NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies applied in these financial statements for the years presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 25).

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 30 September 2006 comprise the Company and its subsidiaries (together referred to as the "Group").

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in note 24.

(c) Subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

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

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(g)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(d) Fixed assets

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

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

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

– land and buildings are depreciated over the shorter of their estimated useful lives, being 50 years from the date of completion, and the unexpired terms of the leases;

– props and costumes are depreciated over their estimated useful lives of 3 years, except for cost of props and costumes which are specifically purchased for the production of a particular television ("TV") program is included in the cost of services rendered in connection with the production of that particular TV program;

– other fixed assets are depreciated over their estimated useful lives as follows:

Leasehold improvements	3 – 6 years
Furniture, fixtures and computer equipment	3 – 5 years
Production equipment	5 years
Motor vehicles	5 years

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

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(e) Intangible assets

TV programs in progress

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

Licence rights

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

Other intangible assets

Other intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is other than indefinite) and impairment losses (see note 1(g)).

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(f) Leased assets

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges

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

(g) Impairment of assets

(i) Impairment of loans and receivables

For loans and receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(g) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- Fixed assets;
- Intangible assets; and
- Investments in subsidiaries.

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

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Recognition of impairment losses

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(g) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

(iii) Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(h) Inventories

Inventories represent the cost of acquisition of certain scripts, synopses and editing rights and are carried at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion.

The carrying amount of those inventories is recognised as an expense in the period in which the related revenue in respect of the provision of script-writing/editing services is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 1(g)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(g)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(j) Interest-bearing borrowings

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

(k) Trade and other payables

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

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(m) Employee benefits

(i) Short-term employee benefits

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(m) Employee benefits (continued)

(ii) Contributions to defined contribution retirement plans

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

Employees of the subsidiaries established in the People's Republic of China ("PRC") participate in defined contribution retirement plans managed by the local government authorities whereby the subsidiaries are required to contribute to the plans at fixed rates of the relevant employees' salary costs.

The Group's contributions to these plans are charged to profit or loss when incurred. The Group has no obligation for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.

(n) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(n) Income tax (continued)

(iii) (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(n) Income tax (continued)

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 Significant accounting policies (continued)

(p) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Contract income

Contract income includes commission income from introduction of funding from investors to production houses and commission income from introduction of TV program related investments to investors. Commission income is recognised when the broadcasting schedule of the relevant TV commercial airtime is confirmed by major TV stations, such as provincial TV stations and/or those with satellite broadcasting capabilities.

(ii) Service income

Service income is derived from the provision of marketing and consulting services to investors, ancillary services relating to production of TV program to production houses, and public relations services. Service income is recognised when the services are rendered.

(iii) Licence fees

Fees from granting of distribution licence rights are recognised over the contract period or upon delivery of the master tape of the relevant programs in accordance with the terms of the contracts.

(iv) Costume rental

Costume rental receivable under operating leases is recognised in equal instalments over accounting periods covered by the respective lease terms, except where an alternative basis is more representative of the patterns of benefits to be derived from the use of the leased asset. Contingent rentals are recognised as income in the accounting period in which they are earned.

1 Significant accounting policies (continued)

(q) Translation of foreign currencies

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

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

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

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

(r) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

1 Significant accounting policies (continued)

(s) Related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group whose those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

2 Turnover and segment reporting

The Group is principally engaged in the provision of media services including TV program related services and marketing related services in the PRC, and other public relations services.

Pursuant to the terms of agreements entered into by the Group and PRC TV production houses, the Group is entitled to commission for procuring funding for the production of TV programs.

Pursuant to the terms of agreements entered into by the Group and licensed PRC advertising companies, the Group is entitled to commission for the procurement of TV programs for investment.

