THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This circular is for information purposes only and does not constitute an offer or invitation to acquire or subscribe for securities of SEEC Media Group Limited.

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in SEEC Media Group Limited, you should at once hand this circular to the purchaser or the transferee or to licensed securities dealer or registered institution in securities, the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

SEEC 財訊

SEEC MEDIA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 205)

DISCLOSEABLE AND CONNECTED TRANSACTIONS
AND
APPLICATION FOR THE WHITEWASH WAVIER

Financial adviser to the Company

第一上海 FIRST SHANGHAI GROUP

FIRST SHANGHAI CAPITAL LIMITED

Independent financial adviser to the Independent Board Committee
and
Independent Shareholders

博大資本國際有限公司
Partners Capital International Limited

A letter from Partners Capital International Limited, the independent financial adviser to the independent board committee of SEEC Media Group Limited, containing its opinion to the independent board committee is set out on pages 23 to 39 of this circular.

A letter from the independent board committee of SEEC Media Group Limited is set out on page 22 of this circular.

A notice convening the extraordinary general meeting of SEEC Media Group Limited to be held at Room 2502, Alexandra House, 18 Chater Road, Central, Hong Kong on 30 July 2007 at 10:00 a.m., is set out on pages 92 to 93 of this circular. A form of proxy for use at the extraordinary general meeting (or any adjournment thereto) of SEEC Media Group Limited is enclosed. Whether or not you intend to attend the extraordinary general meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to Secretaries Limited, the branch share registrar and transfer office of the Company in Hong Kong at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event no later than 48 hours before the time appointed for the holding of the extraordinary general meeting (or any adjourned thereon). Completion and return of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting (or any adjournment thereof) should you so wish and in such event the form of proxy shall be deemed to be revoked.

13 July 2007

CONTENTS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

"Acquired Business"	comprises the exclusive advertising agency business in respect of all the advertisements appearing in China Auto Pictorial (中國汽車畫報) for a period of 20 years until 11 May 2025 carried on by Jingzheng Ronglian Advertising
"Announcement"	the announcement dated 22 June 2007 issued by the Company in relation to, among other things, the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Waiver
"Aggregated Percentage Ratios"	the Percentage Ratios calculated for the aggregation of the Previous Acquisition, the Proposed Acquisition and the Proposed Debt Assignment
"Assigned Debt"	RMB61,765,000 (equivalent to approximately HK$63,000,000), being the remaining balance between the Consideration and RMB50,000,000 (equivalent to approximately HK$51,000,000) for the Proposed Acquisition pursuant to the Supplemental Transfer Agreement, which the Purchasers agreed to assign to United Home under the Deed of Debt Assignment
"Associate(s)"	has the meaning ascribed to it in the Listing Rules
"Beijing Caixun"	北京財訊廣告有限公司 (Beijing Caixun Advertising Co., Ltd.*), a limited liability company established under the laws of the PRC and is owned as to 70% by 海南財訊信息傳播有限公司 (Hainan Caixun Informedia Co., Ltd.*) and as to 30% by 北京財訊世紀信息科技有限公司 (Beijing Caixun Century InfoTech Co., Ltd.*), both are wholly owned by Superfort Management Corp. which is a wholly-owned subsidiary of the Company
"Beijing Liancheng I&C"	北京聯誠投資咨詢有限公司 (Beijing Liancheng Investment Consultant Company Limited*), a limited liability company established under the laws of the PRC
"Beijing Lianzheng"	北京聯証信息科技有限公司 (Beijing Lianzheng Information & Technology Company Limited*), a limited liability company established under the laws of the PRC
"Board"	the board of Directors
"business day"	a day (excluding Saturday) on which banks are generally open for businesses in the PRC

