

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30 September 2006.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL STATEMENTS

The profit of the Group for the year ended 30 September 2006 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 40 to 90.

SHARE CAPITAL

On 26 April 2006, 47,000,000 existing ordinary shares of the Company were placed at a price of HK\$2.28 per share (the “Placing Price”) through a share placement arrangement (the “Share Placement”) and the Company subsequently issued 37,600,000 new ordinary shares (the “New Shares”), with a view to broaden the capital base of the Company. The placees included not less than six independent professional, institutional and/or individual investors to be procured by the placing agents on a best effort basis. The Placing Price represented a discount of approximately 4% to the closing price of HK\$2.375 per share quoted on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 20 April 2006, and a premium of approximately 1.33% to the ten day average closing price of HK\$2.25 per share on and immediately preceding 20 April 2006, the last day of trading of the Company’s shares on the Stock Exchange before the signing of the placing agreement.

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The New Shares represented approximately 8% of the issued share capital of the Company prior to the Share Placement. The issue price of approximately HK\$2.18 each New Share was equivalent to the Placing Price less expenses and commissions of the Share Placement. Proceeds of approximately HK\$82.8 million net of expenses were received from the Share Placement.

The net proceeds from the Share Placement will be used to finance the production of TV programs in the PRC pursuant to co-operation arrangement to produce TV programs.

Details of the movements in share capital of the Company during the year are set out in note 21 to the financial statements.

TRANSFER TO RESERVES

Profit attributable to shareholders, before dividends, of HK\$83,605,000 (2005: HK\$66,247,000) have been transferred to reserves. Other movements in reserves are set out in note 21 to the financial statements.

An interim dividend in scrip form of HK1.8 cents per share with a cash option (2005: cash dividend of HK1.5 cents per share) was paid on 18 August 2006.

The Directors now recommend the payment of a final scrip dividend of HK1.8 cents per share, totalling HK\$9.2 million for the year ended 30 September 2006, by way of issue of new shares with an alternative to the shareholder to elect to receive the final dividend (or part thereof) in cash in lieu of such allotment (2005 : cash dividend of HK1.7 cents per share), payable on or about 1 March 2007 to the shareholders whose names appear on the register of members of the Company as at the date of the annual general meeting ("AGM") to be held on 15 January 2007 (the "Scrip Dividend Scheme").

Subject to the approval by shareholders at the forthcoming AGM, a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or about 19 January 2007. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the new shares to be issued pursuant thereto. It is expected that the final dividend warrants and certificates for the new shares will be despatched to shareholders on or about 1 March 2007.

CHARITABLE DONATIONS

During the year, the Group made donations of HK\$767,000 (2005: HK\$375,000) for charitable purposes.

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FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 91 of the annual report.

FIXED ASSETS

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

BANK LOANS

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

DIRECTORS

The Directors during the financial year were:

Executive Directors

Dr. LEUNG Anita Fung Yee Maria (*Chief Executive Officer*)

Mr. TSIANG Hoi Fong

Non-executive Directors

Honourable Dr. WONG Yu Hong, Philip, GBS (*Chairman*)

Mr. LEE Woo Sing (retired on 19 January 2006)

Mr. PFITZNER Kym Richard

Mr. ZINGER Simon

Mr. WONG Seung Ho, Thomas (resigned on 31 July 2006)

Ms. LEE Kwei-Fen (appointed on 31 July 2006)

Mr. HUNG Hak Hip

Mr. LIU Yuk Chi, David (elected on 19 January 2006)

Mr. WONG Ying Ho, Kennedy, BBS, JP

Independent non-executive Directors

Mr. LAU Hon Chuen, GBS, JP

Mr. LAM Haw Shun, Dennis, JP

Mr. HUI Koon Man, Michael, JP

In accordance with Clause 95 of the Company's Articles of Association, Ms. Lee Kwei-Fen who was appointed to the Board after the date of the last AGM retires at the forthcoming AGM, and being eligible, offers herself for re-election.