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

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

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

	2006 **$'000**	2005 $'000
TV program related income	**73,951**	56,000
Marketing related income	**35,895**	16,532
Public relations service income	**15,216**	33,768
	125,062	106,300

No analysis of the Group's turnover and contributions to profit from operations by geographical segment or business segment has been presented as most of the Group's operating activities are carried out in the PRC and less than 10 per cent of the Group's turnover and contributions to profit from operations are derived from activities outside the Group's media related services. There is no other geographical or business segment with segment assets equal to or greater than 10 per cent of the Group's total assets.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

3 Other net income

	2006 $'000	2005 $'000
Gain on disposal of fixed assets	–	446
Net exchange gain	5,241	3,021
	5,241	3,467

4 Profit before taxation

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

	2006 $'000	2005 $'000
(a) Finance costs:		
Interest on bank borrowings repayable within five years	5,079	3,172
Other borrowing costs	16	20
	5,095	3,192
(b) Staff costs:		
Salaries, wages and bonuses	4,217	4,358
Staff welfare	425	285
Contributions to defined contribution plans	141	86
	4,783	4,729
(c) Other items:		
Amortisation of intangible assets	1,001	–
Depreciation	6,090	5,051
Auditors' remuneration	1,600	1,209
Operating lease charges in respect of properties	1,587	954
Interests income	(4,018)	(1,193)
Cost of inventories	540	–

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

5 Income tax

(a) No provision has been made for Hong Kong Profits Tax as the Group did not earn any income subject to Hong Kong Profits Tax during the year.

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

(c) Income tax in the consolidated income statement represents the provision of PRC income tax as follows:

- Profits of the subsidiaries established in the PRC are subject to PRC income tax. Provision for PRC income tax in respect of these subsidiaries has been made for the year, calculated at 15% which is the tax rate applicable to foreign investment enterprises located and operated in Shenzhen.

- Under the existing PRC tax laws and regulations, a foreign enterprise which carries on business with establishment in the PRC is generally subject to enterprise income tax at 33%. Accordingly, provision for PRC income tax in respect of a subsidiary incorporated outside the PRC has been calculated at the applicable tax rate of 15% or 33% (depending on the provinces where the services are rendered) on a deemed profit basis on its PRC sourced income during the year.

(Expressed in Hong Kong dollars)

5 Income tax (continued)

(d) Reconciliation between tax expense and accounting profit at applicable tax rate is as follows:

	2006 **$'000**	2005 $'000
Profit before taxation	**83,976**	68,477
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**8,948**	15,807
Tax effect of non-deductible expenses	**5,877**	493
Tax effect of non-taxable income	**(15,408)**	(15,756)
Tax effect of unused tax losses not recognised	**954**	1,686
Actual tax expense	**371**	2,230

(e) Deferred tax asset not recognised:

The Group has not recognised deferred tax asset in respect of tax losses of $5,367,000 (2005: $1,881,000) as it is not probable that future taxable profits against which the unused tax losses can be utilised will be available in the relevant tax jurisdiction and entity. Of which tax losses of $458,000 (2005: $34,000) can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they were incurred, while the remaining tax losses do not expire under the current tax legislation.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

6 Directors' remuneration and five highest paid individuals

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

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

(Expressed in Hong Kong dollars)

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

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

	Fees $'000	Basic salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000	2005 Total $'000
Executive Directors				
Dr. LEUNG Anita Fung Yee Maria	–	8,017	12	8,029
Mr. TSIANG Hoi Fong	–	114	–	114
Non-executive Directors				
Honourable Dr. WONG Yu Hong, Philip, GBS	100	–	–	100
Mr. PFITZNER Kym Richard	100	–	–	100
Mr. ZINGER Simon	100	–	–	100
Mr. HUNG Hak Hip	100	–	–	100
Mr. WONG Ying Ho, Kennedy, BBS, JP	100	–	–	100
Mr. LEE Woo Sing	100	–		100
Mr. WONG Seung Ho, Thomas	100	–	–	100
Independent Non-executive Directors				
Mr. LAU Hon Chuen, GBS, JP	100	–	–	100
Mr. LAM Haw Shun, Dennis, JP	100	–	–	100
Mr. HUI Koon Man, Michael, JP	100	–	–	100
Total	1,000	8,131	12	9,143

There was no arrangement under which a director had waived or agreed to waive any remuneration during the current and prior year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

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

The above analysis include one (2005: one) individual whose emoluments are among the five highest paid individuals in the Group. Details of the emoluments paid to the remaining four (2005: four) individuals are:

	2006 $'000	2005 $'000
Basic salaries, allowances and benefits in kind	**2,608**	2,311
Retirement scheme contributions	**47**	35
	2,655	2,346

The emoluments of the individuals fell within the following bands:

	2006 Number of individuals	2005 Number of individuals
$0 – $1,000,000	**3**	3
$1,000,000 – $1,500,000	**1**	1
	4	4

During the year, no amounts were paid or payable to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

7 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of $18,454,000 (2005: $12,973,000) which has been dealt with in the financial statements of the Company.

