2007年年報
Annual Report 2007

財訊傳媒集團有限公司
SEEC MEDIA GROUP LIMITED

(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

AUDITOR

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 OFFICE

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
Tricor 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 2007 annual results for the Company and its subsidiaries (collectively referred to as the "Group" or "SEEC Media").

BUSINESS REVIEW

China's advertising industry and print media faced new challenges amidst stable growth in 2007. As the 2008 Beijing Olympic Games approaches, there was a trend for corporations to defer their advertising expenditure to 2008. In 2007 there were continual slowdown of advertising launches by core industries, traditional media sector was under pressure. According to Nielsen Media Research, the year-to-year growth in advertisement expenditure in China was 15%. The growth rate of printed media in China remained stable in 2007 but slowed as compared to the previous year. Nonetheless, magazine advertising expenditure increased 19% as compared to 2006.

Faced with changing market conditions, the Group adapted its strategy to focus on further penetrating the consumer magazine market. In the second half of 2007, the Group successfully acquired the advertising rights of 'China Auto Pictorial', a leading magazine in automobile sector. The acquisition was successfully completed in August 2007 and brought positive contribution. The Group also acquired the China advertising rights for the 'TimeOut' magazine at the end of 2007. Apart from these, the Group also entered into a cooperation agreement with Mondadori Publication S.P.A., the largest publication group in Italy, to establish a joint venture advertising company to build upon and further exploit the consumer magazine advertising segment in China.

As of 31 December 2007, the Group held 11 advertising rights of magazines in China. In addition to launching new titles, the Group continued to develop its well-established brands and focus on business consolidation which reflected satisfactory results of its magazine portfolio. The Group's revenue showed robust growth and amounted to approximately HK$186,491,000, an increase of 88%, as compared to 2006. Despite significant investment for establishing the new titles in our Group's magazine portfolio, the Group successfully turned around its loss making position and recorded a modest profit of HK$6,141,000 for the year.

During the year, the Group's flagship magazine 'Caijing' continued its strong growth momentum with further emphasis on improving brand-recognition. Building upon the long-term foundation of high quality editorial content and brand preservation, the management had strengthened and enhanced various operational strategies. 'Caijing' magazine is currently acknowledged by the media industry as the most outstanding financial magazine in China, with huge potential to further leverage on its brand value. With continuous support from our advertising customers, together with raises of our advertisement prices, revenue generated by 'Caijing' magazine increased by 44% as compared to last year.

However, another flagship magazine of our group, 'Real Estate', was still adversely affected by the austerity measures to cool down real estate market implemented by the Chinese Central Government in 2006. To minimize impacts of the austerity measures, the Group implemented a series of strategies to enhance its operation and cost control in 2007. The positive market sentiment brought on by the 2008 Olympic Games to the property market in Beijing gave a welcome boost to the revenue contribution from "Real Estate" magazine. The advertising revenue generated from the magazine recorded a significant growth of 35% as compared to 2006.

CHAIRMAN'S STATEMENT

To consolidate our brands, the Group put efforts to further develop event activities and related conferences. These not only enhanced our brand image but also increased revenue. Revenue generated from conferences and event activities increased three times and amounted to approximately HK$3.1 million for 2007.

'Sports Illustrated' was first launched by the Group in September 2006 and was still in its incubation period. However, it gained an excellent reputation among its peers within the sport magazine sector. The revenue generated by 'Sports Illustrated' in 2007 amounted to approximately HK$8.9 million. Being a new magazine in the market, the growth potential of "Sports Illustrated" remains enormous. During the year, 'Sport Illustrated' and 'Caijing' jointly launched special issues named 'Olympic Plus' which received positive feedback from advertising customers. The promising response confirmed the Group's successful strategy and efforts in brand-building for its magazine portfolio.

'PC Magazine', a title launched by the joint venture between the Group and Ziff Davis Media Inc. recorded promising growth in its third year of operation. Another title, 'CIO Insight', which targets IT professionals, also showed encouraging growth.

Overall, in 2007, the Group achieved a significant step in the development of its existing portfolio as well as adding new advertising rights of magazines to its deployment. The brands of the Group's flagship magazines were well received and recognized in the market. The business operations of the Group have become more efficient and diversified. The development of new titles, for instance in the consumer market, performed within the management expectations and also built a solid foundation for the Group's further expansion in the market.

OUTLOOK AND PROSPECT

The Group will further diversify its portfolio of magazine advertising rights and explore market potential by acquisitions of new magazines advertising rights when opportunities arise. Furthermore, it will continue to strengthen its existing titles through persistent brand-building exercises and organic growth and to fully prepared itself to meet any challenges ahead in the changing and competitive print media industry.

In view of the positive economic sentiments brought on by the 2008 Olympic Games as well as the robust consumer market development, the directors hold an optimistic view towards the advertising industry in China. Since several of the Group's magazine titles are closely related to the consumer and real estate markets, the Group foresees great potential in these areas in the coming years.

In addition, the Group has acquired the advertising rights of the Chinese version of 'TimeOut' magazine, a city guide which is currently published in Beijing and Shanghai. The 2010 World Expo in Shanghai and rapid urbanization in China are expected to bring more exciting opportunities and ample growth potential for this magazine title.

Furthermore, to cope with the challenges posed from new media to traditional media, the Group will continue to pursuit a diversified development strategy including potential online media business. The Group will continue to cooperate with renowned international publishing and advertising corporations in order to gain valuable business know-how, broaden geographical coverage our magazines, diversify business risk and, above all, enhance shareholders' returns.

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, 26 March 2008

MANAGEMENT DISCUSSION AND ANALYSIS

During the year 2007, turnover of the Group was approximately HK$186.5 million as compared to approximately HK$99.1 million in 2006, representing an increase of 88.2%. In the first half of 2007, the advertising revenue in real estate sector was still seriously affected by the austerity measures implemented by the central government in China in 2006. However, the situation was improved in the second half of the year for the advertising revenue contribution from our 'Real Estate' magazine. The advertising rights of the "China Auto Pictorial" magazine was acquired in August 2007 and this leading automobile magazine brought positive contributions in revenue and profit. Coupled with continued strong growth from our flagship Caijing magazine and increase in revenue from events and conferences activities, an increase in the Group's turnover was resulted.

The Group's magazines launched in 2006 were still in the initial stage of investment in developing these titles and so the selling and distribution costs increased by 65.6%. With tight cost control administrated during the year, the administrative expenses were reduced by 16.9% to approximately HK$22.8 million.

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$8.5 million (2006: HK$5.0 million) mainly related to the CB and loss arising on changes of fair value of the components of the CB was approximately HK$6.9 million for the year 2007 (2006: HK$4.1 million).

