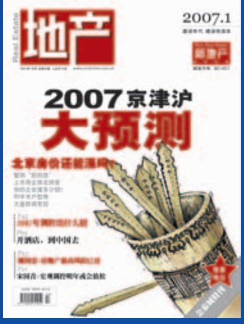
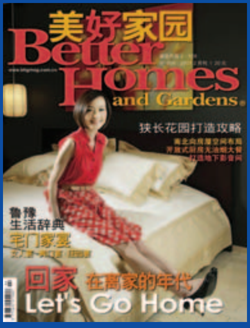
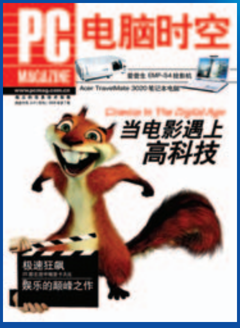
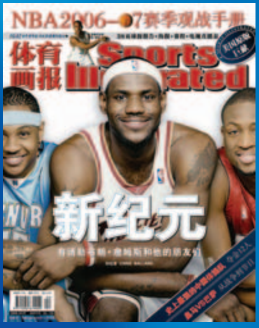
財訊傳媒集團有限公司
SEEC MEDIA GROUP LIMITED

2006年年報
Annual Report 2006









(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立之有限公司）
Stock Code 股份代號：205

Contents

Corporate Information

Board of Directors

Executive Directors:

Mr. WANG Boming *(Chairman)*
Mr. ZHANG Zhifang
Mr. DAI Xiaojing
Mr. LI Shijie
Mr. LAU See Him Louis

Independent Non-Executive Directors:

Mr. FU Fengxiang
Mr. WANG Xiangfei
Mr. DING Yu Cheng
Mr. ZHANG Ke *(appointed on 7 February 2007)*
Mr. GE Ming *(resigned on 7 February 2007)*

Company Secretary

Mr. TSEUNG Sheung Shun

Principal Place of Business

Room 2502 Alexandra House
18 Chater Road
Central
Hong Kong

Registered Office

P.O. Box 897 GT
Second Floor
One Capital Place
Grand Cayman
Cayman Islands
British West Indies

Principal Bankers

China Construction Bank (Asia) Corporation Limited
DBS Bank (Hong Kong) Limited
DBS Bank Limited
Hang Seng Bank Limited

Auditors

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

Legal Adviser

So Keung Yip & Sin
802 – 805, 8th Floor
Wheelock House
No. 20 Pedder Street
Central
Hong Kong

Share Registrars and Transfer Offices

Principal Share Registrar and Transfer Office
The Harbour Trust Company Limited
P.O. Box 897 GT
Second Floor
One Capital Place
Grand Cayman
Cayman Islands
British West Indies

Hong Kong Branch Share Registrar and Transfer Office
Secretaries Limited
26/F Tesbury Centre
28 Queen's Road East
Hong Kong

Websites

www.irasia.com/listco/hk/seecmedia/index.htm
www.seec-media.com.hk

Stock Code

205

Chairman's Statement

On behalf of the board of directors (the "Board") of SEEC Media Group Limited (the "Company"), I am pleased to present to you the 2006 annual results for the Company and its subsidiaries (collectively referred to as the "Group" or "SEEC Media").

Business Review

The print media industry in China has faced various challenges in 2006, with mixed results. The Internet and other new media formats kept evolving rapidly, though they were still far from changing the landscape of the advertising industry. The central government's austerity measures, especially in the real estate sector, have brought challenges to this sector and also related fields. According to HC International Inc. ("HC Intelligence") and CTR Market Research, the growth in overall advertising expenditure in China maintained its growth momentum and posted a growth of 18%, still exceeded the GDP growth of the nation in 2006. Of which, advertising spending in print media grew by 9% in 2006, while that in magazines even recorded a robust 22% growth compared with the previous year.

In 2006, the Group initiated a set of strategic moves to strengthen its efforts in the consumer driven magazine segment. As of 31 December 2006, the Group owned the advertising rights to a portfolio of nine magazines in China, three of which were newly launched during the year. While the magazines in the original portfolio maintained their leading positions due to increased efforts on integrated advertising sales and brand extension, the Group set out to develop more consumer magazine titles together with the three newly launched titles.

Despite a strong performance by the Group's leading magazines, revenue declined 2.3% overall to approximately HK$99.1 million. This was attributable to a combination of factors.

The Group's flagship magazine, Caijing Magazine (財經), recorded a very strong performance in 2006 and continued to maintain its leading market position thanks to its reinforced management, well established brand equity and excellent editorial quality. It achieved a revenue growth of 20% as a result of increased advertising rates as well as a high demand for its advertising space.

Caijing Magazine was ranked No. 1 by HC Intelligence in terms of advertising revenue among all business and financial magazines and No. 8 among all magazines in China. According to CTR Market Research, Caijing Magazine has the highest AIR (average issue readership) among all business and financial magazines, demonstrating its unrivalled quality in editorial content. Caijing Magazine's top three advertising categories are automobiles, IT and luxury goods, with financial services a very close fourth.

However, Caijing Magazine's strong performance was offset by the decline in revenue from the Real Estate Series (地產) (formally known as the New Real Estate Series), because the advertising spending in real estate and related industries was hit by the stringent measures adopted by the central government of China. As a result, the advertising revenue of the Real Estate Series decreased by 18% to approximately HK$24 million in 2006 compared with the year before.

Also, the Group rescheduled some conferences and events organized by several magazines, and as a result, revenue derived from conferences and events decreased by 36% to approximately HK$9.5 million compared with the previous year.

Chairman's Statement

The Group further strengthened its cooperation with international media groups. In 2006, Marketing China (成功營銷) formed a content syndication relationship with VNU Business Media (now known as Nielsen Business Media Group).

With the aim of developing its consumer driven magazine segment, the Group launched three new titles in collaboration with renowned international media groups in the past year. Through cooperation with Time Inc., in September 2006, the Group launched Sports Illustrated (體育畫報) in China which is positioned to capture the immense opportunities arising from the 2008 Olympic Games as well as the increasingly booming sports industries in the nation.

In June 2006, the Group collaborated with Meredith Corporation to introduce Better Homes and Gardens (美好家園) in China to offer infotainment on home management for a target audience of the flourishing middle class. On a further positive note, even though the first title of the joint venture with Ziff Davis Media Inc. – PC Magazine (電腦時空) – has only been in the market for one year and is still in its nurturing stage, it has achieved satisfactory performance to date. Following on the encouraging market response of this magazine, the joint venture officially introduced another new title – CIO Insight (信息方略) – to the market in December 2006. The magazine targets at senior IT decision makers and provides them with updated technology information.

All of these titles are still in their initial investment stage and therefore affected the Group's earnings in 2006. However, the introductions of these new magazine titles is expected to further diversify the Group's revenue sources for its long term and sustained development in the years ahead.

The Group acquired the remaining 22% interest of Caixun Advertising Group in the first half of 2006, which is expected to strengthen the Group's position to further benefit from the growth potential of the China advertising industry.

Business Outlook

The Group remains positive about the advertising market potential for the coming years in China. According to Zenith Optimedia, China has already surpassed Germany to become the fourth largest advertising expenditure market in the world. We believe that the overall advertising industry will continue with its current growth pace, as the government aims to further promote consumption as a key stimulus for China's economic growth. The two major international events, the 2008 Beijing Olympics and 2010 World Expo to be held in Shanghai, are expected to provide additional impetus in propelling the domestic economic growth.

In the coming years, the Group will continue its focus on the magazine advertising business through further expansion of its magazine portfolio. The Group aims to achieve this through both organic growth and acquisitions. In diversifying into the consumer driven segment, the Group is set to have more titles either through cooperation with international media groups, or through acquisition opportunities of long-term and exclusive advertising rights to other quality magazine titles in China. The Group will also develop and execute Internet strategies for each of its titles to seize the growth opportunities that occur.

Chairman's Statement

Acknowledgement

On behalf of the Board, I would like to express my gratitude to our business partners, customers and shareholders for their support. In addition, I would like to take this opportunity to thank all our staff members for their continuous and valuable contribution to the Group during the year. We are committed to further consolidate our presence in the China advertising industry and maximize value for our shareholders in the long run.

Wang Boming
Chairman

Hong Kong, 23 April 2007

Management Discussion and Analysis

During the year of 2006, turnover of the Group was approximately HK$99.1 million as compared to approximately HK$101.5 million in 2005, representing a decrease of approximately 2.3%. In 2006, the advertising revenue in real estate sector was seriously affected by the austerity measures implemented by the central government in China. Continued strong growth in revenue from Caijing Magazine was offset by advertising revenue drop in Real Estate Series, resulting a slight decrease in the Group's turnover.

In collaboration with some international renowned media groups, the Group had launched three magazine titles during the year, namely, Better Homes and Gardens, Sports Illustrated and CIO Insight. As a result of the initial stage of investment in developing these titles, the selling and distribution costs increased by approximately 100% and administration expenses increased by approximately 148%.

At the balance sheet date, the directors have considered the recoverable amount of the available-for-sales investments held by the Company and recognized a non-recurring impairment loss of approximately HK$21.1 million for the year 2006.

The Company had issued a convertible bond ("CB") amounting to US$10 million (equivalent to HK$78 million) in May 2006. The Company recorded an interest expense of approximately HK$5.0 million and the loss arising on changes of fair value of the components of the CB was approximately HK$4.1 million for the year 2006.

As a result, the loss attributable to shareholders of the parent for the year of 2006, amounted to approximately HK$29.0 million, when compared to a profit of approximately HK$30.6 million in 2005.

To preserve financial resources for future expansion and operation of the Group, the Board does not recommend the payment of a dividend for the year 2006 (2005: HK$0.004 per share).

Liquidity and Financial Resources

The Group's daily operating activities were financed by internal sources. As at 31 December 2006, the Group's equity was approximately HK$242.5 million (2005: HK$268.8 million). The Group had non-current convertible bond of approximately HK$71 million as at 31 December 2006 (2005: nil). As at 31 December 2006, the Group's gearing ratio was 18.5% representing a percentage of non-current liability over total assets. As at 31 December 2005, the gearing ratio, which was computed by current liabilities over equity attributable to equity holders of the parent was 13.8%.