(Expressed in Hong Kong dollars)

8 Dividends

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

	2006 $'000	2005 $'000
Interim dividend declared and paid of 1.8 cents per share (2005: 1.5 cents per share)	**9,137**	6,000
Final dividend proposed after the balance sheet date of 1.8 cents per share (2005: 1.7 cents per share)	**9,177**	7,990
	18,314	13,990

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

During the year, shareholders were offered to receive cash being the alternative to their entitlements to the scrip dividends. Details of dividends paid are disclosed in note 21(a)(ii).

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

	2006 $'000	2005 $'000
Final dividend in respect of the previous financial year, approved and paid during the year of 1.7 cents per share (2005: 2.9 cents per share)	**7,990**	11,600

9 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $83,605,000 (2005: $66,247,000) and the weighted average number of 485,724,000 (2005: 409,589,000) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years ended 30 September 2005 and 2006.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

10 Retirement benefit schemes

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme managed by an independent approved MPF Scheme trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of $20,000. Contributions to the scheme vest immediately.

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries of the Group participate in a defined contribution retirement plan (the "Plan") organised by the local government authorities whereby the subsidiaries are required to contribute to the Plan to fund the retirement benefits of the eligible employees. Contributions made to the Plan are calculated at a range from 9% to 22.5% of the basic salaries of the eligible employees. The local government authorities are responsible for the entire pension obligations payable to the retired employees. The Group is not liable to any retirement benefits payment in the PRC beyond the contributions to the Plan.

The Group does not operate any other scheme for retirement benefits provided to the Group's employees.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

11 Fixed assets

	The Group					
	Land and buildings $'000	Leasehold improvements $'000	Furniture, fixtures and computer equipment $'000	Production equipment $'000	Props and costumes $'000	Total $'000
Cost:						
At 1 October 2004	16,916	1,911	2,694	1,594	8,809	31,924
Exchange adjustments	–	22	17	6	115	160
Additions	–	1,026	1,970	32	1,024	4,052
Disposals	(3,758)	–	–	–	–	(3,758)
At 30 September 2005	13,158	2,959	4,681	1,632	9,948	32,378
At 1 October 2005	13,158	2,959	4,681	1,632	9,948	32,378
Exchange adjustments	–	195	75	9	246	525
Additions	–	9,598	800	13	2,811	13,222
At 30 September 2006	**13,158**	**12,752**	**5,556**	**1,654**	**13,005**	**46,125**
Accumulated depreciation:						
At 1 October 2004	234	924	989	1,039	1,657	4,843
Exchange adjustments	–	15	9	1	21	46
Charge for the year	300	587	765	321	3,078	5,051
Written back on disposal	(124)	–	–	–	–	(124)
At 30 September 2005	410	1,526	1,763	1,361	4,756	9,816
At 1 October 2005	410	1,526	1,763	1,361	4,756	9,816
Exchange adjustments	–	42	26	3	110	181
Charge for the year	271	1,428	933	66	3,392	6,090
At 30 September 2006	**681**	**2,996**	**2,722**	**1,430**	**8,258**	**16,087**
Net book value:						
At 30 September 2006	**12,477**	**9,756**	**2,834**	**224**	**4,747**	**30,038**
At 30 September 2005	12,748	1,433	2,918	271	5,192	22,562

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

11 Fixed assets (continued)

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

	The Group	
	2006	2005
	$'000	$'000
In Hong Kong under medium-term lease	**3,272**	3,350
In the PRC under long leases	**9,205**	9,398
	12,477	12,748

(b) At 30 September 2006 and 2005, certain land and buildings have been pledged as security for mortgage bank loans (note 20).

12 Investments in subsidiaries

	The Company	
	2006	2005
	$'000	$'000
Unlisted shares, at cost	**60,943**	60,943

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 Investments in subsidiaries (continued)