"Company"	SEEC Media Group Limited, a company incorporated under the laws of the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the transactions contemplated under the Supplemental Transfer Agreement and the Deed of Debt Assignment
"Connected Person(s)"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the consideration payable under the Supplemental Transfer Agreement which is equivalent to 9 times of the audited profit before taxation of the Acquired Business for the financial year ended 31 December 2006 prepared in accordance with HKFRSs, but in any event shall not exceed RMB111,765,000 (equivalent to approximately HK$114,000,000). The audited profit before taxation of the Acquired Business for the year ended 31 December 2006 was RMB13,531,634 (equivalent to approximately HK$13,802,000). As 9 times of such audited profit before taxation exceeds RMB111,765,000, the Consideration was therefore fixed at RMB111,765,000 (equivalent to approximately HK$114,000,000)
"Consideration Shares"	the 168,000,000 new Shares to be allotted and issued by the Company to United Home as consideration for the Assigned Debt under the Deed of Debt Assignment
"Deed of Debt Assignment"	the deed of debt assignment dated 22 June 2007 entered into between the Purchasers, the Vendors, United Home and the Company
"Directors"	the directors of the Company
"EGM"	an extraordinary general meeting of the Company to be convened for, among other things, considering, and if thought fit, approving the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Waiver
"Executive"	the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such Executive Director
"Group"	the Company and its subsidiaries
"Hainan Lianou"	海南聯歐投資管理有限公司 (Hainan Lianou Investment Management Company Limited*), a Sino-foreign equity joint venture enterprise established under the laws of the PRC

"HKFRSs"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Board Committee"	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr. Fu Fengxiang, Mr. Wang Xiangfei, Mr. Ding Yu Cheng and Mr. Zhang Ke
"Independent Shareholders"	Shareholders who are not involved in or interested in the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Waiver, being shareholders other than United Home Carlet Investments Ltd., their respective Associates and parties acting in concert with any of them
"Issue Price"	the higher of (i) the average closing price per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the date of the Deed of Debt Assignment; or (ii) HK$0.35
"Jingzheng Ronglian Advertising"	北京金証榮聯廣告有限公司 (Beijing Jingzheng Ronglian Advertising Company Limited*), a domestic limited liability company established under the laws of the PRC
"Kunshan Zhonglian"	昆山中聯綜合開發公司 (Kunshan Zhonglian Comprehensive Development Company*), a domestic limited liability company established under the laws of the PRC
"Last Trading Day"	8 June 2007, being the last day on which the Shares were traded on the Stock Exchange prior to the release of the Announcement
"Latest Practicable Date"	11 July 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Companies
"Percentage Ratios"	have the meanings ascribed thereto under Rule 14.04(9) of the Listing Rules

"PRC"	The People's Republic of China which excludes Hong Kong for the purpose of this circular
"Previous Acquisition"	the acquisition of the entire registered capital in Jingzheng Ronglian Advertising contemplated under the Transfer Agreement
"Proposed Acquisition"	the proposed acquisition of the Acquired Business under the Supplemental Transfer Agreement
"Proposed Debt Assignment"	the proposed assignment of the Assigned Debt under the Deed of Debt Assignment
"Purchasers"	Shenzhen Caixun and Beijing Caixun
"RMB"	Renminbi yuan, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Shanghai SEEC"	上海聯辦投資發展有限公司 (Shanghai SEEC Investment and Development Company Limited*), a domestic limited liability company established under the laws of the PRC
"Share(s)"	ordinary share(s) of HK$0.10 in the capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Shenyang Lianya"	瀋陽聯亞實業發展公司 (Shenyang Lianya Industrial Development Corporation*), a collectively-owned enterprise established under the laws of the PRC
"Shenzhen Caixun"	深圳財訊廣告有限公司 (Shenzhen Caixun Advertising Co., Ltd.*), a domestic limited liability company established under the laws of the PRC and is owned as to 70% by 海南財訊信息傳播有限公司 (Hainan Caixun Informedia Co., Ltd.*) and as to 30% by 北京財訊世紀信息科技有限公司 (Beijing Caixun Century InfoTech Co., Ltd.*), both are wholly owned by Superfort Management Corp. which is a wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Transfer Agreement"	the supplemental agreement dated 21 June 2007 to the Transfer Agreement entered into between the Purchasers and the Vendors

"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Transfer Agreement"	the registered capital transfer agreement dated 6 September 2006 entered into between the Purchasers and the Vendors
"United Home"	United Home Limited, a company incorporated in the British Virgin Islands with limited liability, which is a substantial shareholder of the Company holding approximately 43.6% of the entire existing issued share capital of the Company and is beneficially owned by 15 individuals in equal proportions, four of whom are Directors (namely Wang Boming, Zhang Zhifang, Dai Xiaojing and Li Shijie). The remaining shareholders are Li Yi, Sun Jianyi, Chu Xubo, Wangwei, Lei Jun, Liu Xiao, Xi Shuguang, Song Guoqing, Wang Li, Yang Daming and Xu Gang
"US$"	United States of America dollars, the lawful currency of the United States of America
"Vendors"	Shanghai SEEC and Beijing Lianzheng
"Whitewash Waiver"	the waiver of the obligation of United Home and parties acting in concert with it to make a mandatory general offer arising from the issue of the Consideration Shares under the Deed of Debt Assignment in accordance with Note 1 on Dispensations from Rule 26 of the Takeovers Code
"%"	per cent.