As at 31 December 2006, the Group had cash and time deposits amounted to approximately HK$131.7 million (2005: HK$172.8 million).

As at 31 December 2006, the Group had available-for-sale investments of value approximately HK$13.0 million (2005: HK$10.4 million).

Management Discussion and Analysis

Charges on Assets

As at 31 December 2006, the Company had fixed deposit of approximately HK$39.0 million charged to a bank for banking facilities granted to the Group's companies (2005: Nil).

Contingent Liabilities

The Group and the Company did not have any significant contingent liability as at 31 December 2006 (2005: Nil).

Issue of Convertible Bond

Pursuant to an agreement dated 20 April 2006, the Company issued a CB amounting to US$10 million (equivalent to HK$78 million) and a nil-paid warrant ("Nil-paid warrant") to an independent third party, Templeton Strategic Emerging Markets Fund II, LDC, represented by Templeton Asset Management Limited, on 19 May 2006. The CB carried coupon interest at the rate of 2% per annum on the outstanding principal amount of the CB and will be matured at the fifth year after the issuance of the CB. The Nil-paid warrant, which was granted for no consideration, carries the right to subscribe for up to 79,947,009 shares of the Company.

Foreign Currencies and Treasury Policy

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars, United States Dollars or Renminbi. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. During the year, apart from the convertible bond as referred above and the bank borrowing, the Group did not have any fixed interest rate borrowings and had not engaged in any financial instruments for hedging or speculative activities.

Employees

As at 31 December 2006, the Group had 262 (2005: 121) employees in Hong Kong and the People's Republic of China. Salaries, bonuses and benefits were decided in accordance with market conditions and performance of the respective employees.

Share Option Schemes

The Company's share option scheme was adopted on 26 August 2002. As at 31 December 2006, the number of share issuable under share options granted was 33,000,000 (2005: 35,900,000).

Corporate Governance Report

During the year under review, the Company has complied with all relevant provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for the deviations stated below:

(1) Code Provision A.2.1

Code A.2.1 stipulates that the roles of chairman and managing director (or chief executive officer ("CEO")) should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. The Company does not presently have any officer with the title of "CEO" or "Managing Director". At present, Mr Wang Boming, being the Chairman and an Executive Director of the Company, is assuming the role of the CEO of the Company and is responsible for the strategic planning and corporate policy of the Group.

The Directors consider that Mr Wang Boming is the most appropriate person to assume the role of the CEO because he has considerable knowledge and experience in the advertising and publication businesses in the PRC and has leadership and corporate expertise in the Group. The Directors believe that vesting the roles of the chairman and CEO in the same person provides consistent and sustainable development of the Group, strong and consistent leadership in the Company's decision making and operational efficiency.

(2) Code Provision A.4.1

Code A.4.1 stipulates that non-executive Directors should be appointed for a specific term and subject to re-election.

The term of office for non-executive Directors are the same as for all Directors (i.e. not appointed for a specific term but only subject to retirement from office by rotation and be eligible for re-election in accordance with the provisions of the Company's Articles of Association). At each annual general meeting, one-third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years.

Corporate Governance Report

Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by directors on exactly the terms and the required standard contained in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code").

Having made specific enquiries by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year ended 31 December 2006.

Board of Directors

The Board collectively oversees the management of the business and affairs of the Group with the overriding objective of enhancing share value. The Board has delegated the day-to-day management power of the Group to the executive Directors and senior management of the Company. The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions, financial information, appointment of Directors, and other significant financial and operational matters.

The Board currently comprises five executive Directors who are Mr. Wang Boming, Mr. Zhang Zhifang, Mr. Dai Xiaojing, Mr. Li Shijie and Mr. Lau See Him Louis; and four independent non-executive Directors who are Mr. Fu Fengxiang, Mr. Wang Xiangfei, Mr. Zhang Ke appointed as Director on 7 February 2007, Mr. Ding Yu Cheng and Mr. Ge Ming resigned as Director on 7 February 2007. The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to the Listing Rules and the Company considers the independent non-executive Directors to be fully independent.

There is no financial, business, family, or other material/relevant relationship between the Directors. The Company considers that the Board has the necessary skills and experience appropriate for discharging their duties as Directors in the best interest of the Company and that the current size of the Board to be adequate for its present operations.

Corporate Governance Report

The Board held full board meetings at approximately quarterly intervals. The attendances of the Board meeting for the year ended 31 December 2006 are as follows:

Directors	Attendance
Mr. Wang Boming	4/4
Mr. Zhang Zhifang	4/4
Mr. Dai Xiaojing	4/4
Mr. Li Shijie	4/4
Mr. Lau See Him Louis	0/4
Mr. Wang Xiangfei	4/4
Mr. Fu Fengxiang	4/4
Mr. Ding Yu Cheng	4/4
Mr. Ge Ming (resigned on 7 February 2007)	4/4
Mr. Zhang Ke (appointed on 7 February 2007)	N/A

Mr. Zhang Ke was appointed as an independent non-executive Director on 7 February 2007 who replaced all the respective positions of Mr. Ge Ming in the Remuneration Committee, Nomination Committee and Audit Committee.

Chairman and Chief Executive Officer

As mentioned above, Mr. Wang Boming performs both the roles of the Chairman and CEO. The Directors consider that vesting the roles of the Chairman and CEO in Mr. Wang Boming is presently the most beneficial structure and is in the best interests of the Company and the shareholders of the Company.

Remuneration of Directors

The emoluments of the Directors are determined by reference to the skill, knowledge and experience of the respective Directors and their involvement in the Company's affairs as well as the prevailing market conditions. Share options may also be granted to the Directors as long-term incentive or rewards for their continuous contributions to the Group.

Remuneration Committee comprises of two independent non-executive Directors, namely Mr. Zhang Ke (who replaced Mr. Ge Ming's position on 7 February 2007) being the Chairman of the Committee and Mr. Ding Yu Cheng.

The principal responsibilities of the Remuneration Committee include reviewing, considering and approving proposals as well as making recommendations to the Board on the Company's policy and structure relating to the remuneration of Directors and senior management.

No meeting of the Remuneration Committee was held during the year.

Corporate Governance Report

Nomination of Directors

The Board is empowered under the Company's Articles of Association to appoint any person as a Director either to fill a casual vacancy on or as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience.

The Nomination Committee comprises of two independent non-executive Directors, namely Mr. Ding Yu Cheng, chairman of the committee, and Mr. Zhang Ke (who replaced Mr. Ge Ming's position on 7 February 2007).

The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board on a regular basis and making recommendations to the Board regarding any proposed changes.

No meeting of Nomination Committee was held during the year.

Auditors' Remuneration

During the year, the fees paid or payable to the auditors of the Company, Messrs. Deloitte Touche Tohmatsu were approximately HK$620,000 and HK$81,000 for statutory audit services and non-audit services rendered to the Group respectively.

Audit Committee

The Audit Committee comprises three independent non-executive Directors. The Committee is chaired by Mr. Fu Fengxiang and comprising two other members, namely Mr. Wang Xiangfei and Mr. Zhang Ke (who replaced Mr. Ge Ming's position on 7 February 2007).

The Audit Committee is responsible for the appointment of external auditors, review of the Group's financial information and oversight of the Group's financial and accounting practices, internal control and risk management. It is also responsible for reviewing the interim and financial results of the Group.

The Audit Committee held two meetings during the year under review. Details of the attendance of the Audit Committee meetings are as follows:

Members	Attendance
Mr. Fu Fengxiang	2/2
Mr. Wang Xiangfei	2/2
Mr. Ge Ming	2/2

The Group's interim results for the six months ended 30 June 2006 and annual audited results for the year ended 31 December 2006 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

Corporate Governance Report

Internal Control

The Board has overall responsibilities for maintaining sound and effective internal control system of the Group. The Board has conducted a review of the effectiveness of the system of internal control of the Group including the relevant financial, operational and compliance controls and risk management procedures and has delegated to the management the implementation of such systems of internal controls. The management throughout the Group maintains and monitors the internal control system on an ongoing basis.

Directors' Responsibility on the Accounts

The Directors acknowledge their responsibilities for preparing the financial statements of the Group for the year ended 31 December 2006, which were prepared in accordance with statutory requirements and applicable accounting standards.

Directors' Profile

Executive Directors

Mr. WANG Boming, aged 52, is the chairman of the Group and is a director of SEEC Investment Development Co., Ltd. in Shanghai. He is also a director of the Government Bond Association, an editor in chief of Caijing Magazine and Securities Market Weekly, the vice-chairman of the China Securities Industry Institute and a director of Asia Securities Industry Institute. Mr. Wang was a leading participant in the initial formation of China's capital markets. He also played a pioneering role in creating the first underwriting syndicate of government bonds, which revolutionized the bond distribution system in China. Before his return to China, he worked as an economist at the research department of the New York Stock Exchange, responsible for macro-economic studies and market movement analysis in the U.S.A. Mr. Wang obtained his bachelor's degree at the City University of New York and his master of business administration degree at Columbia University majoring in international finance. Mr. Wang joined the Group in December 1998.

Mr. ZHANG Zhifang, aged 53, is responsible for the Group's investment and business planning in the PRC. Mr. Zhang graduated from Peking University with a bachelor's degree in international relations and a master's degree in international law, in 1984 and 1986, respectively. He earned his second master's degree in international commercial law and politics from the Fletcher School of Law and Diplomacy in the U.S.A. in 1987. Before he joined the Group in December 1997, he was employed as an investment consultant of Fair Field Maxwell Financial Services Corp. in the U.S.A. in 1987. He has served as an executive officer of the Executive Commission of Securities Trading Automated Quotations System of the PRC since 1989.

Mr. DAI Xiaojing, aged 47, joined the Group in December 1998. He graduated from Guangzhou Zhong Shan University with a bachelor's degree in science and a master's degree in laws, in 1981 and 1984, respectively. He was engaged in economic policy research at the Economic Development Research Institute of State Council of PRC from 1984 to 1989. He has been the deputy editor in chief of Security Market Weekly since 1990 and is also the chairman of SEEC Investment Development Co., Ltd. in Shanghai.