Name of company	Place of incorporation/ establishment	Place of operation	Proportion of attributable equity interest held Directly	Indirectly	Issued share capital/ registered capital	Principal activity
Sunny World Management Limited	British Virgin Islands ("BVI")	PRC	100%	–	US$2	Provision of media services including TV program related services and marketing related services in the PRC, and other public relations services
Communication and You Holdings Company Limited	Hong Kong	PRC and Hong Kong	–	100%	$100	Provision of production equipment for use by group companies
Qin Jia Yuan Shares Company Limited	BVI	Hong Kong	100%	–	US$1	Investment holding
Qin Jia Yuan Advertising Company Limited	BVI	PRC	100%	–	US$2	Investment holding
Qin Jia Yuan Marketing (Shenzhen) Limited *	PRC	PRC	–	100%	$56,000,000	Provision of market research and broadcasting report for advertisers
Qin Jia Yuan Production Service (Shenzhen) Limited *	PRC	PRC	–	100%	$1,000,000	Provision of costumes and image design services
Happily Development Limited	Hong Kong	PRC	100%	–	$2	Property investment
Amazing Investments Limited	Hong Kong	PRC	100%	–	$2	Property investment

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

12 Investments in subsidiaries (continued)

Name of company	Place of incorporation/ establishment	Place of operation	Proportion of attributable equity interest held Directly	Indirectly	Issued share capital/ registered capital	Principal activity
Qin Jia Yuan Cultural Assets (Hong Kong) Company Limited	Hong Kong	Hong Kong	100%	–	$2 # $92 ##	Property investment
Qin Jia Yuan International Film, Culture, Communication Company Limited	BVI	Hong Kong	100%	–	US$1	Investment holding
Qin Jia Yuan Media Creation Co., Limited	BVI	Hong Kong	100%	–	US$1	Investment holding
Qin Jia Yuan Creation Company Limited	BVI	PRC	–	100%	US$10	Holding of scripts, synopses and editing rights
Qin Jia Yuan Media Services, Productions, Distributions Company Limited	BVI	Macau	100%	–	US$1	Investment holding
Qin Jia Yuan Media Services Investment Macao Commercial Offshore Limited	Macau	Macau	–	100%	MOP100,000	Provision of commercial agency services
Progressive Chic Development Limited	BVI	Hong Kong	100%	–	US$1	Investment holding

* Wholly foreign owned enterprises established in the PRC.
\# Class A non-voting shares
\#\# Class B voting shares

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

13 Intangible assets

	The Group			
	Purchased licence rights $'000	**TV programs in progress** $'000	**Others** $'000	**Total** $'000
Cost:				
At 1 October 2004	9,630	–	380	10,010
Additions	9,400	–	–	9,400
At 30 September 2005	19,030	–	380	19,410
At 1 October 2005	19,030	–	380	19,410
Additions	15,570	30,251	6,182	52,003
At 30 September 2006	**34,600**	**30,251**	**6,562**	**71,413**
Accumulated amortisation:				
At 1 October 2004	–	–	–	–
Charge for the year	–	–	–	–
At 30 September 2005	–	–	–	–
At 1 October 2005	–	–	–	–
Charge for the year	692	–	309	1,001
At 30 September 2006	**692**	**–**	**309**	**1,001**
Net book value:				
At 30 September 2006	**33,908**	**30,251**	**6,253**	**70,412**
At 30 September 2005	19,030	–	380	19,410

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

14 Reimbursements receivable

Reimbursements receivable represents funding advanced to the production houses on behalf of advertising agencies for investment in the production of TV programs. The amounts expected to be recoverable after one year are included under non-current assets. The Group's credit policy is set out in note 22 (a).

15 Accounts receivable

	The Group	
	2006	2005
	$'000	$'000
Accounts receivable	**87,477**	67,041
Less: Amount expected to be recovered after one year, included as non-current assets	**(9,707)**	(15,640)
	77,770	51,401

Included in accounts receivable expected to be recovered within twelve months from the balance sheet date are debtors with the following ageing analysis:

	The Group	
	2006	2005
	$'000	$'000
Current	**77,770**	51,401

The Group's credit policy is set out in note 22(a).

16 Inventories

The inventories as at 30 September 2006 represent the cost of acquisition of certain scripts, synopses and adaptation rights. They are carried at the lower of cost and net realisable value.

17 Amounts due from/(to) subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

18 Pledged deposits

The balance at 30 September 2006 represents bank deposits pledged as security for banking facilities (note 20).