For the purpose of this circular, conversion of Renminbi yuan into Hong Kong dollars is calculated at the approximate exchange rate of RMB 1 to HK$1.02, for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate.

* *For identification purposes only*

SEEC MEDIA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 205)

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

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

Principal place of business in Hong Kong:
Room 2502
Alexandra House
18 Chater Road
Central
Hong Kong

13 July 2007

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS AND APPLICATION FOR THE WHITEWASH WAVIER

INTRODUCTION

On 6 September 2006, the Purchasers and the Vendors entered into the Transfer Agreement whereby the Purchasers agreed to acquire the entire registered capital in Jingzheng Ronglian Advertising at a total consideration of RMB2,000,000 (equivalent to approximately HK$2,040,000) in cash. As Jingzheng Ronglian Advertising had not achieved satisfactory performance for the year 2005, the Directors considered that it was not attractive for the Group to purchase the underlying assets and liabilities of Jingzheng Ronglian Advertising because it would be more prudent to acquire advertising business which would enhance the Group's earning base. Meanwhile, the Directors could continue to look for suitable investment opportunities. As such, under the Transfer Agreement, the parties agreed that immediately after the execution of the Transfer Agreement, all the then existing assets and liabilities would be transferred to third parties procured by the Vendors. The Purchasers in effect purchased the bare shelf of Jingzheng Ronglian Advertising with its paid-up registered capital. The consideration of RMB2,000,000 was paid in November 2006. Except for the Acquired Business, all the other assets and liabilities of Jingzheng Ronglian Advertising were transferred to third parties in September 2006.

Recently, the parties decided not to transfer the Acquired Business to third parties in light of the good future prospect of advertising agency business in automobile market in the PRC. The Directors are also of the view that the Proposed Acquisition would diversify the portfolio of advertising agency business of the Group. Therefore, on 21 June 2007, the Vendors and the Purchasers entered into the Supplemental Transfer Agreement whereby the Purchasers conditionally agreed to acquire, and the Vendors agreed to sell, the Acquired Business at the Consideration.

On 22 June 2007, the Vendors, the Purchasers, United Home and the Company also entered into the Deed of Debt Assignment whereby the Purchasers conditionally agreed to assign the rights and obligations of the Assigned Debt arising under the Supplemental Transfer Agreement to United Home, and the Company agreed to issue the Consideration Shares to United Home as consideration for such assignment of the Assigned Debt.

The purpose of this circular is to provide you with further information in respect of, amongst other things, details of the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Waiver, the recommendation of the Independent Board Committee and the letter of advice from the independent financial adviser in respect thereof, and to give you the notice of the EGM at which the resolutions will be proposed to seek your approval of the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Waiver.

THE SUPPLEMENTAL TRANSFER AGREEMENT

Date:	21 June 2007
Parties:	(a) Shanghai SEEC and Beijing Lianzheng as Vendors (b) Shenzhen Caixun and Beijing Caixun as Purchasers Beijing Caixun owns the advertising rights to a portfolio of leading magazines in the PRC such as Capital Week, Caijing Magazine, Real Estate Series and Marketing China. Shenzhen Caixun is also engaged in advertising business and assists Beijing Caixun in the sale of advertisements of magazines which Beijing Caixun has exclusive advertising rights.
Acquired Business:	The exclusive advertising agency business in respect of all the advertisements appearing in China Auto Pictorial (中國汽車畫報) carried on by Jingzheng Ronglian Advertising.

Consideration and basis of the Consideration:

The Consideration is equivalent to 9 times of the audited profit before taxation of the Acquired Business for the financial year ended 31 December 2006 prepared in accordance with HKFRSs, but in any event shall not exceed RMB111,765,000 (equivalent to approximately HK$114,000,000). The audited profit before taxation of the Acquired Business for the year ended 31 December 2006 was RMB13,531,634 (equivalent to approximately HK$13,802,000). As 9 times of such audited profit before taxation exceeds RMB111,765,000, the Consideration was therefore fixed at RMB111,765,000 (equivalent to approximately HK$114,000,000). The executive Directors consider that the maximum amount of Consideration (i.e. RMB111,765,000) is determined based on arm's length negotiations between the parties and is a commercial decision.