Mr. LI Shijie, aged 44, has over 12 years of experience in the advertising, marketing and publishing industries. Mr. Li was the advertising manager of Securities Market Weekly, a well-known financial magazine, for the period from February 1994 to March 2000 and has been the general manager of Beijing Caixun Advertising Co., Ltd since March 2000. Mr. Li graduated from Capital Normal University in the PRC with a bachelor's degree in physics and taught physics in Beijing Automobile Industry School from 1985 to 1994. Mr. Li obtained his EMBA degree in BiMBA Center of Peking University. Mr. Li has been appointed as an executive director since December 2002.

Mr. LAU See Him Louis, aged 44, is responsible for the Group's investment planning. Mr. Lau graduated from the University of International Business and Economics in the PRC with a bachelor's degree in economics. Mr. Lau has over 19 years of experience in the securities industry and financial services sector. Prior to joining the Group, Mr. Lau held various senior positions in securities companies in Hong Kong. Mr. Lau has been appointed as an executive director since December 2004.

Directors' Profile

Independent non-executive Directors

Mr. FU Fengxiang, aged 77, has participated in the establishment and management of the securities market in the PRC for over 16 years. Mr. Fu holds a bachelor's degree and was the deputy chairman of China Securities Regulatory Commission, the vice-chairman of China Investment Institute, a part-time lecturer of the Guanghua School of Management of Peking University and an executive officer of Asia Securities Research Institute. Since December 1997, Mr. Fu has been appointed as an independent non-executive director of the Company.

Mr. WANG Xiangfei, aged 55, graduated and obtained his bachelor's degree in economics from RENMIN University of China. He taught as associate professor in finance at the department of finance in RENMIN University. Mr. Wang has been qualified as a senior accountant in China. Mr. Wang has extensive business connection and rich experience in investment, industrial management, finance, accounting, trading and management of listed companies. In June 2003, Mr. Wang was appointed as an independent non-executive director of the Company.

From August 1983 to April 2006, Mr. Wang held several senior positions in China Everbright Holdings Company Limited in Hong Kong and China Everbright Group in China, including executive directors in several subsidiaries listed in Hong Kong and chief executive officer of China Everbright International Limited and director and assistant general manager of China Everbright Holdings Company Limited. He has served as a financial advisor to China SONANGOL International Holding Limited and vice chief financial officer of SONANGOL SINOPEC International Limited since April 2006.

Mr. Wang also presently serves as an independent non-executive director of Chongqing Iron & Steel Company Limited and Tianjin Capital Environmental Protection Company Limited (which are both listed companies in Hong Kong and Shanghai) and Shenzhen Rural Commercial Bank.

Mr. DING Yu Cheng, aged 40, has more than 10 years experience in management. Mr. DING holds a master of business administration degree from the University of Pittsburg and a doctor of philosophy degree in economics from Tsinghua University. Mr. DING is also a non-executive director of Asia Satellite Telecommunications Holdings Limited which is listed on the stock exchanges in Hong Kong and New York. During the period between 3 June 2004 and 15 November 2004, Mr. DING was an executive director of Tidetime Sun (Group) Limited (previously known as Sun Sports Media Group Limited and Sun Media Group Holdings Limited) which is listed on the stock exchange of Hong Kong. Mr. Ding has been appointed as an independent non-executive director of the Company since June 2005.

Directors' Profile

Mr. ZHANG Ke, aged 53, has more than 20 years experience in accounting, supervision of internal control and auditing. Mr. Zhang holds a Bachelor degree in Economics from Renmin University of China. Mr. Zhang is a certified public accountant of the Chinese Institute of Certified Public Accountants and is also a certified accountant with qualification in securities dealing in China.

Mr. Zhang is the Chairman of the board of directors and the Chief partner of Shinewing Certified Public Accountants; Vice President of China Institute of Certified Public Accountants ; honorary professor in the Accounting department of Renmin University of China; a member of CPA examination committee of the Ministry of Finance; director of China Mergers and Acquisitions Association; and was the Departmental Manager of China International Economic Consultants Inc. of CITIC Group; the Deputy Managing Director of CITIC Certified Public Accountant; Deputy Managing Partner of Coopers & Lybrand CIEC; a partner of Coopers & Lybrand International; Managing Partner of Coopers & Lybrand CIEC, Vice Executive Director of Coopers & Lybrand, China. And Mr. Zhang was elected one of the Outstanding Accounting Professionals in the nation wide by the PRC Ministry of Finance in 2005. Mr. Zhang is also an independent non-executive director of China Minsheng Bank Ltd, a company listed on the Shanghai Stock Exchange and four other companies whose shares are listed on The Stock Exchange of Hong Kong Limited, namely Air China Limited (also listed on the Shanghai Stock Exchange), HC International Inc., Panva Gas Holdings Limited, and China Coal Energy Company Limited.

Mr. Zhang has been appointed as an independent non-executive director of the Company since February 2007.

Directors' Report

The directors have pleasure in presenting their annual report and the audited consolidated financial statements for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its principal subsidiaries are engaged in the provision of advertising agency services in the People's Republic of China.

RESULTS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 25.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 66.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL AND CONVERTIBLE BOND

Details of movements in the Company's share capital and convertible bond are set out in notes 25 and 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2006, the Company had no reserves available for distribution to shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2006, the aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 31% and 63% respectively of the Group's total cost of sales for the year. The aggregate sales attributable to the Group's five largest customers taken together were less than 30% of the Group's total revenue for the year.

As far as the directors are aware, neither the directors, their associates, nor those shareholders which to the knowledge of the directors own more than 5% of the Company's share capital, had any interest in the five largest suppliers of the Group during the year.

Directors' Report

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Wang Boming
Mr. Zhang Zhifang
Mr. Dai Xiaojing
Mr. Li Shijie
Mr. Lau See Him Louis

Independent non-executive directors:

Mr. Fu Fengxiang	
Mr. Wang Xiangfei	
Mr. Ding Yu Cheng	
Mr. Zhang Ke	(appointed on 7 February 2007)
Mr. Ge Ming	(resigned on 7 February 2007)

In accordance with articles 101, 119 and 120 of the Company's articles of association, Messrs. Li Shijie, Fu Fengxiang, Wang Xiangfei and Zhang Ke shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

The term of office of each non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than those disclosed in note 32 to the consolidated financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2006 or at any time during the year.

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES

At 31 December 2006, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Rights to acquire shares

Pursuant to the Company's share option schemes, the directors may, at their discretion, invite participants to take up options at a consideration of HK$10 per grant to subscribe for ordinary shares of the Company.

Details of the movements in the share options to subscribe for shares of HK$0.10 each in the Company granted to a director were as follows:

Name of Director	Capacity	Date of grant	Exercise price	Exercisable period	Number of share options outstanding at 1.1.2006 and 31.12.2006	Number of underlying shares
			HK$			
Li Shijie	Beneficial owner	25.7.2003	0.21	25.7.2004 to 24.7.2009	6,900,000	6,900,000

Save as disclosed above, as at 31 December 2006, none of the directors, chief executives nor their associates had any long or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

SHARE OPTION SCHEMES

Particulars of the Company's share option schemes and details of movements in the Company's share options during the year to subscribe for shares of HK$0.10 each in the Company granted under the share option schemes are set out in note 30 to the consolidated financial statements.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in "Directors' Interests in Securities" above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

At 31 December 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of the relevant interests and short positions in the issued share capital of the Company:

Long positions

Name	Capacity	Number of shares beneficially held	Percentage of holding
United Home Limited (Note 1)	Beneficial owner and controlled corporation	677,843,824	43.63%
Carlet Investments Ltd. (Note 1)	Beneficial owner	172,644,210	11.11%
China Assets (Holding) Limited	Person having a security interest in shares	339,746,836	21.87%
Arisaig Greater China Fund Limited (Note 2)	Beneficial owner	155,406,000	10.00%
Arisaig Partners (Mauritius) Limited (Note 2)	Fund manager	155,406,000	10.00%
Cooper Lindsay William Ernst (Note 3)	Held by controlled corporation	155,406,000	10.00%
Madeleine Ltd. (Note 3)	Held by controlled corporation	155,406,000	10.00%
Arisaig Partners (Holdings) Ltd. (Note 2)	Held by controlled corporation	155,406,000	10.00%
Arisaig Partners (BVI) Limited (Note 2)	Held by controlled corporation	155,406,000	10.00%
Templeton Asset Management Limited (Note 4)	Investment manager	79,947,009	5.15%

Directors' Report

Notes:

(1) The 172,644,210 shares held by Carlet Investments Ltd. were indirectly owned by United Home Limited by virtue of its 100% ownership of Carlet Investments Ltd. In addition to the 172,644,210 shares held by Carlet Investments Ltd., 505,199,614 shares which represents approximately 32.52% of the issued share capital of the Company, were directly owned by United Home Limited.

(2) The 155,406,000 shares held by Arisaig Greater China Fund Limited were indirectly owned by Arisaig Partners (Holdings) Ltd. by virtue of its 100% ownership of Arisaig Partners (BVI) Limited. Arisaig Partners (Mauritius) Ltd. is a direct wholly owned subsidiary of Arisaig Partners (BVI) Limited and the immediate holding company of Arisaig Greater China Fund Limited.

(3) This referred to the same number of 155,406,000 shares as mentioned in note (2) above through 33.33% interests in Arisaig Partners (Holdings) Ltd. held by Madeleine Ltd.. Madeleine Ltd. is beneficially owned by Cooper Lindsay William Ernst.

(4) This referred to the nil-paid warrant issued to Templeton Strategic Emerging Markets Fund II, LDC, represented by its investment manager, Templeton Asset Management Limited, exercisable to subscribe for 79,947,009 shares of the Company.

Short positions

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2006.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 30 to the consolidated financial statements.

CONNECTED TRANSACTIONS

During the year, the Group had the following connected transactions:

(i) During the year, the Group paid rental of approximately HK$992,000 to Shanghai SEEC Investment and Development Co., Ltd. ("Shanghai SEEC "). Shanghai SEEC is owned as to 59% by Shenyang Lianya Industrial Development Corporation ("Shenyang Lianya"). Shenyang Lianya is owned equally by 50 of its staff, including three of the Directors, namely Messrs. Wang Boming, Zhang Zhifang and Dai Xiaojing. Since Mr. Wang Boming controls the management of Shenyang Lianya which in turn controls Shanghai SEEC, Shanghai SEEC becomes an associate of Mr. Wang Boming under Rule 1.01 of the Listing Rules and hence a connected person of the Company under the Listing Rules.