19 Cash and cash equivalents

	The Group		The Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Deposits with banks	**93,987**	16,729	**–**	–
Cash at bank and in hand	**50,726**	100,335	**124**	58
	144,713	117,064	**124**	58

20 Bank loans

	The Group	
	2006	2005
	$'000	$'000
Secured bank loans	**108,385**	54,808
Mortgage bank loans		
Current portion	**200**	220
Non-current portion	**6,102**	6,275
	6,302	6,495
	114,687	61,303

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

20 Bank loans (continued)

	The Group	
	2006	2005
	$'000	$'000
Repayable as follows:		
– Within 1 year or on demand	**108,585**	55,028
– After 1 year but within 2 years	**215**	232
– After 2 years but within 5 years	**747**	781
– After 5 years	**5,140**	5,262
	6,102	6,275
	114,687	61,303

At 30 September 2006, certain bank loan facilities was secured by pledged deposits of $45,270,000 (2005: $40,330,000) and the corporate guarantee provided by the Company and its subsidiaries. Such banking facilities, totalling $181,592,000 (2005: $125,173,000), were utilised to the extent of $108,385,000 (2005: $54,808,000) at year end (note 18).

At 30 September 2006, mortgage bank loans of $6,302,000 (2005: $6,495,000) were secured by the Group's land and buildings with carrying value of $9,205,000 (2005: $9,398,000) (note 11), and the corporate guarantee provided by the Company.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

21 Capital and reserves

(a) Share capital

	Notes	2006 Number of shares '000	2006 Amount $'000	2005 Number of shares '000	2005 Amount $'000
Authorised:					
Ordinary shares of US$0.01 each		**800,000**	**62,400**	800,000	62,400
Issued and fully paid:					
At the beginning of the year		**470,000**	**36,660**	400,000	31,200
Placement of shares	(i)	**37,600**	**2,933**	70,000	5,460
Issued as scrip dividends	(ii)	**2,259**	**176**	–	–
At the end of the year		**509,859**	**39,769**	470,000	36,660

Notes:

(i) A placement of 47,000,000 shares of the Company at a price of $2.28 per share was made with independent investors on 26 April 2006. The placing price represented a discount of approximately 4% to the closing price of the Company's share of $2.375 per share on the Stock Exchange on 20 April 2006, and a premium of approximately 1.33% to the ten day average closing price of HK$2.25 per share on and immediately preceding 20 April 2006. Subsequently, 37,600,000 new ordinary shares of the Company were issued at the same price per share. The net proceeds will be used to finance the production of TV programs in the PRC pursuant to the co-operation arrangements to produce TV programs.

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

(iii) Pursuant to the written resolutions of the shareholders passed on 13 June 2004, the Company had established a share option scheme whereby the directors of the Company may, at their discretion, grant any full time or part time employees and directors, consultants and advisers to the Group (subject to the eligibility requirements set out therein), options to subscribe for shares representing up to a maximum of 30% of the shares in issue from time to time.

During the year ended 30 September 2005 and 2006, no option was granted to any such eligible participants under the share option scheme.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

21 Capital and reserves (continued)

(b) Reserves – The Group

	Share premium $'000	General reserve $'000	Capital reserve $'000	Exchange reserve $'000	Retained earnings $'000	Total $'000
At 1 October 2004	67,633	406	(1,560)	–	113,425	179,904
Profit for the year	–	–	–	–	66,247	66,247
Dividends approved in respect of the previous year (note 8(b))	–	–	–	–	(11,600)	(11,600)
Dividends declared in respect of the current year (note 8(a))	–	–	–	–	(6,000)	(6,000)
Exchange differences on translation of financial statements of PRC subsidiaries	–	–	–	(104)	–	(104)
Placement of shares	122,640	–	–	–	–	122,640
Share issuance costs	(8,046)	–	–	–	–	(8,046)
At 30 September 2005	182,227	406	(1,560)	(104)	162,072	343,041
At 1 October 2005	182,227	406	(1,560)	(104)	162,072	343,041
Profit for the year	–	–	–	–	83,605	83,605
Dividends approved in respect of the previous year (note 8(b))	–	–	–	–	(7,990)	(7,990)
Dividends declared in respect of the current year (note 8(a) & note 21(a)(ii))	4,833	–	–	–	(9,137)	(4,304)
Exchange differences on translation of financial statements of PRC subsidiaries	–	–	–	(916)	–	(916)
Placement of shares (note 21(a)(i))	82,795	–	–	–	–	82,795
Share issuance costs	(2,973)	–	–	–	–	(2,973)
At 30 September 2006	**266,882**	**406**	**(1,560)**	**(1,020)**	**228,550**	**493,258**

(Expressed in Hong Kong dollars)

