments

	At 31 March 2012 Unaudited $'000	At 30 September 2011 Audited $'000
Derivative financial liabilities		
Conversion option of convertible notes *(note 16)*	**—**	40,937

All the amounts of derivative financial instruments are stated at fair value.

The fair value of conversion option and redemption option are determined by an independent valuer, BMI Appraisal Limited, using the binomial option pricing model.

16 Convertible Notes

	Liability	**Conversion option** *(note 15)*	**Redemption option**	**Equity component of convertible notes**	**Warrant reserve**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 October 2010	116,144	121,024	—	—	5,392	242,560
Conversion of convertible notes	(25,463)	(2,899)	—	—	—	(28,362)
Reclassification of convertible notes	—	(54,341)	(30)	54,371	—	—
Effective interest for the year	30,109	—	—	—	—	30,109
Change in fair value	—	(22,847)	30	—	—	(22,817)
At 30 September 2011	120,790	40,937	—	54,371	5,392	221,490
At 1 October 2011	120,790	40,937	—	54,371	5,392	221,490
Effective interest for the period	69,239	—	—	—	—	69,239
Change in fair value	—	(40,937)	—	—	—	(40,937)
At 31 March 2012	190,029	—	—	54,371	5,392	249,792

Notes to the Unaudited Interim Financial Statements

(Expressed in Hong Kong dollars)

16 Convertible Notes *(continued)*

(a) During the year ended 30 September 2009, the company entered into subscription agreement with Smart Peace Development Limited ("Smart Peace"), a wholly owned subsidiary of CCB International Asset Management Limited, and Star Group International Investment Limited ("Star Group") respectively pursuant to which the company agreed to issue up to $100,000,000 unlisted convertible notes (the "Notes to Smart Peace") and unlisted warrants with exercise monies not more than $100,000,000 to Smart Peace, and to issue up to $50,000,000 unlisted convertible notes (the "Notes to Star Group") and unlisted warrants with exercise monies not more than $25,000,000 to Star Group (collectively, the "2009 Notes").

On 15 May 2009 and 7 August 2009, two tranches of the Notes to Smart Peace with principal amount of $50,000,000 each ("Tranche 1 Smart Peace Note" and "Tranche 2 Smart Peace Note") were issued to Smart Peace. The Notes to Smart Peace bear an interest at a rate of 5% per annum and a handling fee of 3.5% per annum, payable semi annually in arrears with the first interest payment to be made on the date falling six months from the date of issue of such convertible notes.

On 18 November 2009 and 19 March 2010, two tranches of the Notes to Star Group with principal amount of $25,000,000 each ("Tranche 1 Star Group Note" and "Tranche 2 Star Group Note") were issued to Star Group. The Notes to Star Group bear an interest at a rate of 6-month Hong Kong Interbank Offered Rate ("HIBOR") per annum and a handling fee of 3.5% per annum for the unsecured Notes to Star Group, payable monthly in arrears.

The 2009 Notes will be redeemed at 100% of the principal amount plus any accrued and unpaid interest together with a redemption premium calculated at the 6-month HIBOR plus 2.5% per annum of the principal amount on the maturity date, being the fifth year from the date of issue. The 2009 Notes holders can, by serving a 30-day notice to the company, after the expiry of the first anniversary of the date of issue of the respective 2009 Notes, require the company to redeem in whole or in part of the 2009 Notes plus any accrued and unpaid interest together with a redemption premium at 1.5% per annum, 6-month HIBOR plus 2% per annum, and 6-month HIBOR plus 2.5% per annum during the second year, third year and fourth year up to the maturity dates since the issue date of the 2009 Notes, respectively.

The 2009 Notes are convertible into the company's ordinary shares at any time from the day falling on 180th days after the date of issue and from the date after the date of issue of the respective 2009 Notes up to the fifth business day prior to the maturity date at a conversion price of $1.7014 per share (subject to reset and adjustment).

Notes to the Unaudited Interim Financial Statements

(Expressed in Hong Kong dollars)

16 Convertible Notes *(continued)*

(a) *(continued)*

On 31 December 2010, in accordance with the respective terms and conditions of the 2009 Notes, the conversion price of the 2009 Notes was reset to $1.3778 per share. Further, in accordance with the respective terms and conditions of the 2009 Notes, the conversion price of the 2009 Notes will not be reset or adjusted subsequent to 31 December 2010. The directors were in the position that the conversion price of the conversion option of the 2009 Notes became fixed, and accordingly, was reclassified as equity as at 31 December 2010.

