

## CORPORATE GOVERNANCE REPORT

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The board (the “Board”) of directors (the “Directors”) and management are committed to uphold a high standard of corporate governance with an aim to safeguard the interest 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 on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) throughout the year under review, with deviations from certain Code provisions as explained below:

Under the Code provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Relevant amendment to the Articles of Association of the Company to comply with Code provision A.4.2 had been proposed at the earliest opportunity after the announcement of the Code, and such amendment was approved by shareholders at the annual general meeting of the Company held on 19 January 2006.

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 with their expertise and knowledge. The Board decides on overall strategies and monitors the Group’s performance on behalf of the shareholders.

#### Composition

The Board, which currently comprises twelve directors, is responsible for supervising the management of the Group. Ten of the twelve 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.

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Except for those relationships disclosed set out 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, 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 13 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 full Board. Reference would be made to the skills, experience, professional integrity and time commitment of the proposed director to the Company’s need and other applicable statutory requirement. The Board as a whole is responsible for the procedures of agreeing to the appointment of members and for nominating appropriate person for election or reelection by shareholders at the annual general meeting.

Ms. Lee Kwei-Fen was appointed as a non-executive director on 31 July 2006. Mr. Wong Seung Ho, Thomas resigned as a non-executive director on 31 July 2006 for personal reasons. The appointment of Ms. Lee Kwei-Fen as non-executive director was nominated by Aegis Group plc, the substantial shareholder of the Company and considered and approved by a written board resolution consented and agreed by all directors of the Company. There was no removal of director during the year.

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### **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.

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### Board Process

During the year ended 30 September 2006, 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:

<i><b>Name of director</b></i>	<i><b>Number of meetings attended/held</b></i>
<b>Executive Directors</b>	
Dr. LEUNG Anita Fung Yee Maria ( <i>Chief Executive Officer</i> )	4/4
Mr. TSIANG Hoi Fong	4/4
<b>Non-executive Directors</b>	
Dr. WONG Yu Hong, Philip, GBS ( <i>Chairman</i> )	4/4
Mr. LEE Woo Sing *	0/1
Mr. PFITZNER Kym Richard	3/4
Mr. ZINGER Simon	1/4
Mr. WONG Seung Ho, Thomas **	0/3
Ms. LEE Kwei-Fen ***	0/1
Mr. HUNG Hak Hip	2/4
Mr. LIU Yuk Chi, David ****	2/3
Mr. WONG Ying Ho, Kennedy, BBS, JP	1/4
<b>Independent Non-executive Directors</b>	
Mr. LAU Hon Chuen, GBS, JP	4/4
Mr. LAM Haw Shun, Dennis, JP	4/4
Mr. HUI Koon Man, Michael, JP	1/4

\* retired on 19 January 2006

\*\* resigned on 31 July 2006

\*\*\* appointed on 31 July 2006

\*\*\*\* elected on 19 January 2006

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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 records respectively within a reasonable time after the meeting was held.

If a substantial shareholder or a director has a conflict of interest in a matter to be considered material by 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

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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](http://www.qjymedia.com).

During the year ended 30 September 2006, the Remuneration Committee held one meeting, with attendance record as follows:

<b><i>Name of member</i></b>	<b><i>Number of meetings attended/held</i></b>
Mr. LAM Haw Shun, Dennis, JP ( <i>Chairman</i> )	1/1
Mr. PFITZNER Kym Richard *	1/1
Mr. HUI Koon Man, Michael, JP *	0/1
Mr. LAU Hon Chuen, GBS, JP **	0/0
Mr. LIU Yuk Chi, David **	0/0

\* resigned as member of remuneration committee on 23 March 2006

\*\* appointed as member of remuneration committee on 23 March 2006

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](http://www.qjymedia.com).

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During the year ended 30 September 2006, the Audit Committee held two meetings with attendance record as follows:

<i><b>Name of member</b></i>	<i><b>Number of meetings attended/held</b></i>
Mr. LAM Haw Shun, Dennis, JP ( <i>Chairman</i> )	2/2
Mr. PFITZNER Kym Richard *	1/1
Mr. HUI Koon Man, Michael, JP *	0/1
Mr. LAU Hon Chuen, GBS, JP **	1/1
Mr. LIU Yuk Chi, David **	0/1

\* resigned as member of audit committee on 23 March 2006

\*\* appointed as member of audit committee on 23 March 2006

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 2006 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.

### *Remuneration to external auditors of the Company*

The remuneration to the external auditors of the Company for the year ended 30 September 2006 is set out as follows:

	HK\$'000
Audit services	1,000
Other services	600
	<hr/> 1,600

## 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.

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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 2006, 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 "Auditors' 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, safeguard 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.

During the year, the Company has initiated a project to review the internal control. The Company has engaged the external professional advisers to assist in conducting a gap analysis with reference to the COSO (The Committee of Sponsoring Organizations of the Treadway Commission, 1994) internal control framework, in order to assess the internal control system against the five elements of control environment, risk assessment, control activities, communication and monitoring. The Company has also been supported in carrying out the high level risk assessment review on the television program related operations and its associated key processes and sub-processes. The Company has performed a review on the marketing and public relation processes and the control on the strategic and resources management along with the high level risk control testing. The risks assessment involved identification and analysis of risks underlying the achievement of the Group's objectives, including risks relating to the changing regulatory and operating environment and the Group's



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business strategies, as a basis for determining how risks should be mitigated. An internal audit plan for the next three financial years has also been formulated. The report and findings has been submitted to the Audit Committee and follow-up plan will be in place based on recommendations and agreed management actions.

### 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 has 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 2006. 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 section under “Chairman’s Statement” and “Management Discussion and Analysis” of the annual reports 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.

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 announcements and other relevant financial and non-financial information electronically on a timely basis.

#### Voting by poll

Details of poll voting procedures and 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 candidates standing for re-election. The results of the poll (if any) are published in the newspaper and on the website of the Stock Exchange, [www.hkex.com.hk](http://www.hkex.com.hk).