Despite the challenging market conditions in 2007, the Group turned around from its loss position. The profit attributable to shareholders for the year of 2007 amounted to approximately HK$6.1 million, when compared to a loss of approximately HK$29.0 million in 2006.

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 2007 (2006: nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's daily operating activities were financed by internal sources and bank borrowings. As at 31 December 2007, the Group's equity was approximately HK$319.6 million (2006: HK$242.5 million). The Group had non-current convertible bond of approximately HK$77.9 million as at 31 December 2007 (2006: HK$71.0 million). As at 31 December 2007, the Group's gearing ratio was 14.4% representing a percentage of non-current liability over total assets (2006: 18.5%).

As at 31 December 2007, the Group had bank borrowings of approximately HK$39.4 million (2006: HK$8.0 million). The increase was mainly because of the draw down of banking facilities to finance the daily operation and the payment for acquisition of office units in Beijing at the end of 2007.

As at 31 December 2007, the Group had cash and time deposits amounted to approximately HK$103.7 million (2006: HK$131.7 million).

As at 31 December 2007, the Group had available-for-sale investments of value approximately HK$0.7 million (2006: HK$13.0 million). The decrease of approximately HK$12.3 million was because of the disposal of the Company's holding of equity securities listed in Singapore and the impairment loss of approximately HK$3.4 million on the Company's holding of equity securities traded on Over-The-Counter Bulletin Board in the United States during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON ASSETS

As at 31 December 2007, the Company had fixed deposit of approximately HK$40.9 million charged to a bank for banking facilities granted to the Group's companies (2006: HK$39.0 million).

CONTINGENT LIABILITIES

The Group and the Company did not have any significant contingent liability as at 31 December 2007 (2006: Nil).

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, 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 2007, the Group had 478 (2006: 262) 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 SCHEME

The Company's share option scheme was adopted on 26 August 2002. During the year, 38,200,000 share options were granted to directors and employees of the Group. As at 31 December 2007, the number of share issuable under share options granted was 65,950,000 (2006: 33,000,000).

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.

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 2007.

CORPORATE GOVERNANCE REPORT

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 and Mr. Ding Yu Cheng. 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.

The Board held full board meetings at approximately quarterly intervals. The attendances of the Board meeting for the year ended 31 December 2007 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. Zhang Ke	2/4

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.

CORPORATE GOVERNANCE REPORT

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 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.

The Remuneration Committee held one meeting during the year under review. Details of the attendance of the Remuneration Committee meeting are as follows:

Members	Attendance
Mr. Zhang Ke	1/1
Mr. Ding Yu Cheng	1/1

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.

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.

AUDITOR'S REMUNERATION

During the year, the fees paid or payable to the auditors of the Company, Messrs. Deloitte Touche Tohmatsu were approximately HK$800,000 (2006: HK$620,000) and HK$71,000 (2006: HK$81,000) for statutory audit services and non-audit services rendered to the Group respectively.

CORPORATE GOVERNANCE REPORT

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.

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 meeting are as follows:

Members	Attendance
Mr. Fu Fengxiang	2/2
Mr. Wang Xiangfei	2/2
Mr. Zhang Ke	2/2

The Group's interim results for the six months ended 30 June 2007 and annual audited results for the year ended 31 December 2007 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.

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 2007, which were prepared in accordance with statutory requirements and applicable accounting standards.

DIRECTORS' PROFILE

EXECUTIVE DIRECTORS

Mr. WANG Boming, aged 53, is the chairman of the Group and is a director of Shanghai SEEC Investment Development Company Ltd. 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 54, 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 48, 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 Shanghai SEEC Investment Development Company Ltd.

Mr. LI Shijie, aged 45, has many 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 45, 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 many 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 of the Company since December 2004.

DIRECTORS' PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. FU Fengxiang, aged 78, has participated in the establishment and management of the securities market in the PRC. 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 56, 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. Since June 2003, Mr. Wang has been 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, Tianjin Capital Environmental Protection Company Limited and CITIC Bank Corporation Limited (which are listed companies in Hong Kong and Shanghai) and Shenzhen Rural Commercial Bank Corporation Limited.

Mr. DING Yu Cheng, aged 41, has many years of 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.

Mr. ZHANG Ke, aged 54, has many years of 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. 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 2007.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 22.

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 68.

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, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2007, the Company had no reserves available for distribution to shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2007, the aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 32% and 51% 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

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 119 and 120 of the Company's articles of association, Messrs. Wang Boming, Zhang Zhifang and Lau See Him Louis 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 33 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 2007 or at any time during the year.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SECURITIES

At 31 December 2007, 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.

At 31 December 2007, details of the share options to subscribe for shares of HK$0.10 each in the Company granted to directors were as follows:

Name of Director	Capacity	Date of grant	Exercise price HK$	Exercisable period	Number of share options outstanding at 31.12.2007	Number of underlying shares
Li Shijie	Beneficial owner	25.7.2003	0.210	25.7.2004 to 24.7.2009	6,900,000	6,900,000
		7.2.2007	0.330	7.2.2010 to 6.2.2015	1,000,000	1,000,000
Wang Boming	Beneficial owner	7.2.2007	0.330	7.2.2010 to 6.2.2015	1,500,000	1,500,000
Zhang Zhifang	Beneficial owner	7.2.2007	0.330	7.2.2010 to 6.2.2015	1,500,000	1,500,000
Dai Xiaojing	Beneficial owner	7.2.2007	0.330	7.2.2010 to 6.2.2015	1,500,000	1,500,000

Save as disclosed above, as at 31 December 2007, 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 31 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.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2007, 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 or interested beneficially held	Percentage of holding
United Home Limited *(Note 1)*	Beneficial owner and controlled corporation	845,843,824	49.04%
Carlet Investments Ltd. *(Note 1)*	Beneficial owner	172,644,210	10.01%
Finansa Public Company Limited *(Note 4)*	Person having a security interest in shares	172,644,210	10.01%
Arisaig Greater China Fund Limited *(Note 2)*	Beneficial owner	161,706,000	9.38%
Arisaig Partners (Mauritius) Limited *(Note 2)*	Held by controlled corporation	161,706,000	9.38%
Arisaig Partners (Holdings) Ltd. *(Note 2)*	Held by controlled corporation	161,706,000	9.38%
Arisaig Partners (BVI) Limited *(Note 2)*	Held by controlled corporation	161,706,000	9.38%
Cooper Lindsay William Ernest *(Note 3)*	Held by controlled corporation	161,706,000	9.38%
Madeleine Ltd. *(Note 3)*	Held by controlled corporation	161,706,000	9.38%

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., 673,199,614 shares which represents approximately 39.03% of the issued share capital of the Company, were directly owned by United Home Limited.