(b) During the year ended 30 September 2010, the company entered into a subscription agreement with First Media Holdings, Limited ("First Media") pursuant to which the company agreed to issue up to $120,892,924 unlisted convertible notes (the "First Media Notes") and unlisted warrants (the "First Media Warrants") to purchase an additional 11,380,942 company's ordinary shares.

On 8 July 2010, the two series of the First Media Notes with principal amount of $30,223,231 and $90,669,693 ("Series A Notes" and "Series B Notes") were issued to First Media.

The Series A Notes are non interest-bearing. The Series B Notes bear an interest at a rate of 7% per annum. Interest is capitalised quarterly and payable in kind when First Media exercises the conversion option or redemption option.

The First Media Notes will be redeemed at 100% of the principal amount plus uncapitalised interest accrued. First Media are entitled at any time after the first anniversary of the date of issue of the First Media Notes to redeem the First Media Notes at an amount equal to the principal amount of the First Media Notes subject to redemption plus uncapitalised interest accrued.

The First Media Notes are convertible into the company's ordinary shares at anytime from the date of issue of the First Media Notes to the maturity date, which is five years from the date of issue at a conversion price of $1.3278 per share (subject to reset and adjustments, and automatic conversion features in accordance with the subscription agreement with First Media).

Notes to the Unaudited Interim Financial Statements

(Expressed in Hong Kong dollars)

16 Convertible Notes *(continued)*

(c) The net proceeds received from the issue of the 2009 Notes and the First Media Notes contain the following components that are required to be separately accounted for in accordance with Hong Kong Accounting Standard 39:

(i) Liability component for the 2009 Notes and the First Media Notes represents the present value of the contractually determined stream of future cash flows discounted at the rate of interest determined by the market to instruments of comparable credit status taken into account the business risk of the company as well as the large amount of the 2009 Note and the First Media Notes, but without the conversion option. The effective interest rate of the liability component of the Tranche 1 Smart Peace Notes and Tranche 2 Smart Peace Notes are 46.6% and 37.3%, respectively. The effective interest rate of the liability component of the Tranche 1 Star Group Notes and Tranche 2 Star Group Notes are 29.7% and 23.9%, respectively. The effective interest rate of the liability component of the Series A Notes and Series B Notes are 26.4% and 26.4%, respectively.

(ii) Conversion option of the 2009 Notes and the First Media Notes to be accounted for as a separate financial liability represent the fair value of the option to convert the liability into equity of the company but the conversion will be settled other than by the exchange of a fixed number of the company's own equity. As mentioned above, resulting from the conversion price of the conversion option of the 2009 Notes became fixed, the company reclassified conversion option of the 2009 Notes to equity as at 31 December 2010.

(iii) Redemption option represents option of Smart Peace, Star Group and First Media to early redeem all or part of the 2009 Notes and First Media Notes. Smart Peace is allowed to redeem 100% of the principal amount plus any accrued and unpaid interest together with the redemption premium of the Notes to Smart Peace at any time after one year from the issue date of respective tranche. Star Group is allowed to redeem the Notes to Star Group at any time after the issue date of the respective tranche. First Media is allowed to redeem 100% of the principal amount plus any accrued and uncapitalised interest at any time after one year from the issue date of First Media Notes.

(iv) The First Media Warrants are exercisable from the issue date of the First Media Notes to the maturity date, which is five years from the date of issue with a subscription price of $1.3278 per share and are accounted for as an equity instrument in the company's warrant reserve.

Notes to the Unaudited Interim Financial Statements

(Expressed in Hong Kong dollars)

16 Convertible Notes *(continued)*

(d) On 13 December 2010, the Series A Notes with principal amount of $30,223,231 was automatically converted into 22,760,000 ordinary shares at a conversion price of $1.3278 per ordinary share in accordance with the subscription agreement with First Media. The remaining balances were settled in cash pursuant to the terms and conditions of the Series A Notes. As at 31 March 2012, the 2009 Notes and the Series B Notes are outstanding.

(e) A fixed charge over the entire amount of issued share capital of and a guarantee given by certain subsidiaries held by the company are pledged for the 2009 Notes with outstanding principal amount of 100,000,000 (30 September 2011: $100,000,000). Aggregated net assets held by those subsidiaries amounted to $18,626,930 (30 September 2011: $28,833,000) which consist of purchased license rights with carrying value of $315,794,909 (30 September 2011: $322,865,000) are pledged to the aforesaid convertible notes by means of a debenture over all assets of such subsidiary which owns the purchased license rights as of 31 March 2012.