(ii) During the year, the Group acquired 14.3% interest in registered capital of Hainan Caixun Informedia Co., Ltd. which in turn holds a 70% interest in each of Shenzhen Caixun Advertising Co., Ltd. ("Shenzhen Caixun") and Beijing Caixun Advertising Co., Ltd. ("Beijing Caixun"); and 40% interest in the registered capital of Beijing Caixun Century InfoTech Co., Ltd. ("Caixun Century") which in turn holds a 30% interest in each of Shenzhen Caixun and Beijing Caixun at a total consideration of approximately HK$92.1 million from Shanghai SEEC. This transaction was set out in the Company's announcement dated 25 May 2006.

(iii) On 6 September 2006, Beijing Caixun and Shenzhen Caixun entered into the registered capital transfer agreement with Shanghai SEEC and Beijing Lianzheng Information & Technology Company Limited pursuant to which Beijing Caixun and Shenzhen Caixun agreed to acquire 80% and 20% interest of the registered capital in Beijing Jingzheng Ronglian Advertising Company Limited from Shanghai SEEC and Beijing Liancheng Investment Consultant Company Limited at an aggregate consideration of RMB2,000,000 (approximately HK$1,942,000). Details of the transaction was set out in the Company's circular dated 15 September 2006.

(iv) On 17 August 2004, Shanghai Caixun Media Conference Exhibition Limited ("Shanghai Caixun Media"), a direct wholly-owned subsidiary of the Company entered into a loan agreement with Shenzhen Caixun, a non wholly-owned subsidiary of the Company (the "Loan Agreement") pursuant to which Shanghai Caixun Media agreed to lend RMB9 million (equivalent to approximately HK$8,654,000) to Shenzhen Caixun at a rate of interest of 5.04% per annum repayable on demand with 30 days prior written notice. Details of the transaction was set out in the Company's announcement dated 17 August 2004.

The independent non-executive directors reviewed the continued connected transaction set out above and confirmed that the transaction has been entered into by the Company in the ordinary course of its business, on normal commercial terms and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Directors' Report

On 16 April 2007, each of Beijing Caixun, Beijing SEEC Book and Press Distribution Co., Ltd ("Beijing SEEC") and Shenzhen Caixun entered into a lease agreement with Shanghai SEEC whereby each of Beijing Caixun, Beijing SEEC and Shenzhen Caixun agreed to lease certain premises owned by Shanghai SEEC for a term of 1 year commencing from 1 April 2007 for office purposes. As Shanghai SEEC is considered a connected person under the Listing Rules, the entering into of these lease agreements constituted a continuing connected transaction for the Company under the Listing Rules. Details of the transactions have been set out in the announcement of the Company dated 16 April 2007 and will also be included in the next annual report and accounts of the Company in accordance with the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2006.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

POST BALANCE SHEET EVENTS

Details of the significant events occurring after the balance sheet date are set out in note 34 to the consolidated financial statements.

AUDITORS

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Wang Boming
Director

Hong Kong, 23 April 2007

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF
SEEC MEDIA GROUP LIMITED
財訊傳媒集團有限公司
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of SEEC Media Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 65, which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

Independent Auditor's Report

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2006 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 April 2007

Consolidated Income Statement

For the year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Revenue	6	**99,098**	101,463
Cost of sales		**(25,813)**	(23,336)
Gross profit		**73,285**	78,127
Other income		**7,503**	4,456
Selling and distribution costs		**(43,103)**	(21,577)
Administrative expenses		**(27,417)**	(11,044)
Other operating expenses		**–**	(172)
Change in fair value of derivative financial instruments		**(4,074)**	–
Impairment loss recognised in respect of available-for-sale investments	17	**(21,149)**	–
Finance costs	7	**(5,100)**	–
(Loss) profit before taxation	8	**(20,055)**	49,790
Taxation	10	**(6,266)**	(10,283)
(Loss) profit for the year		**(26,321)**	39,507
Attributable to:			
Equity holders of the parent		**(29,001)**	30,565
Minority interests		**2,680**	8,942
		(26,321)	39,507
(Loss) earnings per share (HK cents)	12		
Basic		**(1.87)**	1.97
Diluted		**(1.87)**	1.96

Consolidated Balance Sheet

At 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Non-current assets			
Property, plant and equipment	13	**3,058**	2,255
Sole agency rights	14	**22,766**	23,664
Goodwill	15	**125,216**	60,387
Interest in a jointly controlled entity	16	**–**	–
Available-for-sale investments	17	**–**	5,185
		151,040	91,491
Current assets			
Derivative financial instruments	18 & 26	**1,069**	–
Loan receivable	19	**–**	19,000
Available-for-sale investments	17	**13,005**	5,185
Amount due from a jointly controlled entity	16	**5,856**	5,856
Trade receivables	20	**30,860**	30,114
Other receivables and prepayments	20	**7,798**	4,838
Amounts due from related companies	22	**2,520**	889
Pledged bank deposit	21	**39,000**	–
Bank balances and cash	21	**131,706**	172,780
		231,814	238,662
Current liabilities			
Derivative financial instruments	18 & 26	**16,216**	–
Trade payables	23	**5,589**	2,774
Other payables and accruals	23	**25,699**	15,220
Amounts due to related companies	22	**1,116**	–
Bank borrowing	24	**7,968**	–
Tax payable		**12,836**	19,114
		69,424	37,108
Net current assets		**162,390**	201,554
Total assets less current liabilities		**313,430**	293,045
Non-current liability			
Convertible bond	26	**70,952**	–
Net assets		**242,478**	293,045

Consolidated Balance Sheet

At 31 December 2006

	Note	2006 HK$'000	2005 HK$'000
Capital and reserves			
Share capital	25	**155,372**	155,082
Reserves		**87,106**	113,730
Equity attributable to equity holders of the parent		**242,478**	268,812
Minority interests		**–**	24,233
Total equity		**242,478**	293,045

The financial statements on pages 25 to 65 were approved and authorised for issue by the Board of Directors on 23 April 2007 and are signed on its behalf by:

Wang Boming
Director

Zhang Zhifang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Reserve funds HK$'000 (Note)	Exchange translation reserve HK$'000	Share option reserve HK$'000	Investments revaluation reserves HK$'000	Accumulated profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2005	154,787	18,845	2,127	11	708	–	77,756	254,234	15,006	269,240
Loss on fair value changes of available-for-sale investments	–	–	–	–	–	(2,784)	–	(2,784)	–	(2,784)
Exchange differences arising on translation of foreign operations	–	–	–	1,527	–	–	–	1,527	285	1,812
Net income and expenses recognised directly in equity	–	–	–	1,527	–	(2,784)	–	(1,257)	285	(972)
Profit for the year	–	–	–	–	–	–	30,565	30,565	8,942	39,507
Total recognised income for the year	–	–	–	1,527	–	(2,784)	30,565	29,308	9,227	38,535
Issue of shares upon exercise of share options	295	325	–	–	–	–	–	620	–	620
Dividends paid (2004 final dividend of HK$0.01 per share)	–	–	–	–	–	–	(15,492)	(15,492)	–	(15,492)
Transfer to reserve funds	–	–	1,998	–	–	–	(1,998)	–	–	–
Recognition of equity-settled share based payment	–	–	–	–	142	–	–	142	–	142
	295	325	1,998	–	142	–	(17,490)	(14,730)	–	(14,730)
At 31 December 2005 and 1 January 2006	155,082	19,170	4,125	1,538	850	(2,784)	90,831	268,812	24,233	293,045
Loss on fair value changes of available-for-sale investments	–	–	–	–	–	(18,365)	–	(18,365)	–	(18,365)
Exchange differences arising on translation of foreign operations	–	–	–	5,481	–	–	–	5,481	324	5,805
Net income and expenses recognised directly in equity	–	–	–	5,481	–	(18,365)	–	(12,884)	324	(12,560)
Impairment loss recognised in respect of available-for-sale investments	–	–	–	–	–	21,149	–	21,149	–	21,149
Loss for the year	–	–	–	–	–	–	(29,001)	(29,001)	2,680	(26,321)
Total recognised expense for the year	–	–	–	5,481	–	2,784	(29,001)	(20,736)	3,004	(17,732)
Issue of shares upon exercise of share options	290	319	–	–	–	–	–	609	–	609
Dividends paid (2005 final dividend of HK$0.004 per share)	–	–	–	–	–	–	(6,207)	(6,207)	–	(6,207)
Decrease in minority interest as a result of acquisitions of additional interests in subsidiaries	–	–	–	–	–	–	–	–	(27,237)	(27,237)
Transfer to reserve funds	–	–	1,270	–	–	–	(1,270)	–	–	–
	290	319	1,270	–	–	–	(7,477)	(5,598)	(27,237)	(32,835)
At 31 December 2006	**155,372**	**19,489**	**5,395**	**7,019**	**850**	**–**	**54,353**	**242,478**	**–**	**242,478**

Note: According to the relevant laws and regulations in the People's Republic of China ("PRC") and the Articles of Association of the Company's subsidiaries in the PRC, they are required to set aside 10% of their profit after taxation for the statutory revenue reserve (except where the reserve has reached 50% of the subsidiaries' registered capital) and 5% to 10% of their profit after taxation for the statutory public welfare fund. The profit after taxation is determined under accounting principles generally accepted in the PRC. These reserves cannot be used for purposes other than those for which they are created and are not distributable as dividends without the prior approval by the shareholders under certain conditions.