(2) The 161,706,000 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) Limited 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 161,706,000 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 Ernest.

(4) Finansa Public Company Limited has a security interest in the 172,644,210 shares pledged by Carlet Investments Ltd.

DIRECTORS' REPORT

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 2007.

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 of Directors, 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 31 to the consolidated financial statements.

CONNECTED TRANSACTIONS

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

(i) The Group paid rental of approximately HK$1,956,000 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) On 21 June 2007, Beijing Caixun Advertising Co., Ltd and Shenzhen Caixun Advertising Co., Ltd, both being indirect wholly-owned subsidiaries of the Company, entered into a conditional agreement with Shanghai SEEC and Beijing Lianzheng Information & Technology Company Limited to acquire the exclusive advertising agency right in respect of all the advertisements appearing in China Auto Pictorial (中國汽車畫報) until 11 May 2025. The transaction was satisfied by issue of 168,000,000 new ordinary shares of the Company and RMB50,000,000 (equivalent to HK$51,000,000). Details of the transaction was set out in the Company's circular dated 13 July 2007 and notes 14 and 25 to the consolidated financial statements.

The independent non-executive directors reviewed the continuing 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 transaction that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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 2007.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

AUDITOR

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

On behalf of the Board

DIRECTOR

Hong Kong, 26 March 2008

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 22 to 67, which comprise the consolidated balance sheet as at 31 December 2007, 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 2007 and of the Group's profit 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
26 March 2008

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue	6	186,491	99,098
Cost of sales		(70,511)	(25,813)
Gross profit		115,980	73,285
Other income		13,449	7,503
Selling and distribution costs		(71,407)	(43,103)
Administrative expenses		(22,784)	(27,417)
Change in fair value of derivative financial instruments		(6,905)	(4,074)
Impairment loss recognised in respect of available-for-sale investments	19	(3,426)	(21,149)
Finance costs	7	(9,245)	(5,100)
Profit (loss) before taxation	8	15,662	(20,055)
Taxation	11	(9,521)	(6,266)
Profit (loss) for the year		6,141	(26,321)
Attributable to:			
Equity holders of the parent		6,141	(29,001)
Minority interests		–	2,680
		6,141	(26,321)
Earnings (loss) per share (HK cents)	12		
Basic		0.40	(1.87)
Diluted		0.39	(1.87)

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	13	41,055	3,058
Sole agency rights	14	132,715	22,766
Goodwill	15	125,216	125,216
Interests in jointly controlled entities	16	–	–
		298,986	151,040
Current assets			
Inventories	17	765	–
Derivative financial instruments	18 & 26	1,641	1,069
Available-for-sale investments	19	718	13,005
Amounts due from jointly controlled entities	21	6,428	5,856
Trade receivables	20	75,395	30,860
Other receivables and prepayments		11,296	7,798
Amounts due from related companies	21	2,556	2,520
Pledged bank deposits	22	40,861	39,000
Bank balances and cash	22	103,731	131,706
		243,391	231,814
Current liabilities			
Derivative financial instruments	18 & 26	23,693	16,216
Trade payables	23	15,977	5,589
Other payables and accruals		47,233	25,699
Amounts due to related companies	21	1,407	1,116
Bank borrowings	24	39,406	7,968
Tax payable		17,160	12,836
		144,876	69,424
Net current assets		98,515	162,390
Total assets less current liabilities		397,501	313,430
Non-current liability			
Convertible bond	26	77,906	70,952
Net assets		319,595	242,478
Capital and reserves			
Share capital	25	172,472	155,372
Reserves		147,123	87,106
Total equity and equity attributable to equity holders of the parent		319,595	242,478

The consolidated financial statements on pages 22 to 67 were approved and authorised for issue by the Board of Directors on 26 March 2008 and are signed on its behalf by:

DIRECTOR   *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Statutory reserve HK$'000 *(Note)*	Exchange translation reserve HK$'000	Share option reserve HK$'000	Investments revaluation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 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 expenses 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 and 1 January 2007	155,372	19,489	5,395	7,019	850	–	54,353	242,478	–	242,478
Loss on fair value changes of available-for-sale investments	–	–	–	–	–	(3,426)	–	(3,426)	–	(3,426)
Exchange differences arising on translation of foreign operations	–	–	–	12,203	–	–	–	12,203	–	12,203
Net income and expenses recognised directly in equity	–	–	–	12,203	–	(3,426)	–	8,777	–	8,777
Impairment loss recognised in respect of available-for-sale investments	–	–	–	–	–	3,426	–	3,426	–	3,426
Profit for the year	–	–	–	–	–	–	6,141	6,141	–	6,141
Total recognised income for the year	–	–	–	12,203	–	–	6,141	18,344	–	18,344
Issue of shares upon exercise of share options	300	400	–	–	–	–	–	700	–	700
Issue of shares as part of the consideration for acquisition of a sole agency right	16,800	39,480	–	–	–	–	–	56,280	–	56,280
Recognition of equity-settled share-based payment	–	–	–	–	1,793	–	–	1,793	–	1,793
Transfer to reserve funds	–	–	2,783	–	–	–	(2,783)	–	–	–
	17,100	39,880	2,783	–	1,793	–	(2,783)	58,773	–	58,773
At 31 December 2007	172,472	59,369	8,178	19,222	2,643	–	57,711	319,595	–	319,595

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 to the statutory reserve (except where the reserve has reached 50% of the subsidiaries' registered capital). The profit after taxation is determined in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC. This reserve 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 equity holders under certain conditions.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Profit (loss) before taxation		**15,662**	(20,055)
Adjustments for:			
Interest expenses		**9,245**	5,100
Change in fair value of derivative financial instruments		**6,905**	4,074
Difference between the fair value of equity securities and the fair value of loan receivable		**–**	(2,000)
Impairment loss recognised in respect of available-for-sale investments	*19*	**3,426**	21,149
Interest income		**(4,166)**	(3,069)
Bad debts written off		**–**	8,799
Depreciation of property, plant and equipment		**1,284**	687
Amortisation of sole agency rights		**3,990**	1,746
Loss on disposal of property, plant and equipment		**3**	5
Reversal of allowance for doubtful debts		**(525)**	–
Gain on disposal of available-for-sale investments		**(6,367)**	–
Share-based payment expense		**1,793**	–
Operating cash flows before movements in working capital		**31,250**	16,436
Increase in inventories		**(765)**	–
Increase in trade receivables		**(44,010)**	(7,269)
Increase in other receivables and prepayments		**(3,498)**	(5,236)
Decrease in trade payables		**10,388**	2,815
Decrease in other payables and accruals		**9,804**	9,509
Cash from operations		**3,169**	16,255
PRC Enterprise Income Tax paid		**(5,197)**	(12,988)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(2,028)**	3,267