(f) As a result of the rights issue of the company completed in February 2012, the conversion price of Series B Notes and 2009 Notes were adjusted to $0.7161 and $0.7431 respectively and the subscription price of First Media Warrants and warrants of 2009 Notes were adjusted to $0.7161 and $1.1110 respectively.

(g) On 27 February 2012, the company entered into a redemption deed with First Media to provide the company with the rights, with the agreement of First Media, to redeem the Series B Notes on 2 April 2012 or such a later day that the company and First Media may agree. The redemption price is comprised of (i) the outstanding principal amount of the Series B Notes of $90,699,693; (ii) an amount of $5,440,181 representing an agreed premium for early redemption; (iii) an amount of $5,000,000 representing a prepayment premium and (iv) all accrued interest. On the same date, the fair value of the Series B Notes is remeasured as a result of the modification and a fair value gain of $40,937,000 was recognised in the profit or loss for the period. Prepayment of $69,560,000 was recognised by the company to First Media as at 31 March 2012. On 20 April 2012, the company signed a side letter with First Media agreeing to extend the completion date of the redemption of Series B Notes to 18 June 2012 or such a later day that the company and First Media may agree.

Notes to the Unaudited Interim Financial Statements

(Expressed in Hong Kong dollars)

17 Share Capital

		At 31 March 2012		At 30 September 2011	
	Note	**Number of shares '000**	**Amount $'000**	Number of shares '000	Amount $'000
Authorised:					
Ordinary shares of US$0.01 each	(i)	**10,000,000**	**780,000**	2,600,000	202,800
Issued and fully paid:					
At 1 October 2011/2010		**934,340**	**72,879**	818,294	63,827
Conversion of convertible notes	(ii)	**—**	**—**	22,760	1,775
Placement of shares	(iii)	**—**	**—**	84,100	6,560
Shares issued as scrip dividend	(iv)	**1,325**	**103**	1,546	121
Remuneration shares	(v)	**—**	**—**	1,750	137
Acquisition of subsidiaries	(vi)	**—**	**—**	5,890	459
Issue of new shares upon rights issue	(vii)	**3,742,661**	**291,927**	—	—
At 31 March 2012/ 30 September 2011		**4,678,326**	**364,909**	934,340	72,879

Notes:

(i) Increase in authorised share capital

By an ordinary resolution passed at the extraordinary general meeting held on 15 December 2011, the company's authorised ordinary share capital was increased to 10,000,000,000 by the creation of an additional 7,400,000,000 ordinary shares of US$0.01 each, ranking pari passu with the existing ordinary shares of the company in all respects.

(ii) Conversion of convertible notes

On 13 December 2010, the Series A Notes with principal amount of $30,223,231 was converted into 22,760,000 ordinary shares at a conversion price of $1.3278 per ordinary share in accordance with the subscription agreement with First Media.

Notes to the Unaudited Interim Financial Statements

(Expressed in Hong Kong dollars)

17 Share Capital *(continued)*

Notes: (continued)

(iii) Placement of shares

A placement of 84,100,000 shares of the company at a price of $1.35 per share was made with independent investors on 11 May 2011. The placing price represented a discount of approximately 0.74% to the closing price of $1.36 per share on 27 April 2011 and a premium of approximately 1.35% to the ten trading days average closing price of $1.332 per share up to and including 27 April 2011. The net proceeds was used to repay the outstanding bank borrowings of the group, finance the expansion of the group's media advertising and TV production business and as general working capital. These shares rank pari passu with the existing ordinary shares of the company in all respects.

(iv) Shares issued as scrip dividend

On 20 April 2011, the company issued and allotted 1,545,631 ordinary shares of US$0.01 each at $1.288 per share to the shareholders who received shares of the company in lieu of cash for 2010 final dividend pursuant to a scrip dividend scheme announced by the company on 25 March 2011. These shares rank pari passu with the existing ordinary shares of the company in all respects.

On 7 October 2011, the company issued and allotted 1,325,391 ordinary shares of US$0.01 each at $1.072 per share to the shareholders who received shares of the company in lieu of cash for 2011 interim dividend pursuant to a scrip dividend scheme announced by the company on 24 May 2011. These shares rank pari passu with the existing ordinary shares of the company in all respects.