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
OPERATING ACTIVITIES			
(Loss) profit before taxation		**(20,055)**	49,790
Adjustments for:			
Interest expenses		**5,100**	–
Change in fair value of derivative financial instruments		**4,074**	–
Difference between the fair value of equity securities and the fair value of loan receivable	28	**(2,000)**	–
Impairment loss recognised in respect of available-for-sale investments		**21,149**	–
Interest income		**(3,069)**	(2,647)
Bad debts written off		**8,799**	2,540
Depreciation of property, plant and equipment		**687**	740
Amortisation of sole agency rights		**1,746**	1,686
Loss on disposal of property, plant and equipment		**5**	22
Loss on disposal of investments held for trading		**–**	3
Share-based payment expense		**–**	142
Operating cash flows before movements in working capital		**16,436**	52,276
(Increase) decrease in trade receivables		**(7,269)**	237
Increase in other receivables and prepayments		**(5,236)**	(2,696)
Increase in amount due from a jointly controlled entity		**–**	(6)
Increase in trade payables		**2,815**	2,733
Decrease in financial assets held for trading		**–**	13,077
Increase in other payables and accruals		**9,509**	3,514
Cash from operations		**16,255**	69,135
Overseas tax paid		**(12,988)**	(4,654)
NET CASH FROM OPERATING ACTIVITIES		**3,267**	64,481
INVESTING ACTIVITIES			
Acquisition of additional interest in controlled entities	27	**(92,066)**	–
Increase in pledged bank deposit		**(39,000)**	–
Purchase of property, plant and equipment		**(1,389)**	(1,406)
(Repayment to) advance from related companies		**(1,631)**	14,823
Interest received		**3,069**	2,647
Proceeds from disposals of subsidiaries		**–**	9,056
Increase in amount due from a jointly controlled entity		**–**	(5,850)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(131,017)**	19,270

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	Note	2006 HK$'000	2005 HK$'000
FINANCING ACTIVITIES			
Proceeds from issue of convertible bond	26	**78,000**	–
New bank loan raised		**7,968**	–
Increase in amounts due to related companies		**1,116**	–
Proceeds from issue of shares		**609**	620
Dividend paid to shareholders		**(6,207)**	(15,492)
Interest paid		**(105)**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**81,381**	(14,872)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(46,369)**	68,879
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**172,780**	102,523
NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**5,295**	1,378
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**131,706**	172,780

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

1. GENERAL

The Company is incorporated as an exempted company with limited liability in the Cayman Islands with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed on page 2 to the annual report.

The functional currency of the respective group entities is Renminbi ("RMB"), the currency of the primary economic environment in which the Group operates. For the purpose of the consolidated financial statements and conveniences of the financial statements users, the results and financial position of the Group are presented in Hong Kong dollars.

The Group is principally engaged in the provision of advertising agency services in the PRC.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the New HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating segments[2]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC) – INT 8	Scope of HKFRS 2[4]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[5]
HK(IFRIC) – INT 10	Interim financial reporting and impairment[6]
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions[7]
HK(IFRIC) – INT 12	Service concession arrangements[8]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 March 2006.
[4] Effective for annual periods beginning on or after 1 May 2006.
[5] Effective for annual periods beginning on or after 1 June 2006.
[6] Effective for annual periods beginning on or after 1 November 2006.
[7] Effective for annual periods beginning on or after 1 March 2007.
[8] Effective for annual periods beginning on or after 1 January 2008.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Company.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill on acquisition of additional interests in a subsidiary is calculated as the difference between the consideration paid for the additional interests and the book value of the net assets of the subsidiary attributable to the additional interests acquired.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on acquisition prior to 1 January 2005

Goodwill arising on acquisition of a subsidiary for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of subsidiaries, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of subsidiaries for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiaries at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of subsidiaries is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint ventures

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Advertising agency fee is recognised upon the publication of the related advertisement.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Sole agency rights

On initial recognition, sole agency rights acquired separately and from business combinations are recognised at cost and at fair value respectively. After initial recognition, sole agency rights with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for sole agency rights with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of sole agency rights are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Impairment loss (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as an income immediately.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Operating leases

Leases are classified as finance leases whenever the terms of lease transfer substantially all risks and rewards of ownership to lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and jointly controlled entity, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financials statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in consolidated income statement in the period in which they are incurred.

Retirement benefits costs

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables, derivative instrument and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amount due from a jointly controlled entity, amounts due from related companies, pledged bank deposit and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities other than convertible bond (see the accounting policy below), including bank borrowing, trade payables, other payables and accruals and amounts due to related companies, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Convertible bond

Convertible bond issued by the Company that contain liability, conversion option and other embedded derivatives components are classified separately into respective items on initial recognition. Conversion option will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, the liability, conversion option and other embedded derivative components are recognised at fair value.

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The conversion option and other embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability, conversion option and other embedded derivative components in proportion to the allocation of the proceeds. Transaction costs relating to the conversion option derivative is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

Warrant

Warrant issued by the Company that will be settled by other than the fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a derivative financial instrument. At the date of issue, the warrant is recognised at fair value. In subsequent periods, the warrant are measured at fair value with changes in fair value recognised in the profit or loss.

Derivative financial instruments

Derivatives (including embedded derivative which are early redemption discretionary option and conversion option) are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited subsequent to vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

With respect to the share options granted on or after 7 November 2002 and vested before 1 January 2005, the Group did not recognise the financial effect of these share options until they are exercised. Upon exercise of share option, it is accounted for as equity instrument of the Company (see accounting policy above).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 December 2006, the carrying amount of goodwill is HK$125,216,000. Details of the recoverable amount calculation are disclosed in note 15.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Allowances for bad and doubtful debts

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows to determine the impairment loss. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

5. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade receivables, other receivables, amounts due from related companies, amount from a jointly controlled entity, derivative financial instruments, trade payables, other payables and accruals, amounts due to related companies, bank borrowing, pledged bank deposit, convertible bond and bank balances. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

The Group has no significant concentration of credit risk, with exposure spread over a number of counter-parties and customers.

In order to minimise credit risk, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviews the recoverable amount of each individual trade debtor regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

The Group's pledged bank deposit and bank balances are deposited with banks of high credit rating and the Group has limited exposure to any single financial institution.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

5. FINANCIAL INSTRUMENTS *(continued)*

Market risk

Currency risk

Equity investments of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Fair value interest rate risk

The Group's fair value interest rate risk relates to the convertible bond issued by the Group in the current year (see note 26 for details of convertible bond) as well as the pledged bank deposit and bank borrowing.

The Group manages its interest rate exposure based on the interest rate level and outlook as well as potential impact on the Group's financial position arising from volatility. The management will consider hedging significant interest rate exposure should the need arise.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates to bank balances carried at prevailing market rate. However, such exposure is minimal to the Group as the bank balances are all short-term in nature.

Equity price risk

The Group has equity investments in a Singapore listed company and a United States company with its shares traded on Over-The-Counter Bulletin Board as well as nil-paid warrants and conversion option component of convertible bond and are therefore exposed to equity security price risk. The management closely monitors the performance of the investees and will consider other risk management actions should the need arises.

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair value of derivative instruments, are estimated using option pricing model (for example, binomial method).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

6. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the net invoiced value of provision of advertising agency services, net of discounts and sales related taxes.

The Group's revenue is entirely derived from activities carried out in the PRC. Accordingly, no analysis by business and geographical segments is presented.

7. FINANCE COSTS

	2006	2005
	HK$'000	HK$'000
Interest on:		
Bank loan wholly repayable within five years	**105**	–
Effective interest expenses on convertible bond (Note 26)	**4,995**	–
	5,100	–

8. (LOSS) PROFIT BEFORE TAXATION

	2006	2005
	HK$'000	HK$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	**620**	500
Bad debts written off	**8,799**	2,540
Staff costs (including directors' remuneration):		
Wages, salaries and other allowances	**11,277**	8,497
Contributions to retirement benefits schemes	**1,262**	574
Share option benefits	**–**	142
	12,539	9,213
Depreciation of property, plant and equipment	**687**	740
Amortisation of sole agency rights*	**1,686**	2,551
	2,373	3,291
Operating leases payments in respect of rented premises	**2,602**	1,816
Loss on disposal of property, plant and equipment	**5**	22
Loss on disposal of investments held for trading	**–**	3
Bank interest income	**(3,069)**	(2,647)
Exchange loss (gain), net	**1,954**	(898)

* The amortisation of sole agency rights is included in "Cost of sales" on the face of the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

9. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the 9 (2005: 10) directors were as follows:

	Wang Boming HK$'000	Zhang Zhifang HK$'000	Dai Xiaojing HK$'000	Li Shijie HK$'000	Lau See Him Louis HK$'000	Fu Fengxiang HK$'000	Wang Xiangfei HK$'000	Ge Ming HK$'000	Ding Yu Cheng HK$'000	Total 2006 HK$'000
Fees	–	–	–	–	–	24	72	60	180	336
Other emoluments										
Salaries and other benefits	46	–	71	159	84	–	–	–	–	360
Contributions to retirement benefits schemes	35	–	37	38	3	–	–	–	–	113
Total emoluments	81	–	108	197	87	24	72	60	180	809

	Wang Boming HK$'000	Zhang Zhifang HK$'000	Dai Xiaojing HK$'000	Li Shijie HK$'000	Yeh Shuen Ji HK$'000	Lau See Him Louis HK$'000	Fu Fengxiang HK$'000	Wang Xiangfei HK$'000	Ge Ming HK$'000	Ding Yu Cheng HK$'000	Total 2005 HK$'000
Fees	–	–	–	–	–	–	24	72	60	90	246
Other emoluments											
Salaries and other benefits	–	–	–	125	–	336	–	–	–	–	461
Contributions to retirement benefits schemes	–	–	–	17	–	12	–	–	–	–	29
Total emoluments	–	–	–	142	–	348	24	72	60	90	736

During both years, no emoluments were paid by the Group to the directors as compensation for loss of office or as a discretionary bonus or an inducement to join or upon joining the Group. None of the directors has waived any emoluments in both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

9. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

(continued)

Employees' emoluments

In 2006, the five highest paid individuals in the Group do not include any director of the Company. In 2005, one of the five highest paid individual was a director, whose emolument is included above. The emoluments of the five (2005: four) highest paid individuals were as follows:

	2006	2005
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,146**	2,059
Retirement benefits scheme contribution	**148**	47
Share option benefits	**–**	142
	2,294	2,248

The aggregate emoluments of each of their emoluments were within the emoluments band ranging from nil to HK$1,000,000 for both years.