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007 HK$'000	2006 HK$'000
INVESTING ACTIVITIES			
Acquisition of additional interest in controlled entities	27	–	(92,066)
Acquisition of a sole agency right		(51,000)	–
Increase in pledged bank deposit		(1,861)	(39,000)
Purchase of property, plant and equipment		(27,333)	(1,389)
Interest received		4,166	3,069
Advance to related companies		(36)	(1,631)
Proceeds from disposal of available-for-sale investments		15,228	–
Advance to jointly controlled entities		(572)	–
NET CASH USED IN INVESTING ACTIVITIES		(61,408)	(131,017)
FINANCING ACTIVITIES			
Proceeds from issue of convertible bond	26	–	78,000
New bank loans raised		31,438	7,968
Increase in amounts due to related companies		291	1,116
Proceeds from issue of shares		700	609
Dividend paid to shareholders		–	(6,207)
Interest paid		(2,291)	(105)
NET CASH FROM FINANCING ACTIVITIES		30,138	81,381
NET DECREASE IN CASH AND CASH EQUIVALENTS		(33,298)	(46,369)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		131,706	172,780
NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES		5,323	5,295
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		103,731	131,706

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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 addresses 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 Company and its subsidiaries is Renminbi ("RMB"), the currency of the primary economic environment in which the Group operates. For the purpose of the consolidated financial statements and convenience 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 and distribution of books and magazines in the PRC.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives
HK(IFRIC) – INT 10	Interim financial reporting and impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared. Accordingly, no prior year adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 respectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating segments[1]
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions[2]
HK(IFRIC) – INT 12	Service concession arrangements[3]
HK(IFRIC) – INT 13	Customer loyalty programmes[4]
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction[3]

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 March 2007.
3 Effective for annual periods beginning on or after 1 January 2008.
4 Effective for annual periods beginning on or after 1 July 2008.

The directors of the Company anticipate that the application of these new and revised standards or interpretations will have no material impact on the results and the financial position of the Group.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

BASIS OF CONSOLIDATION *(Continued)*

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.

GOODWILL

Goodwill arising on acquisition prior to 1 January 2005

Goodwill arising on acquisition of net assets and operations of another entity 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 acquiree at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of net assets and operations of another entity, 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 business 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 business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

GOODWILL *(Continued)*

Goodwill arising on acquisitions on or after 1 January 2005 (Continued)

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 the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

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 net assets 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, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and 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.

Advertising income from conferences and events organised by magazines is recognised when the conferences and events are held.

Sales of magazines are recognised on the date of delivery, net of allowances for unsold copies which may be returned.

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 the asset's net carrying amount.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including land and buildings held for use in the supply of services, production of goods or for administrative purposes are stated at cost less subsequent 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 of 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 consolidated income statement in the year in which the item is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the consolidated balance sheet when the Group 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, financial assets at fair value through profit or loss 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial assets *(Continued)*

Financial assets at fair value through profit or loss ("FVTPL")

The Group's financial assets at FVTPL contain embedded derivatives which are not closely related to the host contracts.

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 amounts due from jointly controlled entities, trade receivables, other receivables, amounts due from related companies, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses. (See accounting policy on impairment loss on financial assets below.)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group classified financial instruments that the Group acquired for long term investments as available-for-sale financial assets.

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 (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Impairment of financial assets *(Continued)*

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, observable changes in national or local economic conditions that correlate with default on receivables and financial difficulties found in respective debts.

For financial assets carried at amortised cost, 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts due from jointly controlled entities, trade receivables, other receivables and amounts due from related companies, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When amounts due from jointly controlled entities, trade receivables, other receivables and amounts due from related companies are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

Financial liabilities and equity *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities other than convertible bond (see accounting policy below), including trade payables, other payables, amounts due to related companies and bank borrowings 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 Company after deducting all of its liabilities.

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

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 that 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 derivative 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 derivative and other embedded derivative components 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 derivative and other embedded derivative components in proportion to their relative fair values. Transaction costs relating to the conversion option derivative and other embedded derivative components are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FINANCIAL INSTRUMENTS *(Continued)*

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 is measured at fair value with changes in fair value recognised in the profit or loss.

Derivative financial instruments

Derivatives (including embedded derivative which are 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 values 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.

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 receivable 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 and payable is recognised in profit or loss.

IMPAIRMENT LOSS ON TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL (SEE THE ACCOUNTING POLICY IN RESPECTIVE OF GOODWILL ABOVE)

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

IMPAIRMENT LOSS ON TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL (SEE THE ACCOUNTING POLICY IN RESPECTIVE OF GOODWILL ABOVE) *(Continued)*

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.

OPERATING LEASES

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

The Group as lessee

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.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

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 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 items of income or expenses that are never taxable or deductible in other years. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

TAXATION *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and jointly controlled entities, 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.

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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

FOREIGN CURRENCIES *(Continued)*

Goodwill and fair value adjustments on identifiable assets acquired and liabilities assumed 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 exchange 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.

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

Share options granted to employees after 2 November 2002 and vested on or after 1 January 2005

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 during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option 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 after 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.

Share options granted to employees after 7 November 2002 and vested before 1 January 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, the carrying amount of goodwill is HK$125,216,000. Details of the recoverable amount calculation are disclosed in note 15.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2007 **HK$'000**	2006 HK$'000
Financial assets		
Derivative financial instruments at FVTPL	**1,641**	1,069
Loans and receivables (including cash and cash equivalents)	**240,031**	217,542
Available-for-sale financial assets	**718**	13,005
Financial liabilities		
Derivative financial instruments at FVTPL	**23,693**	16,216
Amortised cost	**165,190**	92,509

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

The Group's major financial instruments include equity investments, amounts due from jointly controlled entities, trade receivables, other receivables, amounts due from and to related companies, pledged bank deposits, bank balances and cash, trade payables, other payables, bank borrowings and convertible bond. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. 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. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

5. FINANCIAL INSTRUMENTS *(Continued)*

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES *(Continued)*

Currency risk

The Group's currency risk relates to the bank balances and convertible bond issued by the Company. The Group has concentration of risk on United States dollar.

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.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**5,246**	3,950	**17,758**	6,627
United States dollar	**78,875**	71,921	**77,011**	80,234

Sensitivity analysis

The Group is mainly exposed to the Hong Kong dollar and the United States dollar. The following table details the Group's sensitivity to a 5% increase and decrease in Hong Kong dollars and United States dollars against RMB. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis includes those financial assets and financial liabilities denominated in currency other than RMB. A positive number below indicates an increase in profit (2006: decrease in loss) where RMB strengthen 5% against the relevant currency for net asset position, and vice versa. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit or loss.