(v) Remuneration shares

At the extraordinary general meeting of the company held on 21 March 2011, shareholders of the company have approved to issue and allot up to 3,500,000 shares and 4,000,000 shares to Mr Lam Haw Shun, Dennis ("Mr Lam") and Mr Tse Wai Kuen, Gary ("Mr Tse"), to be issued and allotted as to 1,750,000 and 2,000,000 shares credited as fully paid, upon their completion of every 12-month of services. In addition, the company has approved to issue and allot 20,000,000 shares to Dr Leung Anita Fung Yee, Maria ("Dr Leung"), upon her fulfilment of certain performance conditions and completion of service term. On 8 July 2011, 1,750,000 ordinary shares of US$0.01 per share was issued and allotted to Mr Lam for his appointment as non-executive director pursuant to this letter of appointment. These shares rank pari passu with the exiting ordinary shares of the company in all respects.

At the meeting of the remuneration committee of the company held on 13 October 2011, the remuneration committee of the company has approved the cancellation of Dr Leung's bonus shares entitlement of 20,000,000 shares of $7,500,000 on fulfilment of the performance conditions and completion of services term. No shares were issued to Dr Leung, Mr Lam and Mr Tse during the period ended 31 March 2012. The fair value of bonus shares granted to the directors of the company is recognised as an expense of $606,000 (period ended 31 March 2011: $1,829,000) and a corresponding increase in capital reserve for the period ended 31 March 2012.

(vi) Acquisition of subsidiaries

On 11 March 2011, the group entered into a sale and purchase agreement with an independent third party to acquire 55% of the issued share capital of Clear Light Group Limited ("Clear Light Group") with principal business activity in the provision of consultancy services at a purchase consideration consists of $36,000,000 of cash and 5,890,438 ordinary shares of the company. The consideration shares were issued at $1.28 per share measured at the closing price on 2 April 2011, and accordingly, Clear Light Group became a subsidiary of the company. These shares rank pari passu with the existing ordinary shares of the company in all respects.

Notes to the Unaudited Interim Financial Statements

(Expressed in Hong Kong dollars)

17 Share Capital *(continued)*

Notes: (continued)

(vii) Issue of new shares upon rights issue

On 10 February 2012, the company completed the rights issue pursuant to which 3,742,660,840 shares of US$0.01 each by way of rights issue in the proportion of four rights share for every one ordinary share at a subscription price of $0.08 per rights share. These newly issued share rank equally in all respects with the existing shares. Of the total consideration of $283,631,000 received, $291,927,000 has been credited to share capital and the balance of $8,296,000 has been debited to the share premium account.

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

		Number of options outstanding	
Exercise period	**Adjusted/original exercise price** *(Note)*	**At 31 March 2012 Unaudited** *(Note)*	At 30 September 2011 Audited
6 March 2007 to 13 June 2014	$0.8076/$2.05	**1,423,680**	560,844
15 March 2007 to 13 June 2014	$0.8076/$2.05	**14,236,842**	5,608,453
21 March 2007 to 13 June 2014	$0.8076/$2.05	**1,423,680**	560,844
16 April 2008 to 13 June 2014	$1.6231/$4.12	**3,467,185**	1,365,861
22 May 2008 to 13 June 2014	$2.0249/$5.14	**1,733,591**	682,930
10 June 2008 to 13 June 2014	$2.0249/$5.14	**1,733,591**	682,930
7 January 2010 to 13 June 2014	$0.6422/$1.63	**3,807,691**	1,500,000
8 January 2010 to 13 June 2014	$0.6422/$1.63	**1,269,230**	500,000
11 January 2010 to 13 June 2014	$0.6422/$1.63	**1,269,230**	500,000
12 January 2010 to 13 June 2014	$0.6422/$1.63	**1,269,230**	500,000
15 January 2010 to 13 June 2014	$0.6422/$1.63	**1,269,230**	500,000
19 January 2010 to 13 June 2014	$0.6422/$1.63	**1,269,230**	500,000
27 January 2010 to 13 June 2014	$0.6422/$1.63	**3,807,691**	1,500,000
29 January 2010 to 13 June 2014	$0.6422/$1.63	**1,269,230**	500,000
30 January 2010 to 13 June 2014	$0.6422/$1.63	**1,269,230**	500,000
Outstanding at 31 March 2012/ 30 September 2011		**40,518,561**	15,961,862

Each option entitles the holder to subscribe for one ordinary share in the company.