10. TAXATION

No provision for Hong Kong Profits Tax has been made for both years because the relevant Group entity incurred a tax loss in Hong Kong.

The Group is subjected to the PRC enterprise income tax rate of 15% (2005: 15%), the preferential tax rate for enterprises established in Shenzhen and Hainan's Special Economic Zones. Taxes arising in other jurisdictions of the PRC are calculated at the rates of 33%.

The taxation for the year can be reconciled to the (loss) profit before taxation per the consolidated income statement as follows:

	2006	2005
	HK$'000	HK$'000
(Loss) profit before taxation	**(20,055)**	49,790
Tax at PRC income tax rate of 15%	**(3,008)**	7,469
Effect of different income tax rates	**457**	705
Tax effect of tax losses not recognised	**3,813**	1,442
Tax effect of expenses not deductible for tax purposes	**5,374**	356
Tax effect of income not taxable for tax purposes	**(350)**	(17)
Others	**(20)**	328
Taxation for the year	**6,266**	10,283

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

10. TAXATION *(continued)*

At the balance sheet date, the Group had estimated unused tax losses of HK$57,730,000 (2005: HK$32,312,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated unused tax losses due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

11. DIVIDEND

	2006 **HK$'000**	2005 HK$'000
Proposed final – nil per ordinary share (2005: HK$0.004)	**–**	6,207
Dividends recognised as distribution during the year	**6,207**	15,492

12. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

	2006 **HK$'000**	2005 HK$'000
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((loss) profit for the year attributable to equity holders of the parent)	**(29,001)**	30,565
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,552,386,395**	1,549,823,929
Effect of dilutive potential ordinary shares assumed exercise of share options	**–**	11,711,309
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,552,386,395**	1,561,535,238

For the year ended 31 December 2006, the computation of diluted loss per share does not assume the exercise of share options, conversion of the convertible bond or exercise of warrants since their exercise or conversion would result in a decrease in loss per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture, fixtures and fittings HK$'000	Computer and office equipment HK$'000	Total HK$'000
COST					
At 1 January 2005	322	703	32	1,067	2,124
Exchange realignment	–	14	–	21	35
Additions	–	577	–	828	1,405
Disposals	–	–	–	(63)	(63)
At 31 December 2005	322	1,294	32	1,853	3,501
Exchange realignment	–	52	–	109	161
Additions	–	164	–	1,225	1,389
Disposals	–	–	–	(33)	(33)
At 31 December 2006	**322**	**1,510**	**32**	**3,154**	**5,018**
ACCUMULATED DEPRECIATION					
At 1 January 2005	119	141	7	272	539
Exchange realignment	–	3	–	5	8
Provided for the year	203	207	25	305	740
Eliminated on disposals	–	–	–	(41)	(41)
At 31 December 2005	322	351	32	541	1,246
Exchange realignment	–	21	–	34	55
Provided for the year	–	246	–	441	687
Eliminated on disposals	–	–	–	(28)	(28)
At 31 December 2006	**322**	**618**	**32**	**988**	**1,960**
CARRYING VALUES					
At 31 December 2006	**–**	**892**	**–**	**2,166**	**3,058**
At 31 December 2005	–	943	–	1,312	2,255

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the lease term
Motor vehicles	4 to 5 years
Furniture, fixtures and fittings	10 years or over the lease term
Computer and office equipment	3 to $6^{2}/_{3}$ years

14. SOLE AGENCY RIGHTS

	HK$'000
COST	
At 1 January 2005	25,706
Exchange adjustment	494
At 31 December 2005	26,200
Exchange adjustment	939
At 31 December 2006	**27,139**
ACCUMULATED AMORTISATION	
At 1 January 2005	834
Exchange adjustment	16
Provided for the year	1,686
At 31 December 2005	2,536
Exchange adjustment	91
Provided for the year	1,746
At 31 December 2006	**4,373**
CARRYING VALUES	
At 31 December 2006	**22,766**
At 31 December 2005	23,664

Sole agency rights of advertising on certain newspapers and magazines are amortised over periods ranging from 16 to 20 years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

15. GOODWILL

	HK$'000
At 1 January 2005 and 31 December 2005	60,387
Arising on acquisitions of additional interests in subsidiaries (Note 27)	64,829
At 31 December 2006	**125,216**

Goodwill is entirely related to the provision of advertising agency services resulted from business combination.

The recoverable amount has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 15%. Cash flows for further fifteen years are extrapolated at zero growth rate. Key assumptions for the value in use calculations are the budgeted growth rate and budgeted gross margin, which are determined based on past performance, management's expectations for the market development and market growth forecasts.

16. INTEREST IN A JOINTLY CONTROLLED ENTITY

As at 31 December 2006, the Group had 50% equity interest in SEEC/Ziff Davis Media Group (China) Ltd. ("SEEC/Ziff"), a company incorporated in British Virgin Islands. SEEC/Ziff is engaged in consulting, advertising and publishing-related activities in the PRC.

Amount due from a jointly controlled entity is unsecured, interest-free and is repayable on demand. The directors of the Company consider the carrying amount approximates its fair value.

The investment cost and share of results of unlisted jointly controlled entity are negligible.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

16. INTEREST IN A JOINTLY CONTROLLED ENTITY *(continued)*

The summarised financial information in respect of the Group's jointly controlled entity is set out below:

	2006	2005
	HK$'000	HK$'000
Total assets	**11,350**	11,542
Total liabilities	**(11,934)**	(11,700)
Net liabilities	**(584)**	(158)
Revenue	**–**	–
Loss for the year	**(426)**	(158)

The Group has discontinued recognition of its share of loss of jointly controlled entity . The amounts of unrecognised share of result of a jointly controlled entity, extracted from the relevant unaudited management account is as follows:

	2006	2005
	HK$'000	HK$'000
Unrecognised share of loss of jointly controlled entity for the year	**213**	79
Accumulated unrecognised share of loss of jointly controlled entity	**292**	79

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

17. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2006 HK$'000	2005 HK$'000
Fair values:		
Equity securities listed in Singapore ("Singapore-AFS")	**8,860**	10,370
Equity securities traded on Over-The-Counter Bulletin Board in the United States ("US-AFS")	**4,145**	–
	13,005	10,370
Carrying amounts analysed for reporting purposes as:		
Current assets	**13,005**	5,185
Non-current assets (Note)	**–**	5,185
	13,005	10,370

Note: Unless prior written consent is obtained from the investee company, 50% of the securities would not be realised or transferred for a period of twelve months commencing from 30 December 2004 and the remaining balance of such securities would not be realised or transferred by the Company for a period of twenty four months commencing from 30 December 2004. All the available-for-sale investments were classified as current assets at 31 December 2006 as such restriction had expired.

As at the balance sheet date, all available-for-sale investments are stated at fair values. Fair values of those investments have been determined by reference to bid prices quoted in active markets.

At the balance sheet date, the directors have considered the recoverable amounts and recognised an impairment loss of HK$21,149,000. Subsequent to the initial recognition of US-AFS in May 2006 (see note 19 for details), the market price of the US-AFS had significantly reduced as a result of the termination of an investment project of the investee company. Accordingly, an impairment loss of HK$16,855,000 has been recognised in the consolidated income statement. In addition, the directors considered the prolong decrease in market price of the Singapore-AFS, an impairment loss of HK$4,294,000 was recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

18. DERIVATIVE FINANCIAL INSTRUMENTS

	2006	2005
	HK$'000	HK$'000
Derivative financial asset:		
Redemption discretionary option (Note 26)	**1,069**	–
Derivative financial liabilities:		
Conversion option (Note 26)	**3,226**	–
Nil-paid warrants (Note 26)	**12,990**	–
	16,216	–

The amounts are stated at fair values. The fair values are determined by an independent valuer, Vigers Appraisal & Consulting Limited, registered professional surveyor, on market value basis.

The fair value of redemption discretionary option was calculated using the Black's model. The inputs into the model were as follows:

Bond price	68.6%
Exercise price	100%
Volatility of bond price	12%
Coupon rate	1.44%

The fair value of conversion option and nil-paid warrants were calculated using the binomial model. The inputs into the model were as follows:

Stock price	HK$0.39
Volatility	57%
Dividend	2%
Option life	4.38 years
Risk-free rate	3.66%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

19. LOAN RECEIVABLE

At 31 December 2005, the amount represented partial consideration receivable from the purchaser (the "Purchaser") with respect to the disposal of a subsidiary in 2004.

Pursuant to the supplemental deed dated 12 September 2005 ("Supplementary Deed") to the sale and purchase agreement entered into between the Company, Observer Star Global Publishing Holding Ltd. ("Observer Star Global") and Sun Business Network Ltd. ("Sun Business") on 7 November 2004, the amount was repayable on or before 31 March 2006 at the option of Observer Star Global in the following manner:

(i) by delivery by Observer Star Global to the Company banker's drafts in favour of the Company for HK$19,000,000 and pay to the Company interest at the rate of 3.3% per half year on the outstanding amount or any remaining balance thereof until it is fully paid to the Company; or

(ii) by delivery by Observer Star Global to the Company banker's drafts in favour of the Company for HK$2,000,000; and Observer Star Global shall further procure a third party to transfer shares carrying an equivalent value of HK$19,000,000 in a reputable company which is listed on a recognised stock exchange approved by the Company, provided that the terms set out in the Supplementary Deed are met.

On 11 April 2006, Observer Star Global, Sun Business and the Company entered into the second supplemental deed, pursuant to which Observer Star Global had transferred to the Company 708,502 shares of Sun New Media Inc., a company incorporated in Minnesota, United States (its common stock are traded on Over-The-Counter Bulletin Board in the United States) with fair value (determined based on the quoted price at the settlement date) of approximately HK$21,000,000, on 29 May 2006 for satisfying in full the loan receivable in accordance to settlement terms as mentioned in (ii) above, resulting in a gain of HK$2,000,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

20. TRADE AND OTHER RECEIVABLES

The average credit period granted by the Group to the trade receivables is within three months from the date of recognition of the sale.

The aging analysis of the Group's trade receivables is as follows:

	2006		2005	
	HK$'000	**%**	HK$'000	%
Within three months	**20,314**	**66**	21,116	70
Four to six months	**6,939**	**22**	6,242	21
Seven months to one year	**3,607**	**12**	2,756	9
	30,860	**100**	30,114	100

The directors of the Company are in the opinion that the carrying amounts of trade and other receivables approximate their fair values.