	Hong Kong dollar impact		United States dollar impact	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Profit or loss	**(626)**	(134)	**93**	(416)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

5. FINANCIAL INSTRUMENTS *(Continued)*

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES *(Continued)*

Fair value interest rate risk

The Group is exposed to fair value interest rate risk in relation to the convertible bond issued by the Group (see Note 26 for details of convertible bond) as well as the pledged bank deposits.

The Group manages its interest rate exposure based on the interest rate level as well as potential impact on the Group's financial position arising from volatility of the interest rate.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates to the bank balances as well as variable-rate bank borrowings (see Notes 22 and 24 for details). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of lending rate promulgated by the People's Bank of China.

The Group currently does not have interest rate hedging policy. However, the management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below is prepared assuming the bank balances as well as bank borrowings outstanding at the balance sheet date were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2007 would increase/decrease by HK$523,000 (2006: decrease/increase in loss of HK$811,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Price risk

The Group's available-for-sale investments as well as derivative financial instruments exposed the Group to a potential loss in market value if there is an adverse change in prices. The management would manage this exposure be closely monitoring the performance of the investments and market conditions. The management will consider diversifying the portfolio of investments as they consider appropriate.

At 31 December 2006, the management closely monitored the performance of the investees and would consider other risk management actions should the need arised.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks on available-for-sale investments at the reporting date.

If the prices of the respective equity instruments had been 5% higher, profit for the year would increase by HK$36,000 (2006: decrease in loss for the year by HK$650,000) for the Group as a result of a lower amount of impairment loss recognised for available-for-sale investments. On the other hand, if the prices of the respective equity instruments had been 5% lower, profit for the year would decrease by HK$36,000 (2006: increase in loss for the year by HK$650,000) for the Group as a result of a higher amount of impairment loss recognised for available-for-sale investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

5. FINANCIAL INSTRUMENTS *(Continued)*

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES *(Continued)*

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 2007 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 on trade receivables by customer, with exposure spread over a number of counter-parties and customers. However, the Group has concentration of credit risk in the PRC.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures. In addition, the Group reviews the recoverable amount of each individual trade receivable, amounts due from jointly controlled entities and related companies at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Company's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

5. FINANCIAL INSTRUMENTS *(Continued)*

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate %	Less than 3 months HK$'000	4 – 6 months HK$'000	One year to two years HK$'000	Two years to five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2007 HK$'000
2007							
Non-derivative financial liabilities							
Trade payables	–	15,977	–	–	–	15,977	15,977
Other payables	–	29,524	970	–	–	30,494	30,494
Amounts due to related companies	–	1,407	–	–	–	1,407	1,407
Bank borrowings	5.83	39,980	–	–	–	39,980	39,406
Convertible bond	2.00	–	590	1,560	111,158	113,308	77,906
		86,888	1,560	1,560	111,158	201,166	165,190

	Weighted average effective interest rate %	Less than 3 months HK$'000	4 – 6 months HK$'000	One year to two years HK$'000	Two years to five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2006 HK$'000
2006							
Non-derivative financial liabilities							
Trade payables	–	5,589	–	–	–	5,589	5,589
Other payables	–	6,184	970	–	–	7,154	7,154
Amounts due to related companies	–	1,116	–	–	–	1,116	1,116
Bank borrowings	5.02	8,068	–	–	–	8,068	7,698
Convertible bond	2.00	–	590	1,560	112,718	114,868	70,952
		20,957	1,560	1,560	112,718	136,795	92,509

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

5. FINANCIAL INSTRUMENTS *(Continued)*

FAIR VALUE

The fair values 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; and
- the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model.

Except for convertible bond as set out in note 26, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values.

6. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the gross invoiced value of services rendered or sales of books and magazines, net of discounts and sales related taxes, is as follows:

	2007 HK$'000	2006 HK$'000
Advertising income	175,179	98,495
Sales of books and magazines	11,312	603
	186,491	99,098

The Group's revenue is entirely derived from activities carried out in the PRC. In addition, neither assets, revenue nor profit from sales of books and magazines contribute 10% or more to the Group's total assets, revenue and profit respectively, accordingly, no analysis by business and geographical segments is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

7. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on bank loan wholly repayable within five years	731	105
Effective interest charge on convertible bond	8,514	4,995
	9,245	5,100

8. PROFIT (LOSS) BEFORE TAXATION

	2007 HK$'000	2006 HK$'000
Profit (loss) before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	800	620
Bad debts written off	–	8,799
Staff costs (including directors' emoluments):		
Wages, salaries and other allowances	19,793	11,277
Contributions to retirement benefits schemes	3,906	1,262
Share option benefits	1,793	–
	25,492	12,539
Depreciation of property, plant and equipment	1,284	687
Amortisation of sole agency rights*	3,990	1,746
	5,274	2,433
Minimum lease payments under operating lease in respect of rented premises	6,768	2,602
Loss on disposal of property, plant and equipment	3	5
Reversal of allowance for doubtful debts	(525)	–
Investment income earned on:		
Loans and receivables – bank interest income	(4,166)	(3,069)
Available-for-sale financial assets – gain on disposal	(6,367)	–
Exchange (gain) loss, net	(2,426)	1,954

* 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 2007

9. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 10 (2006: 9) 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$'000	Zhang Ke HK$'000	Total 2007 HK$'000
Fees	–	–	–	–	–	60	72	–	180	60	372
Other emoluments											
Salaries and other benefits	91	–	164	198	–	–	–	–	–	–	453
Contributions to retirement benefits schemes	49	–	49	49	–	–	–	–	–	–	147
Share option benefits	71	71	71	47	–	–	–	–	–	–	260
Total emoluments	211	71	284	294	–	60	72	–	180	60	1,232

	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

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 2007

10. EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group do not include any director of the Company for both years. The emoluments of the five highest paid individuals were as follows:

	2007 HK$'000	2006 HK$'000
Salaries, allowances and benefits in kind	2,471	2,146
Retirement benefits scheme contribution	165	148
Share option benefits	139	–
	2,775	2,294

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

11. TAXATION

The tax charge for the year represents the PRC Enterprise Income Tax.