21 Capital and reserves (continued)

(c) Reserves – The Company

	Share premium $'000	Contributed surplus $'000	Retained earnings $'000	Total $'000
At 1 October 2004	67,633	59,382	12,947	139,962
Profit for the year	–	–	12,973	12,973
Dividends approved in respect of the previous year (note 8(b))	–	–	(11,600)	(11,600)
Dividends declared in respect of the current year (note 8(a))	–	–	(6,000)	(6,000)
Placement of shares	122,640	–	–	122,640
Share issuance costs	(8,046)	–	–	(8,046)
At 30 September 2005	182,227	59,382	8,320	249,929
At 1 October 2005	182,227	59,382	8,320	249,929
Profit for the year	–	–	18,454	18,454
Dividends approved in respect of the previous year (note 8(b))	–	–	(7,990)	(7,990)
Dividends declared in respect of the current year (note 8(a) & note 21(a)(ii))	4,833	–	(9,137)	(4,304)
Placement of shares (note 21(a)(i))	82,795	–	–	82,795
Share issuance costs	(2,973)	–	–	(2,973)
At 30 September 2006	**266,882**	**59,382**	**9,647**	**335,911**

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

21 Capital and reserves (continued)

(d) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) General reserve

According to the articles of association of the subsidiaries established in the PRC, the PRC subsidiaries are required to transfer at least 10% of their profit after taxation, as determined under PRC accounting regulations, to the general reserve fund until the reserve balance reaches 50% of the required capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The general reserve fund can be used to make good previous years' losses, if any.

(iii) Capital reserve

Pursuant to a group reorganisation (the "Reorganisation") which was complete on 17 November 2003 to rationalise the group structure in the preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company became the holding company of the Group. The excess of the nominal value of the shares issued by the Company over the aggregate of the nominal value of the share capital of the subsidiaries which the Company acquired under the Reorganisation was transferred to the capital reserve.

(iv) Exchange reserve

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

(v) Contributed surplus

Contributed surplus represents the excess of aggregate of the net asset value of subsidiaries acquired by the Company over the nominal value of the shares issued by the Company pursuant to the Reorganisation.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

21 Capital and reserves (continued)

(e) Distributability of reserves

At 30 September 2006, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $335,911,000 (2005: $249,929,000), subject to the restriction stated in note (d)(i) above. After the balance sheet date the directors proposed a final dividend of 1.8 cents per share (2005: 1.7 cents per share), amounting to $9,177,000 (2005: $7,990,000). This dividend has not been recognised as a liability at the balance sheet date.

22 Financial instruments

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

(a) Credit risk

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

Reimbursements receivable

In respect of reimbursements receivable, the amounts are recoverable by the Group from the sales proceeds of commercial airtime to be granted by the relevant broadcasting TV stations to the advertising agencies. Advertising contracts are entered into by the PRC licensed advertising agencies with the advertisers. In the circumstances, the Group has to obtain settlement of the related reimbursements receivable from the licensed advertising agencies. Collection of related reimbursements receivable is therefore dependent on the financial position of the licensed advertising agencies.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 Financial instruments (continued)

(a) Credit risk (continued)

Reimbursements receivable (continued)

The advances are secured by the advertising agencies' rights to certain benefits to be derived from the first round broadcasting licence rights in the PRC in certain TV programs and in which the advertising agencies have invested. They are governed by the reimbursement repayment guarantees entered into among the Group, the production houses and the advertising agencies.

Accounts receivable

The credit terms of accounts receivable offered by the Group are in accordance with the terms specified in each agreement entered into with the relevant customers, ranging from six months to three years. Subject to negotiations, extended credit terms are available for certain major customers with well-established operating records. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these receivables.

Bank deposits

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

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

(b) Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 Financial instruments (continued)

(c) Interest rate risk

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

	2006		
	Fixed/ floating	**Effective interest rate**	**Within one year $'000**
Cash and cash equivalents	**Floating**	**3.3%**	**144,713**
Bank loans	**Floating**	**5.6%**	**114,687**

	2005		
	Fixed/ floating	Effective interest rate	Within one year $'000
Cash and cash equivalents	Floating	1.2%	117,064
Bank loans	Floating	5.2%	61,303

(d) Foreign currency risk

The currency risk of the Group is primarily attributable to the net investments in the PRC. The Group considers there is no material foreign currency risk and the Group did not enter into any derivative contracts to hedge foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

22 Financial instruments (continued)

(e) Sensitivity analysis

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

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 30 September 2006 and 2005.