21. PLEDGED BANK DEPOSIT AND BANK BALANCES

Bank balances carry interest at market rates which range from 1.80% to 4.49% (2005: 1.71% to 2.07%) per annum. The pledged deposit carries fixed interest rate of 4.9% per annum.

Pledged bank deposit represents deposit pledged to a bank to secure short-term banking facilities granted to the Company's subsidiary and will be released upon the settlement of relevant bank borrowing.

22. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Note	**2006** **HK'000**	2005 HK'000
Amounts due from related companies	(i)	**2,520**	889
Amounts due to related companies	(i)	**1,116**	–

Notes:

(i) The related companies are companies which key management of the Company have significant interests. The amounts are unsecured, non-interest bearing and have no fixed terms of repayment. The maximum amount due from related companies outstanding during the year was HK$2,576,000 (2005: HK$5,968,000).

(ii) The directors of the Company are in the opinion that the carrying amounts approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

23. OTHER FINANCIAL LIABILITIES

Trade payables

The aging analysis of the Group's trade payables is as follows:

	2006		2005	
	HK$'000	**%**	HK$'000	%
Within three months	**5,589**	**100**	1,899	69
Four months to one year	**–**	**–**	834	30
Over one year	**–**	**–**	41	1
	5,589	**100**	2,774	100

The directors of the Company are in the opinion that the carrying amounts of trade payables approximate their fair values.

Other payables and accruals

The directors of the Company are in the opinion that the carrying amounts of other payables and accruals approximate their fair values.

24. BANK BORROWING

	2006	2005
	HK$'000	HK$'000
Secured bank loan repayable within one year	**7,968**	–

The bank loan bears fixed interest at 5.02% per annum.

The bank loan is secured by a bank deposit of HK$39,000,000 (2005: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

25. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2005, 31 December 2005, 1 January 2006 and 31 December 2006	3,000,000	300,000
Issued and fully paid:		
At 1 January 2005	1,547,875	154,787
Exercise of share options	2,950	295
At 31 December 2005 and 1 January 2006	1,550,825	155,082
Exercise of share options (Note)	2,900	290
At 31 December 2006	1,553,725	155,372

All the issued shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

Note: During the year, the subscription rights attaching to 2,900,000 share options were exercised at the subscription price of HK$0.21 per share resulting in the issue of 2,900,000 shares of HK$0.10 each for a total cash consideration of approximately HK$609,000.

26. CONVERTIBLE BOND

Pursuant to an agreement dated 20 April 2006, the Company issued a convertible bond ("CB") amounting to US$10 million (equivalent to HK$78 million) and a nil-paid warrant ("Nil-paid warrant") to an independent third party, Templeton Strategic Emerging Markets Fund II, LDC, represented by Templeton Asset Management Limited, on 19 May 2006. The CB carried coupon interest at the rate of 2% per annum on the outstanding principal amount of the CB and will mature at the fifth year after the issuance of the CB. Interest is payable annually in arrears on 19 May in each year with the first payment commencing on 19 May 2007.

The Company may, at any time after 19 November 2008, having given not less than 30 days' notice and not more than 60 days' notice to the bondholders, redeem all or some of the CB at a redemption price equal to the sum of (i) the principal amount of the CB and (ii) the redemption premium of the CB as specified in the CB agreement.

Conversion price of the CB is the higher of (i) HK$0.422 per share and (ii) an amount equalling 90% of the volume weighted average price of the Company's share for the 30 trading days preceding 19 November 2008. The CB holder has the right to convert all or some of the CB into the Company's shares at any time during the period from 19 November 2008 up to the close of business on 4 May 2011.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

26. CONVERTIBLE BOND *(continued)*

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem CB at 138.51% of its principal amount plus accrued interest on 8 May 2011.

The Nil-paid warrant, which was granted for no consideration, carries the right to subscribe for up to 79,947,009 shares of the Company at an exercise price of HK$0.422 per share during the period from 19 May 2006 to 18 May 2011.

The net proceeds received from the issue of CB and Nil-paid warrant contain the following components that are required to be separately accounted for in accordance with Hong Kong Accounting Standard 39:

(i) Liability component for the CB represents the present value of the contractually determined stream of future cash flows discounted at the rate of interest at 19 May 2006 by the market to instruments of comparable credit status taken into account the business risk of the Company as well as the large amount of the CB, but without the conversion option. The effective interest rate of the liability component is 12% per annum.

(ii) Conversion option of the CB to be accounted for as a separate financial liability represents the fair value of the option to convert the liability into equity of the Company but the conversion will be settled other than by the exchange of a fixed number of the Company's own equity.

(iii) Redemption discretionary option represents the Company's option to early redeem all or part of the CB. The Company is allowed to redeem the CB at any time after 19 November 2008 at a redemption price as specified above.

(iv) Nil-paid warrant represents the right to subscribe the Company's own equity.

The movement of different components of the CB during the year is set out below:

	Liability		**Nil-paid warrant**		**Conversion option**		**Redemption discretionary option**		**Total**	
	US$'000	equivalent as HK$'000 (Note)	US$'000	equivalent as HK$'000	US$'000	equivalent as HK$'000	US$'000	equivalent as HK$'000	US$'000	equivalent as HK$'000
At 1 January 2006	–	–	–	–	–	–	–	–	–	–
Issued during the year	8,581	66,927	1,170	9,129	424	3,309	(175)	(1,365)	10,000	78,000
Interest charged	640	4,995	–	–	–	–	–	–	640	4,995
(Gain) loss arising on changes of fair value	–	–	495	3,861	(11)	(83)	38	296	522	4,074
At 31 December 2006	**9,221**	**71,922**	**1,665**	**12,990**	**413**	**3,226**	**(137)**	**(1,069)**	**11,162**	**87,069**

Note: The amounts of approximately HK$70,952,000 and HK$970,000 are included in convertible bond and other payables and accruals, respectively.

The fair value of the liability component of CB at the balance sheet date is approximately HK$70,885,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

27. ACQUISITIONS OF ADDITIONAL INTEREST IN CONTROLLED ENTITIES AND ASSETS

(i) Acquisition of additional interest in controlled entities

On 25 May 2006, the Company entered into a conditional agreement with Shanghai SEEC Investment and Development Co., Ltd. ("Shanghai SEEC"), a minority shareholder of certain subsidiaries of the Company for the acquisition of the 14.3% interest in the registered capital of Hainan Caixun Informedia Co., Ltd. ("Hainan Caixun"); and 40% interest in the registered capital of Beijing Caixun Century Infotech Co., Ltd. ("BCCI") for a cash consideration of approximately HK$92,066,000. Both Hainan Caixun and BCCI are non wholly owned subsidiaries of the Company before completion of conditional agreement. Hainan Caixun and BCCI collectively hold 100% equity interests of Beijing Caixun Advertising Co., Ltd. ("Beijing Caixun") and Shenzhen Caixun Advertising Co., Ltd. ("Shenzhen Caixun"). Upon completion, Hainan Caixun, BCCI, Beijing Caixun and Shenzhen Caixun became wholly owned subsidiaries of the Company and resulted in goodwill arising of approximately HK$64,829,000. The goodwill arising on acquisition is attributable to anticipated profitability of the business. This transaction was completed on 30 June 2006.

(ii) Acquisition of asset

On 6 September 2006, Beijing Caixun and Shenzhen Caixun entered into an agreement (the "Transfer Agreement") with Shanghai SEEC and Beijing Lianzheng Information & Technology Company Limited to acquire 80% and 20% interest of the registered capital in Beijing Jingzheng Ronglian Advertising Company Limited ("Jingzheng Ronglian Advertising") respectively at an aggregate consideration of RMB2,000,000 (approximately HK$1,942,000).

Under the Transfer Agreement, the Company in effect purchased the bare shelf of Jingzheng Ronglian Advertising with its paid-up registered capital and its cash balances of RMB2,000,000 (approximately HK$1,942,000). Apart from this, the Company will not purchase any other assets and liabilities of Jingzheng Ronglian Advertising. This transaction was set out in the Company's circular dated 15 September 2006.

Acquisition of asset did not have cash flow impact to the Group.

28. NON-CASH TRANSACTION

During the year, the Purchaser settled its outstanding balance of HK$19,000,000 by transferring to the Company equity securities with fair value of approximately HK$21,000,000. The Group has recognised the difference between the fair value of equity securities and the fair value of loan receivable of HK$2,000,000 as other income. Further details of the settlement from Purchaser are set out in note 19.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

29. COMMITMENTS

(a) Operating lease commitments

As lessee

At the balance sheet date, the Group had commitments for future minimum lease payments which fall due as follows:

	2006 HK$'000	2005 HK$'000
Within one year	**2,311**	1,348
In the second to fifth year inclusive	**1,858**	1,007
	4,169	2,355

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for a term ranging from 3 to 5 years.

(b) Other commitments

Pursuant to an agreement dated 22 April 2004 entered into between the Group and a magazine publication company, being an independent third party, the Group at 31 December 2006 had commitments to make a total payment of approximately RMB1,474,000 (2005: RMB1,860,000) (equivalent to approximately HK$1,468,000 (2005: HK$1,788,000)) over the period up to 2011 for the exclusive franchising charges of the magazine publication company.

Pursuant to an agreement dated 5 November 2001 entered into between the Group and a magazine publication company, being an independent third party, the Group at 31 December 2006 had commitments to make a total payment of approximately RMB6,088,000 (2005: RMB15,000,000) (equivalent to approximately HK$6,063,000 (2005: HK$14,423,000)) over the period up to 2018 for the exclusive franchising charges of the magazine publication company.

Pursuant to an agreement dated 14 January 2005 entered into between the Company and a magazine publication company, being an independent third party, the Company at 31 December 2006 had commitments to make a total payment of approximately US$163,000 (2005: nil) (equivalent to approximately HK$1,268,000 (2005: nil)) over the period up to 2008 for the exclusive franchising charges of the magazine publication company.