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 PRC subsidiaries are subject to the PRC enterprise income tax rate of 15% (2006: 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%.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% from 1 January 2008. For certain subsidiaries of the Group in Shenzhen and Hainan's Special Economic Zones, the tax rate will change from 18% to 25% progressively from 2008 to 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

11. TAXATION *(Continued)*

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

	2007 HK$'000	2006 HK$'000
Profit (loss) before taxation	15,662	(20,055)
Tax at preferential PRC income tax rate of 15%	2,349	(3,008)
Effect of different income tax rates of subsidiaries in other region	2,113	457
Tax effect of tax losses not recognised	4,493	3,813
Tax effect of expenses not deductible for tax purposes	2,729	5,374
Tax effect of income not taxable for tax purposes	(1,488)	(350)
Others	(675)	(20)
Taxation for the year	9,521	6,266

At the balance sheet date, the Group had estimated unused tax losses of HK$87,683,000 (2006: HK$57,730,000) 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.

12. EARNINGS (LOSS) PER SHARE

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

	2007 HK$'000	2006 HK$'000
Earnings (loss)		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share (profit (loss) for the year attributable to equity holders of the parent)	6,141	(29,001)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	1,554,039,819	1,552,386,395
Effect of dilutive potential ordinary share options assume exercise of share options	11,835,442	–
	1,565,875,261	1,552,386,395

For the year ended 31 December 2007, the computation of diluted earnings per share does not assume the conversion of the convertible bond or exercise of warrants since their conversion or exercise would result in an increase in earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

12. EARNINGS (LOSS) PER SHARE *(Continued)*

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.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture, fixtures and fittings HK$'000	Computer and office equipment HK$'000	Total HK$'000
COST						
At 1 January 2006	–	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 and 1 January 2007	–	322	1,510	32	3,154	5,018
Exchange realignment	–	–	109	–	228	337
Additions	34,209	–	2,272	–	2,582	39,063
Disposals	–	–	–	–	(37)	(37)
At 31 December 2007	34,209	322	3,891	32	5,927	44,381
ACCUMULATED DEPRECIATION						
At 1 January 2006	–	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 and 1 January 2007	–	322	618	32	988	1,960
Exchange realignment	–	–	45	–	71	116
Provided for the year	–	–	564	–	720	1,284
Eliminated on disposals	–	–	–	–	(34)	(34)
At 31 December 2007	–	322	1,227	32	1,745	3,326
CARRYING VALUES						
At 31 December 2007	34,209	–	2,664	–	4,182	41,055
At 31 December 2006	–	–	892	–	2,166	3,058

The leasehold land is held under medium-term lease and situated outside Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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 land and building	Over the shorter of lease term or 30 years
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 2006	26,200
Exchange adjustment	939
At 31 December 2006 and 1 January 2007	27,139
Exchange adjustment	6,975
Additions	107,280
At 31 December 2007	141,394
ACCUMULATED AMORTISATION	
At 1 January 2006	2,536
Exchange adjustment	91
Provided for the year	1,746
At 31 December 2006 and 1 January 2007	4,373
Exchange adjustment	316
Provided for the year	3,990
At 31 December 2007	8,679
CARRYING VALUES	
At 31 December 2007	132,715
At 31 December 2006	22,766

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

15. GOODWILL

	HK$'000
At 1 January 2006	60,387
Arising on acquisition of additional interest in controlled entities *(Note 27)*	64,829
At 31 December 2006 and 31 December 2007	125,216

Goodwill is entirely related to the provision of advertising agency services on certain magazines of certain subsidiaries which share common cost and resulted from business combination in 2002.

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. INTERESTS IN JOINTLY CONTROLLED ENTITIES

As at 31 December 2007, 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 an investment holding company, which held 100% equity interest in SEEC/Ziff Davis Media Consulting (Beijing) Co. Ltd., a company established in the PRC and engaged in consulting, advertising and publishing-related activities in the PRC.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

16. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

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

	2007 HK$'000	2006 HK$'000
Total assets	16,222	11,350
Total liabilities	(17,519)	(11,934)
Net liabilities	(1,297)	(584)
Revenue	–	–
Loss for the year	(713)	(426)

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

	2007 HK$'000	2006 HK$'000
Unrecognised share of losses of jointly controlled entities for the year	356	213
Accumulated unrecognised share of losses of jointly controlled entities	648	292

17. INVENTORIES

	2007 HK$'000	2006 HK$'000
Finished goods	765	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

18. DERIVATIVE FINANCIAL INSTRUMENTS

	2007 HK$'000	2006 HK$'000
Derivative financial asset:		
Redemption discretionary option *(Note 26)*	1,641	1,069
Derivative financial liabilities:		
Conversion option *(Note 26)*	6,158	3,226
Nil-paid warrants *(Note 26)*	17,535	12,990
	23,693	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 the following basis.

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

	2007
Bond price index	77.72%
Exercise price index	100%
Volatility of bond price	12%
Coupon rate	1.44%

The fair values of conversion option was calculated using the binomial model. The inputs into the model were as follows:

	2007
Stock price	HK$0.49
Volatility	64%
Dividend	2%
Option life	3.38 years
Risk-free rate	2.85%

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

	2007
Stock price	HK$0.49
Volatility	60.5%
Dividend	2%
Option life	3.38 years
Risk-free rate	2.85%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

19. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2007 HK$'000	2006 HK$'000
Fair values:		
Equity securities listed in Singapore ("Singapore-AFS")	–	8,860
Equity securities traded on Over-The-Counter Bulletin Board in the United States ("US-AFS")	718	4,145
	718	13,005

The directors has considered the recoverable amounts of the investments and recognised a total impairment loss of HK$3,426,000 (2006: HK$21,149,000). Subsequent to the initial recognition of US-AFS in May 2006, 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$3,426,000 (2006: HK$16,855,000) has been recognised in the consolidated income statement. In addition, the directors considered the prolonged decrease in market price of the Singapore-AFS and an impairment loss of HK$4,294,000 was recognised for the year ended 31 December 2006.

20. TRADE RECEIVABLES

The average credit period granted by the Group to the trade receivables is 90 days from the date of recognition of the sale.

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

	2007		2006	
	HK$'000	%	HK$'000	%
Within three months	52,550	70	20,314	66
Four to six months	17,401	23	6,939	22
Seven months to one year	5,097	7	3,607	12
Over one year	347	–	–	–
	75,395	100	30,860	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

20. TRADE RECEIVABLES *(Continued)*

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limits by customer. Limits and credit rating attributed to customers are reviewed regularly.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$22,845,000 (2006: HK$10,546,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 183 days (2006: 193 days).

Ageing of trade receivables which are past due but not impaired

	2007 HK$'000	2006 HK$'000
Four to six months	**17,401**	6,939
Seven months to one year	**5,097**	3,607
Over one year	**347**	–
Total	**22,845**	10,546

The Group has provided fully for most of the receivables over 1 year because historical experience is such that receivables that are past due beyond 1 year are generally not recoverable.