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In accordance with Clause 96(A) of the Company's Articles of Association, Dr. Wong Yu Hong, Philip, GBS, Mr. Hung Hak Hip, Mr. Wong Ying Ho, Kennedy, BBS, JP and Mr. Lau Hon Chuen, GBS, JP will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

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

At 30 September 2006, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Interests in the Company

Name of director	Capacity	Number of ordinary shares of the Company				Per cent of total issued share capital of the Company as at 30 September 2006
		Personal interests	Family interests	Corporate interests	Total	
Dr. LEUNG Anita Fung Yee Maria ("Dr. Leung")	Interests in controlled corporation	Nil	Nil	174,999,388 (Note 1)	174,999,388	34.32%
Honourable Dr. WONG Yu Hong, Philip, GBS ("Dr. Wong")	Interests of spouse and interests in controlled corporation	Nil	977,875 (Note 2)	174,021,513 (Note 3)	174,999,388	34.32%
Mr. LAM Haw Shun, Dennis, JP	Beneficial Owner	231,000	Nil	Nil	231,000	0.05%

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Notes:

- (1) The 174,999,388 shares are held as to 163,678,212 shares by Dynamic Master Developments Limited, 977,875 shares by Hunterland City Limited and 10,343,301 shares by Goodhold Limited. Dynamic Master Developments Limited is owned as to 53.07% and 32.76% by Goodhold Limited and Hunterland City Limited respectively. Dr. Leung is entitled to exercise control of 99.99% in Hunterland City Limited and 50% in Goodhold Limited and therefore is deemed to be interested in the 174,999,388 shares under the SFO.
- (2) The family interests of 977,875 shares refers to the 977,875 shares held by Hunterland City Limited which are included in corporate interests of 174,999,388 shares held by Dr. Leung, the spouse of Dr. Wong.
- (3) The 174,021,513 shares are held as to 163,678,212 shares by Dynamic Master Developments Limited and 10,343,301 shares by Goodhold Limited. Dynamic Master Developments Limited is owned as to 53.07% by Goodhold Limited. Dr. Wong is entitled to exercise control of 50% in Goodhold Limited and therefore is deemed to be interested in the 174,021,513 shares under the SFO.

(ii) Interests in associated corporations

Name of associated corporation	Name of director	Capacity	Class of shares	Number of shares of associated corporation				Per cent of total issued share capital of associated corporation as at 30 September 2006
				Personal interests	Family interests	Corporate interests	Total	
Qin Jia Yuan Cultural Assets (Hong Kong) Company Limited ("QJY Cultural")	Dr. LEUNG Anita Fung Yee Maria	Beneficial owner and interests of spouse	Class A (non-voting)	1	1	Nil	2 (Note 1)	2.13%
	Honourable Dr. WONG Yu Hong, Philip, GBS	Beneficial owner and interests of spouse	Class A (non-voting)	1	1	Nil	2 (Note 1)	2.13%

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Name of associated corporation	Name of director	Capacity	Class of shares	Number of shares of associated corporation			Total	Per cent of total issued share capital of associated corporation as at 30 September 2006
				Personal interests	Family interests	Corporate interests		
Qin Jia Yuan Publishing Company Limited ("QJY Publishing")	Dr. LEUNG Anita Fung Yee Maria	Beneficial owner and interests in controlled corporation	Class A (non-voting)	1	Nil	1 (Note 2)	2	50%
	Honourable Dr. WONG Yu Hong, Philip, GBS	Interests of spouse and interests in controlled corporation	Class A (non-voting)	Nil	1 (Note 3)	1 (Note 2)	2	50%

Notes:

- (1) The 2 shares in QJY Cultural are held as to 1 share by Dr. Leung and 1 share by Dr. Wong. As Dr. Leung and Dr. Wong are a married couple, they are deemed to be interested in these 2 shares.
- (2) The 1 share in QJY Publishing is held by Triglory Corporation. Triglory Corporation is owned as to 60% by Dr. Leung and 40% by Dr. Wong. Dr. Leung and Dr. Wong are entitled to exercise control over the Triglory Corporation and therefore, Dr. Leung and Dr. Wong are deemed to be interested in this 1 share in QJY Publishing.
- (3) The family interests of 1 share in QJY Publishing is the personal interest held by Dr. Leung, spouse of Dr. Wong.

Save as mentioned above, as at 30 September 2006, none of the Directors or chief executive of the Company or any of their spouses or children under eighteen years of age has interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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DIRECTORS' SERVICE CONTRACTS

Pursuant to the service agreement with Dr. Leung Anita Fung Yee Maria entered into on 1 December 2003 with the Company for a fixed term of 7 years from 1 October 2003, the Company shall be entitled at any time during the fixed term to terminate the engagement by paying Dr. Leung her salary for the unexpired portion of the fixed term.