Pursuant to an agreement dated 27 March 2006 entered into between the Company and a magazine publication company, being an independent third party, the Company at 31 December 2006 had commitments to make a total payment of approximately US$1,123,000 (equivalent to approximately HK$8,759,000) over the period up to 2010 for the exclusive franchising charges of the magazine publication company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

30. SHARE OPTION SCHEMES

Equity-settled share option scheme:

The Company operates a share option scheme (the "Share Option Scheme") adopted on 26 August 2002 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Group and to enable the Group to recruit high calibre employees and attract resources that are valuable to the Group. Eligible participants of the Share Option Scheme include any employee (including executive directors), officer (including non-executive directors and independent non-executive directors), consultant, agent, professional adviser, customer, business partner, joint venture partner, strategic partner, landlord or tenant of, or any supplier or provider of goods or services to the Group, or any trustee of a discretionary trust to which one or more beneficiaries belong to any of the above-mentioned categories of persons. The Share Option Scheme became effective on 26 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the Company's shares in issue at any time. At 31 December 2006, the number of shares issuable under share options granted under the Share Option Scheme was 33,000,000 (2005: 35,900,000), which represented approximately 2.12% (2005: 2.31%) of the Company's shares in issue as at that date. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$10 in total by the grantee. An option may be exercised under the Share Option Scheme at any time from the vested date to the tenth anniversary from the grant date of the option.

The exercise price of the share options is determinable by the directors, but must not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of an ordinary share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

30. SHARE OPTION SCHEMES *(continued)*

The following table discloses details of the Company's share options held by the director and the employees of the Group and movements in such holdings during the year:

				Number of share options				
Grantee	**Date of grant**	**Exercise price**	**Exercisable period**	**Outstanding at 1.1.2005**	**Exercised during the year**	**Outstanding at 31.12.2005**	**Exercised during the year**	**Outstanding at 31.12.2006**
		HK$			(Note 1)		(Note 1)	
Executive director:								
Mr. Li Shijie	25.7.2003 (Note 2)	0.210	25.7.2004 to 24.7.2009	6,900,000	–	6,900,000	–	6,900,000
Other employees in aggregate	25.7.2003 (Note 2)	0.210	25.7.2004 to 24.7.2009	28,450,000	(2,950,000)	25,500,000	(2,900,000)	22,600,000
	22.10.2003 (Note 3)	0.350	22.10.2003 to 21.7.2008	1,000,000	–	1,000,000	–	1,000,000
	25.2.2004 (Note 2)	0.566	25.2.2005 to 24.2.2010	2,500,000	–	2,500,000	–	2,500,000
				38,850,000	(2,950,000)	35,900,000	(2,900,000)	33,000,000

Notes:

(1) The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$0.338 (2005: HK$0.336).

(2) The option granted on 25 July 2003 and 25 February 2004 were vested on 25 July 2004 and 25 February 2005 respectively.

(3) The option granted on 22 October 2003 was vested on the date of grant.

The Company recognised the total expense of nil for the year ended 31 December 2006 (2005: HK$142,000) in relation to share options granted by the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

31. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance for all qualifying employees of its subsidiaries in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in independently administrated funds. The Group has followed the minimum statutory contribution requirements of 5% of eligible employees' relevant aggregate income.

The employees of the subsidiaries in the PRC are members of the pension schemes operated by the PRC government. The relevant PRC subsidiaries are required to contribute a certain percentage of the relevant portion of these employees' basic salaries to the pension to fund the benefits. The only obligations of the relevant PRC subsidiaries with respect of the pension scheme is the required contributions under the pension scheme.

32. RELATED PARTY TRANSACTIONS

The Group had the following related party transactions during the year:

		THE GROUP	
		2006	2005
	Notes	**HK$'000**	HK$'000
Office rental expenses paid to Shanghai SEEC	(i) & (ii)	**992**	992
Advertising agency fee from Homeway Information Co., Ltd. ("Homeway")	(i)	**–**	1,263
Interest income from CSMRDC	(iii)	**245**	426

Notes:

(i) Shanghai SEEC and Homeway are related to the Group since the Company's key management personnel has significant interest in these entities.

(ii) Pursuant to a rental agreement and a supplementary agreement entered into between the Group and Shanghai SEEC, Shanghai SEEC agreed to grant to the Group the right to use Shanghai SEEC's office premises for a term of 3 years. The rental is charged at approximately RMB86,000 (2005: RMB86,000) (equivalent to approximately HK$82,000 (2005: HK$82,000) per month with effect from 1 January 2005.

(iii) Interest income is charged by reference to the principal outstanding and at 4.04% (2005: 4.04%) per annum as set out in relevant loan agreement.

In addition, compensation of key management personnel represents directors' remuneration as set out in note 9. The directors' remuneration is determined by the Board having regard to the performance, responsibilities and experiences of individuals and market trends.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

33. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name	Country of incorporation or registration/ operations	Proportion of nominal value of issued share capital/ registered capital held by the Company Directly %	Indirectly %	Issued and fully paid ordinary share capital/ registered capital and form of business structure	Principal activities
Beijing Caixun	PRC	–	100	RMB5,000,000 Limited liability company	Advertising agent
BCCI	PRC	–	100	RMB4,000,000 Limited liability company	Investment holding
Jingzheng Ronglian Advertising	PRC	–	100	RMB2,000,000 Limited liability company	Advertising agent
Beijing SEEC Book and Press Distribution Co., Ltd.	PRC	–	100	RMB5,000,000 Limited liability company	Book and press distributor
Hainan Caixun	PRC	–	100	RMB9,000,000 Limited liability company	Investment holding
Shenzhen Caixun	PRC	–	100	RMB1,000,000 Limited liability company	Advertising agent
Shanghai Caixun Media Conference Exhibition Limited	PRC	100	–	HK$10,000,000 Limited liability company	Investment holding
Superfort Management Corp.	British Virgin Islands/ Hong Kong	100	–	US$100 Limited company	Investment holding

The directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the subsidiaries which principally affect the results or assets and liabilities of the Group.

None of the subsidiaries had any debt securities outstanding during the year or at the end of the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

34. POST BALANCE SHEET EVENTS

Under the Share Option Scheme, 38,200,000 share options were granted on 7 February 2007 to the eligible participants at an exercise price of HK$0.33 per share. The estimated fair value of the share options granted was approximately HK$6,200,000, which was calculated using the binominal model. The options will be vested on 7 February 2010.

On 16 April 2007, each of Beijing Caixun, Beijing SEEC Book and Press Distribution Co., Ltd ("Beijing SEEC") and Shenzhen Caixun entered into a lease agreement with Shanghai SEEC whereby each of Beijing Caixun, Beijing SEEC and Shenzhen Caixun agreed to lease certain premises owned by Shanghai SEEC for a term of 1 year commencing from 1 April 2007 for office purposes. The monthly rentals payable by Beijing Caixun, Beijing SEEC and Shenzhen Caixun under the said lease agreements are approximately RMB15,000 (equivalent to approximately HK$15,000), RMB8,000 (equivalent to approximately HK$8,000), and RMB161,000 (equivalent to approximately HK$161,000) respectively.

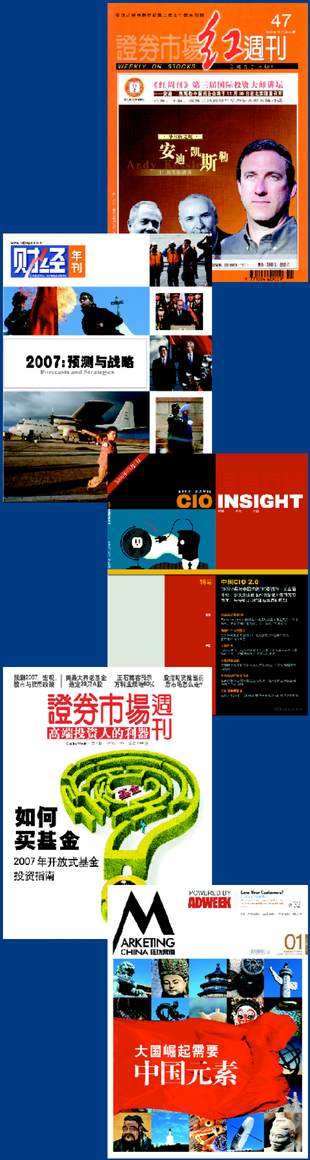
Financial Summary

RESULTS

	Year ended 31 December				
	2002	2003	2004	2005	**2006**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
REVENUE	78,000	112,390	76,987	101,463	**99,098**
PROFIT (LOSS) FROM OPERATING ACTIVITIES	3,164	38,015	34,562	49,790	**(14,955)**
FINANCE COSTS	(165)	–	–	–	**(5,100)**
(LOSS) GAIN ON DISPOSAL OF SUBSIDIARIES	–	(1,820)	30,704	–	**–**
RELEASED OF RESERVES UPON DISPOSAL OF AN ASSOCIATE	–	6,566	–	–	**–**
PROFIT (LOSS) BEFORE TAXATION	2,999	42,761	65,266	49,790	**(20,055)**
TAXATION	(798)	(5,627)	(8,934)	(10,283)	**(6,266)**
PROFIT (LOSS) FOR THE YEAR	2,201	37,134	56,332	39,507	**(26,321)**
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE PARENT	1,317	28,259	52,397	30,565	**(29,001)**
MINORITY INTERESTS	884	8,875	3,935	8,942	**2,680**
	2,201	37,134	56,332	39,507	**(26,321)**

ASSETS AND LIABILITIES

	At 31 December				
	2002	2003	2004	2005	**2006**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
TOTAL ASSETS	222,078	234,279	294,402	330,153	**382,854**
TOTAL LIABILITIES	(66,263)	(17,321)	(25,162)	(37,108)	**(140,376)**
	155,815	216,958	269,240	293,045	**242,478**



47
證券市場紅週刊
WEEKLY ON STOCKS
《红周刊》第三届国际投资大师讲坛
安迪·凱斯勒
财经 年刊
2007:预测与战略
Forecasts and Strategies
CIO INSIGHT
特稿
中国CIO 2.0
證券市場週刊
高端投资人的利器
如何
买基金
2007年开放式基金
投资指南
POWERED BY
ADWEEK
ARKETING
CHINA
01
大国崛起需要
中国元素