Movement in the allowance for doubtful debts

	2007 HK$'000	2006 HK$'000
Balance at beginning of the year	**4,664**	4,050
Impairment losses recognised on receivables	–	6,118
Amounts written off as uncollectible *(Note)*	**(3)**	(5,665)
Exchange differences	**318**	161
Impairment losses reversed	**(525)**	–
Balance at end of the year	**4,454**	4,664

Note: Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$3,000 (2006: HK$5,665,000), which the Group lost contact with the respective customers. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

21. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Notes	2007 HK$'000	2006 HK$'000
Amounts due from related companies	(i)	**2,556**	2,520
Amounts due from jointly controlled entities	(ii)	**6,428**	5,856
Amounts due to related companies	(i)	**1,407**	1,116

Notes:

(i) The related companies are companies which key management of the Company have significant interests. The amounts due from/to are unsecured, non-interest bearing and recoverable in twelve months/repayable on demand, respectively. The maximum amount due from related companies outstanding during the year was HK$2,980,000 (2006: HK$2,576,000).

(ii) Amounts due from jointly controlled entities are unsecured, interest-free and recoverable in twelve months.

22. PLEDGED BANK DEPOSITS AND BANK BALANCES

Bank balances carry interest at prevailing market rates which range from 0% to 4.19% (2006: 1.80% to 4.49%) per annum. The pledged bank deposits carries fixed interest rate of 4.84% (2006: 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 borrowings.

23. TRADE PAYABLES

The ageing analysis of the Group's trade payables are as follows:

	2007 HK$'000	2007 %	2006 HK$'000	2006 %
Within three months	**11,525**	**72**	5,589	100
Four months to six months	**3,966**	**25**	–	–
Six months to one year	**486**	**3**	–	–
	15,977	**100**	5,589	100

The average credit period granted by trade payables is 90 days. The Group has financial risk management policies in place to ensure that all payables within the credit time frame.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

24. BANK BORROWINGS

	2007	2006
	HK$'000	HK$'000
Secured bank loan repayable within one year	**39,406**	7,968

At 31 December 2007, bank borrowing carries floating lending rate promulgated in the People's Bank of China which range from 5.59% to 5.83% per annum. At 31 December 2006, the bank loan borne fixed interest at 5.02% per annum.

The bank loan is secured by a bank deposit of HK$40,861,000 (2006: HK$39,000,000).

25. SHARE CAPITAL

	Number of shares	Amount
	'000	HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2006, 31 December 2006, 1 January 2007 and 31 December 2007	3,000,000	300,000
Issued and fully paid:		
At 1 January 2006	1,550,825	155,082
Exercise of share options	2,900	290
At 31 December 2006 and 1 January 2007	1,553,725	155,372
Issue of shares *(Note 1)*	168,000	16,800
Exercise of share options *(Note 2)*	3,000	300
At 31 December 2007	1,724,725	172,472

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

Notes:

(1) As part of the consideration for the acquisition of the sole agency right, 168,000,000 ordinary shares of the Company with par value of HK$0.10 each were issued as consideration shares. The fair value of such consideration shares, determined using the published market closing price at the date of completion of acquisition on 27 August 2007, amounted to HK$56,280,000 (equivalent to HK$0.335 per consideration share).

(2) During the year, the subscription rights attaching to 2,500,000 and 500,000 share options were exercised at the subscription price of HK$0.21 and HK$0.35 per share resulting in the issue of 3,000,000 shares of HK$0.10 each for a total cash consideration of approximately HK$700,000.

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 (the "Redemption 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. The bondholders may exercise their conversion rights within 20 days of the date of the Redemption Notice.

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 share at any time during the period from 19 November 2008 up to the close of business on 4 May 2011.

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem CB at 138.51% of its principal amount plus accrued interest on 18 May 2011.

The Nil-paid warrant, which was granted for no consideration and detachable from the CB, carried the right to subscribe for up to 79,947,009 shares of the Company at 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:

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

26. CONVERTIBLE BOND *(Continued)*

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	
		equivalent as		equivalent as		equivalent as		equivalent as		equivalent as
	US$'000	HK$'000 *(Note)*	US$'000	HK$'000	US$'000	HK$'000	US$'000	HK$'000	US$'000	HK$'000
Issued during the year ended 31 December 2006	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
Loss (gain) arising on changes of fair value	–	–	495	3,861	(11)	(83)	38	296	522	4,074
At 31 December 2006 and 1 January 2007	9,221	71,922	1,665	12,990	413	3,226	(137)	(1,069)	11,162	87,069
Interest charged	1,092	8,514	–	–	–	–	–	–	1,092	8,514
Interest paid	(200)	(1,560)	–	–	–	–	–	–	(200)	(1,560)
Loss (gain) arising on changes of fair value	–	–	583	4,545	376	2,932	(73)	(572)	886	6,905
At 31 December 2007	10,113	78,876	2,248	17,535	789	6,158	(210)	(1,641)	12,940	100,928

Note: The amounts of HK$77,906,000 (2006: HK$70,952,000) and HK$970,000 (2006: 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$77,807,000 (2006: HK$70,885,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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 acquisitions 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 and 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 Advertising Co., Ltd. ("Beijing Caixun") and Shenzhen Caixun Advertising Co., Ltd. ("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$1,941,748).

Under the Transfer Agreement, the Group 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). 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. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes bank borrowings and convertible bond disclosed in notes 24 and 26, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associate with each class of capital. The Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

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FOR THE YEAR ENDED 31 DECEMBER 2007

29. NON-CASH TRANSACTION

During the year ended 31 December 2007, part of the consideration for the acquisition of a sole agency right was settled by issue of 168,000,000 new ordinary shares of the Company at HK$0.335 each.

During the year, the Group purchased property, plant and equipment of HK$39,063,000 (2006: HK$1,389,000) in which an amount of HK$11,730,000 (2006: nil) was not yet settled at the balance sheet date and included in other payables and accruals.

During the year ended 31 December 2006, a debtor settled its outstanding loan balance of HK$19,000,000 by transferring to the Group equity securities with fair value of approximately HK$21,000,000. The Group had recognised the difference between the fair value of equity securities and the fair value of loan receivable of HK$2,000,000 as an other income.

30. COMMITMENTS

(a) OPERATING LEASE COMMITMENTS

As lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007	2006
	HK$'000	HK$'000
Within one year	**3,678**	2,311
In the second to fifth year inclusive	**1,155**	1,858
	4,833	4,169

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.