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

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the Company disclosed that none of the Directors has any interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's businesses, except for three non-executive Directors, namely Mr. Pfitzner Kym Richard, Mr. Zinger Simon and Mr. Wong Seung Ho, Thomas (resigned and replaced by Ms. Lee Kwei-Fen during the year). All of these non-

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executive Directors are employees of Aegis Group plc (“Aegis”) which provides a broad range of marketing services. The Directors are of the view that any potential conflict of interests would be effectively mitigated given that the operations of the Group and the Aegis group of companies are operated separately and independently with the respective board of directors of the members of the Aegis group of companies and the Company performing their fiduciary duties and providing their oversight to safeguard the interests of their respective shareholders. Furthermore, the non-executive Directors nominated by Aegis only act as representatives of Aegis and do not control the Board. Except for the non-executive Directors nominated by Aegis, there is no common member between the management of the Group and the Aegis group of companies. In the event of conflict of interests, the non-executive Directors nominated by Aegis would be required to abstain from voting on the relevant resolution proposed in accordance with the Articles of Association of the Company which complied with the requirements of Appendix 3 and Appendix 13 to the Listing Rules.

SHARE OPTION SCHEME

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

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on the date of grant of the options and the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer and the nominal value of a share of the Company. An option may be exercised at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof.

No option has been granted and exercised, cancelled or lapsed during the year and up to the date of this report.

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

As at 30 September 2006, the interests and short positions of those persons (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity	Total number of ordinary shares held	Per cent of total issued share capital as at 30 September 2006	Notes
Dynamic Master Developments Limited	Beneficial owner	163,678,212	32.10%	1
Goodhold Limited	Interests in controlled corporation and beneficial owner	174,021,513	34.13%	2
Hunterland City Limited	Interests in controlled corporation and beneficial owner	164,656,087	32.29%	2
Aegis Media Asia Pacific Pte. Ltd.	Beneficial owner	96,779,431	18.98%	3
Aegis International Ltd.	Interests in controlled corporation	96,779,431	18.98%	4

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Name of substantial shareholders	Capacity	Total number of ordinary shares held	Per cent of total issued share capital as at 30 September 2006	Notes
Aegis Group plc	Interests in controlled corporation	96,779,431	18.98%	5
PMA Capital Management Ltd.	Investment manager	35,485,000	6.96%	
Deutsche Bank Aktiengesellschaft	Security interests in shares	30,379,000	5.96%	

Notes:

- (1) The issued share capital of Dynamic Master Developments Limited is owned as to 53.07%, 32.76%, 5.3%, 3.55%, 3.55% and 1.77% by Goodhold Limited, Hunterland City Limited, Silver Well Limited, Madam Au Tak Yee, Y.Y. Yao & Co., Limited and Commanding Profits Limited respectively.
- (2) The issued share capital of Dynamic Master Developments Limited is owned as to 53.07% and 32.76% by Goodhold Limited and Hunterland City Limited. As each of Goodhold Limited and Hunterland City Limited is entitled to exercise control over Dynamic Master Developments Limited, they are deemed to be interested in the 163,678,212 shares held by Dynamic Master Developments Limited under the SFO. In addition, Goodhold Limited directly holds 10,343,301 shares and Hunterland City Limited directly holds 977,875 shares.
- (3) Aegis Media Asia Pacific Pte. Ltd. is the registered owner of the 96,779,431 shares.
- (4) Aegis Media Asia Pacific Pte. Ltd. is a directly wholly owned subsidiary of Aegis International Ltd., a company incorporated in the United Kingdom. Aegis International Ltd. is deemed to be interested in the 96,779,431 shares under the SFO.
- (5) Aegis Media Asia Pacific Pte. Ltd. is an indirectly wholly owned subsidiary of Aegis Group plc which is a company listed on the London Stock Exchange. Aegis Group plc is deemed to be interested in the 96,779,431 shares under the SFO.

Save as disclosed above, the Company had not been notified of any other interests or short positions in the shares or underlying shares representing 5% or more of the issued share capital of the Company as at 30 September 2006.

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CHANGE OF QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Ms. Yuen Yee Fan resigned as the Qualified Accountant and Company Secretary of the Company and Ms. Chan Wing Yi was appointed as the Qualified Accountant and Company Secretary of the Company with effect from 30 September 2006.

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

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

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover attributable to the Group's five largest customers accounted for approximately 61.6% (2005: 61.6%) and the largest customer accounted for approximately 17.8% (2005: 15.2%) of the Group's total turnover for the year ended 30 September 2006.

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 22.5% (2005: 48.6%) and the largest supplier accounted for approximately 10.5% (2005: 16.1%) of the Group's total purchases for the year ended 30 September 2006.

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

CORPORATE GOVERNANCE

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

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PUBLIC FLOAT

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

AUDITORS

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

On behalf of the Board of Directors

LEUNG Anita Fung Yee Maria

Director

Hong Kong, 22 November 2006