23 Commitments

(a) Commitments under operating leases

At 30 September 2006, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2006	2005
	$'000	$'000
Within one year	**2,193**	908
After one year but within five years	**4,734**	1,542
	6,927	2,450

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23 Commitments (continued)

(b) Other commitments

(i) Pursuant to the terms of a Master Investors Procurement Agreement, the Group agreed to procure required funding to a production house for the production of 6,000 hours of TV programs. During the year ended 30 September 2006, the Group did not procure any funding for the production of TV programs (2005: 33 hours). The total funding required for the remaining 5,713 hours (2005: 5,713 hours) is to be determined when individual projects for TV program production are agreed and therefore is not quantifiable as at 30 September 2006.

During the year ended 30 September 2006, there is no corresponding funding paid by the licensed advertising agency pursuant to the agreements among the Group, the production house and the advertising agency concluded on an individual program basis (2005: $16,981,000). Pursuant to a supplementary agreement to the Master Investors Procurement Agreement dated 11 November 2002, should the production house not eventually receive the agreed funding in full, (1) the Group shall pay the shortfall in full, following which the Group will be entitled to the rights in relation to the relevant TV program, or if the Group cannot be entitled to such rights for any reasons, the TV production house shall repay the shortfall to the Group together with interest at a rate of 10% one year after the first round broadcasting of the TV program; or (2) the Group shall pay an amount up to 15% of the shortfall, following which the production house will be entitled to the rights in relation to the relevant TV program.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

23 Commitments (continued)

(b) Other commitments (continued)

(ii) On 24 October 2003, the Group entered into a co-operative agreement with Shanghai Yali Culture Communication Co., Ltd ("Shanghai Yali") (an independent third party) in respect of a piece of land in Dongguan in the PRC in connection with the construction of a production centre and the leasing arrangement of which upon its completion. Pursuant to the terms of the agreement, which was supplemented by two supplementary agreements dated 28 April 2005 and 12 December 2005 respectively, the Group agreed to make instalment payments to Shanghai Yali totalling $30,000,000 on or before 30 November 2006, and in return the Group is granted the use of the production centre upon its completion for a period of 12 years. In addition, $3,000,000 deposit has been placed to Shanghai Yali to secure the right to purchase the property at 5%-10% discount on its prevailing market value within the first 3 years upon completion. If the Group has not exercised the right within the said 3-year period, it has an option to pay an additional deposit of $3,000,000 to secure the right for another 3-year period. If the Group does not exercise the right during the extended period, the two deposits will not be refunded but the lease term of the property will be extended for another 3 years.

As at 30 September 2006, the Group had made progress payments including the said deposit to secure the right to purchase the property at the discount to Shanghai Yali totalling $13,447,000 (2005: $13,447,000). The outstanding commitment at 30 September 2006 was $19,553,000 (2005: $19,553,000).

23 Commitments (continued)

(b) Other commitments (continued)

(iii) On 29 July 2005, Qin Jia Yuan International Advertising Company Limited, a subsidiary of the Group, entered into a co-operative agreement with Tianjin QJY Advertising Company Limited, an independent third party to establish an advertising joint venture in the PRC whereby the Group will contribute $38,010,000, representing 70% of the total registered capital of the joint venture. As at 30 September 2006, the joint venture has not yet been established and no contribution has been made by the Group.

24 Accounting estimates and judgements

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

(a) Provision for impairment of TV programs in progress

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

24 Accounting estimates and judgements (continued)

(b) Provision for impairment of receivables

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

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

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

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the annual accounting period ended 30 September 2006 and which have not been adopted in these financial statements.

(Expressed in Hong Kong dollars)

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

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

		Effective for accounting periods beginning on or after
HK(IFRIC) 4	Determining whether an arrangement contains a lease	1 January 2006
HKFRS 7	Financial instruments: disclosures	1 January 2007
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007
Amendment to HKAS 21	The effects of changes in foreign exchange rate – Net investment in a foreign operation	1 January 2006
Amendments to HKAS 39	Financial instruments: *Recognition and measurement:*	
	– Cash flow hedge accounting of forecast intragroup transactions	1 January 2006
	– The fair value option	1 January 2006
	– Financial guarantee contracts	1 January 2006

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