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30. COMMITMENTS *(Continued)*

(b) OTHER COMMITMENTS

Pursuant to several agreements entered into between the Group and magazine publication companies, being independent third parties, the Group at 31 December 2007 had commitments to make payments to certain magazines publication companies for agency rights of advertising on their magazines which fall due as follows:

	2007	2006
	HK$'000	HK$'000
Within one year	**2,219**	1,401
In the second to fifth year inclusive	**4,902**	6,910
Over five years	**1,266**	1,477
	8,387	9,788

The amount recognised as an expense in the year was HK$4,120,000 (2006: HK$4,120,000).

One of the agreements has a non-cancellable term of three years with progressive increase in charges over the term. The term of such agreement will be renegotiated in 2010 for further six years. The charges for other agreements are fixed for the relevant periods.

31. 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 2007, the number of shares issuable under share options granted under the Share Option Scheme was 65,950,000 (2006: 33,000,000), which represented approximately 3.82% (2006: 2.12%) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

31. SHARE OPTION SCHEMES *(Continued)*

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.

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

				Number of share options						
Grantee	Date of grant	Exercise price HK$	Exercisable period	Outstanding at 1.1.2006	Exercised during the year *(Note 1)*	Outstanding at 31.12.2006	Exercised during the year *(Note 1)*	Granted during the year	Cancelled during the year	Outstanding at 31.12.2007
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
	7.2.2007 *(Note 2)*	0.330	7.2.2010 to 6.2.2015	–	–	–	–	1,000,000	–	1,000,000
Mr. Wang Boming	7.2.2007 *(Note 2)*	0.330	7.2.2010 to 6.2.2015	–	–	–	–	1,500,000	–	1,500,000
Mr. Zhang Zhifang	7.2.2007 *(Note 2)*	0.330	7.2.2010 to 6.2.2015	–	–	–	–	1,500,000	–	1,500,000
Mr. Dai Xiaojing	7.2.2007 *(Note 2)*	0.330	7.2.2010 to 6.2.2015	–	–	–	–	1,500,000	–	1,500,000
Other employee in aggregate	25.7.2003 *(Note 2)*	0.210	25.7.2004 to 24.7.2009	25,500,000	(2,900,000)	22,600,000	(2,500,000)	–	(2,150,000)	17,950,000
	22.10.2003 *(Note 3)*	0.350	22.10.2003 to 21.7.2008	1,000,000	–	1,000,000	(500,000)	–	–	500,000
	25.2.2004 *(Note 2)*	0.566	25.2.2005 to 24.2.2010	2,500,000	–	2,500,000	–	–	–	2,500,000
	7.2.2007 *(Note 2)*	0.330	7.2.2010 to 6.2.2015	–	–	–	–	32,700,000	(100,000)	32,600,000
				35,900,000	(2,900,000)	33,000,000	(3,000,000)	38,200,000	(2,250,000)	65,950,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

31. SHARE OPTION SCHEMES *(Continued)*

Notes:

(1) The weighted average closing price of the Company's shares immediately before the dates and on the dates on which the options were exercised was HK$0.371 (2006: HK$0.338).

(2) The option granted on 25 July 2003, 25 February 2004 and 7 February 2007 were fully vested on 25 July 2004, 25 February 2005 and 7 February 2010, respectively.

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

(4) At the balance sheet date, the number of share option exercisable under the Share Option Scheme was 27,850,000 (2006: 33,000,000).

The estimated fair value of the options granted during the year is approximately HK$6,288,000. The fair value was calculated using the binominal model. The inputs into the model were as follows:

Share price	HK$0.330
Exercise price	HK$0.330
Expected volatility	56%
Expected life	5 years
Risk-free rate	4.197%
Expected dividend yield	1.21%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Company recognised the total expense of HK$1,793,000 for the year ended 31 December 2007 (2006: nil) in relation to share options granted by the Company.

32. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

32. RETIREMENT BENEFITS SCHEMES *(Continued)*

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.

33. RELATED PARTY TRANSACTIONS

Other than the balances with related parties as set out in note 21, the Group had the following related party transactions during the year:

		The Group	
		2007	2006
	Notes	**HK$'000**	HK$'000
Office rental expenses paid to Shanghai SEEC	*(i) & (ii)*	**1,956**	992
Acquisition of a sole agency right from Shanghai SEEC	*(i)*	**112,296**	–
Interest income from China Securities Market Research and Development Center	*(iii)*	**–**	245

Notes:

(i) Shanghai SEEC is related to the Group since the Company's key management personnel has significant interest in Shanghai SEEC.

(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 year. The rental is charged at approximately RMB184,000 (2006: RMB86,000) (equivalent to approximately HK$190,000 (2006: HK$82,000)) per month with effect from 1 April 2007.

(iii) For the year ended 31 December 2006, interest income was charged by reference to the principal outstanding and at 4.04% per annum as set out in relevant loan agreement.

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

34. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 December 2007 and 31 December 2006 are as follows:

Name	Country of incorporation or registration/ operations	Proportion of nominal value of issued share capital/ registered capital held by the Company		Issued and fully paid ordinary share capital/ registered capital and form of business structure	Principal activities
		Directly %	Indirectly %		
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 and books and magazines distributor
Beijing SEEC Book and Press Distribution Co., Ltd.	PRC	–	100	RMB5,000,000 Limited liability company	Books and magazines 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 liability 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.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2003 HK$'000	2004 HK$'000	2005 HK$'000	2006 HK$'000	**2007** **HK$'000**
REVENUE	112,390	76,987	101,463	99,098	**186,491**
PROFIT (LOSS) FROM OPERATING ACTIVITIES	38,015	34,562	49,790	(14,955)	**24,907**
FINANCE COSTS	–	–	–	(5,100)	**(9,245)**
(LOSS) GAIN ON DISPOSAL OF SUBSIDIARIES	(1,820)	30,704	–	–	–
RELEASED OF RESERVES UPON DISPOSAL OF AN ASSOCIATE	6,566	–	–	–	–
PROFIT (LOSS) BEFORE TAXATION	42,761	65,266	49,790	(20,055)	**15,662**
TAXATION	(5,627)	(8,934)	(10,283)	(6,266)	**(9,521)**
PROFIT (LOSS) FOR THE YEAR	37,134	56,332	39,507	(26,321)	**6,141**
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE PARENT	28,259	52,397	30,565	(29,001)	**6,141**
MINORITY INTERESTS	8,875	3,935	8,942	2,680	–
	37,134	56,332	39,507	(26,321)	**6,141**

ASSETS AND LIABILITIES

	At 31 December				
	2003 HK$'000	2004 HK$'000	2005 HK$'000	2006 HK$'000	**2007** **HK$'000**
TOTAL ASSETS	234,279	294,402	330,153	382,854	**542,377**
TOTAL LIABILITIES	(17,321)	(25,162)	(37,108)	(140,376)	**(222,782)**
	216,958	269,240	293,045	242,478	**319,595**


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