Note: The exercise price and number of outstanding share options were adjusted upon the rights issue in the proportion of four rights shares for every one existing share completed in February 2012.

Notes to the Unaudited Interim Financial Statements

(Expressed in Hong Kong dollars)

18 Commitments

(a) Commitments under operating leases

At 31 March 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 March 2012 Unaudited $'000	At 30 September 2011 Audited $'000
Within one year	**9,018**	9,345
After one year but within five years	**18,312**	18,555
After five years	**—**	306
	27,330	28,206

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

(b) Other commitments

(i) Pursuant to the terms of a Master Investors Procurement Agreement, the group agreed to procure required funding to a production house for the production of 6,000 hours of TV programs. During the six months ended 31 March 2012, the group did not procure any funding for the production of TV programs (year ended 30 September 2011: Nil). The total funding required for the remaining 5,713 hours (year ended 30 September 2011: 5,713 hours) is to be determined when individual projects for TV program production are agreed and therefore is not quantifiable as at 31 March 2012.

Notes to the Unaudited Interim Financial Statements

(Expressed in Hong Kong dollars)

18 Commitments *(continued)*

(b) Other commitments *(continued)*

(i) *(continued)*

During the six months ended 31 March 2012, 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 (year ended 30 September 2011: 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 programme; or (2) the group shall pay an amount up to 15% of the shortfall, following which the production house will be entitled to the rights in relation to the relevant TV program.

(ii) The group has entered into acquisition agreements of certain exclusive advertising agency rights of TV channels. The total outstanding commitment was as follows:

	At 31 March 2012 Unaudited $'000	At 30 September 2011 Audited $'000
Within one year	**2,456**	43,743
After one year but within five years	**2,026**	13,515
After five years	**—**	—
	4,482	57,258

Notes to the Unaudited Interim Financial Statements

(Expressed in Hong Kong dollars)

19 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, the PRC, at an annual rental of RMB1,032,000 from 1 January 2007 to 31 December 2009. It was renewed on 31 December 2009 at an annual rental of RMB1,014,000 from 1 January 2010 to 31 December 2012 and it was further renewed on 28 February 2012 at an annual rental of RMB1,014,000 from 1 January 2013 to 31 December 2015. Winco is a wholly foreign 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"). Rental expenses paid and payable to Winco amounted to $623,000 for the period ended 31 March 2012 (period ended 31 March 2011: $596,000).

(b) On 26 September 2008, the group entered into a leasing arrangement with Beli Yongfu Investment Consulting (Shenzhen) Co Ltd, a company wholly owned by Dr Leung to lease a property located at Shanghai, the PRC, for a term of three years commencing on 1 October 2008 at an annual rental of RMB234,000. Rental expenses paid and payable to Dr Leung amounted to $Nil for the period ended 31 March 2012 (period ended 31 March 2011: $138,000).

(c) On 2 February 2010, the group entered into a leasing arrangement with Bili Yongsheng Investment & Consultation (Shenzhen) Co Ltd ("Bili Yongsheng"), a company wholly owned by Dr Leung to lease two properties located at Beijing, the PRC, for a term of one year commencing on 18 February 2010 and 1 March 2010 at an annual rental of RMB96,000 and RMB108,000 respectively. Rental expenses paid and payable to Bili Yongsheng amounted to $Nil in total for the period ended 31 March 2012 (period ended 31 March 2011: $120,000).

Notes to the Unaudited Interim Financial Statements

(Expressed in Hong Kong dollars)

20 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended 30 September 2012

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and Interpretations and one new standard which are not yet effective for the year ending 30 September 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*	1 July 2012
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements (2011)*	1 January 2013
HKFRS 9, *Financial instruments*	1 January 2015

The group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the group's results of operations and financial position.

Review Report to the Board of Directors of Qin Jia Yuan Media Services Company Limited

(Incorporated in the Cayman Islands with limited liability)

KPMG

Introduction

We have reviewed the interim financial statements set out on pages 13 to 38 which comprises the consolidated balance sheet of Qin Jia Yuan Media Services Company Limited as of 31 March 2012 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial statements in accordance with Hong Kong Accounting Standard 34.

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

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Review Report to the Board of Directors of Qin Jia Yuan Media Services Company Limited

(Incorporated in the Cayman Islands with limited liability)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements as at 31 March 2012 are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, Interim financial reporting.

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

30 April 2012