Pursuant to the Supplemental Transfer Agreement, a deposit of RMB50,000,000 (equivalent to approximately HK$51,000,000) is payable to the Vendors within 7 days after the signing of the Supplemental Transfer Agreement and the balance of the Consideration shall be paid or procured to be paid in cash on Completion. The cash consideration will be financed by internal resources of the Group and/or by other third parties.

If the conditions precedent having not been fulfilled or waived (as the case may be), the Vendors will refund the RMB50,000,000 together with interest accrued (at the current deposit rate offered by the People's Bank of China) to the Purchasers on or before 30 September 2007 or such other date as the parties may mutually agree.

The Consideration has been determined after arm's length negotiations among the parties with reference to the historical performance and future prospects of the Acquired Business. Given that most of the similar companies (i.e. companies engaging in advertising agencies or advertising services businesses) listed in Hong Kong and the PRC were traded at price-earnings multiples of higher than 9 times, and having considered certain recent similar transactions in the past six months (i.e. acquisitions involving companies engaging in advertising services business or media business) in the PRC and the prospects of the Acquired Business as stated in the section headed "Reasons for the Proposed Acquisition and the Proposed Debt Assignment" below, the executive Directors consider the basis for determining the Consideration to be fair and reasonable.

Conditions precedent:

Completion of the Supplemental Transfer Agreement is subject to fulfillment of the following conditions:

(a) the passing of the necessary resolution(s) (by way of poll) by the Independent Shareholders at the EGM to approve the transactions contemplated under the Supplemental Transfer Agreement;

(b) the Purchasers having received from their lawyers as to PRC law in connection with the transactions contemplated under the Supplemental Transfer Agreement to the satisfaction of the Purchasers; and

(c) all the requirements of the Stock Exchange under the Listing Rules in connection with the transactions contemplated by the Supplemental Transfer Agreement having been fully complied with.

As at the Latest Practicable Date, the above condition (b) has been fulfilled.

Completion:

Completion of the Supplemental Transfer Agreement shall take place within 30 business days after the satisfaction of all of the above conditions or condition (b) having been waived by the Purchasers (as the case may be) or such other date as the parties may mutually agree.

The Supplemental Transfer Agreement shall lapse if all of the conditions in the Supplemental Transfer Agreement having not been fulfilled or condition (b) having not been waived by the Purchasers (as the case may be) on or before 30 September 2007 or such later date as the parties may mutually agree.

It is also provided in the Deed of Debt Assignment that the Supplemental Transfer Agreement shall lapse (save for the refund by the Vendors of RMB50,000,000 together with interest accrued (at the current deposit rate offered by the People's Bank of China) to the Purchasers) if all the conditions in the Deed of Debt Assignment have not been fulfilled on or before 30 September 2007 or such later date as the parties may mutually agree.

THE DEED OF DEBT ASSIGNMENT

Date:	22 June 2007
Parties:	(a) Shanghai SEEC and Beijing Lianzheng
	(b) Shenzhen Caixun and Beijing Caixun as assignor
	(c) United Home as assignee
	(d) the Company as issuer

Principal terms:

(a) The Purchasers agreed to assign the rights and obligations of the Assigned Debt arising under the Supplemental Transfer Agreement to United Home.

(b) The Company agreed to allot and issue the Consideration Shares to United Home as consideration for the assignment of the Assigned Debt.

(c) Number of Consideration Shares to be allotted and issued shall be calculated according to the formula below:

$$\text{Number of Consideration Shares to be allotted and issued} = \frac{\text{Assigned Debt}}{\text{Issue Price}}$$

The Issue Price is calculated as the higher of (i) the average closing price per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the date of the Deed of Debt Assignment; or (ii) HK$0.35.

The executive Directors consider that the Issue Price (including the price of HK$0.35) is determined after arm's length negotiations between the parties with reference to recent traded prices of the Shares and is a commercial decision, and the Issue Price is fair and reasonable.

The Issue Price of HK$0.375 per Consideration Share (which is equivalent to the average closing price per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the date of the Deed of Debt Assignment) represents:

i. a discount of approximately 12.79% to the closing price per Share of HK$0.43 as quoted on the Stock Exchange on 8 June 2007, being the Last Trading Day;

ii. a discount of approximately 10.93% to the average closing price per Share of HK$0.421 as quoted on the Stock Exchange for the last 5 trading days leading up to and including the Last Trading Day;

iii. a discount of approximately 8.31% to the average closing price per Share of HK$0.409 as quoted on the Stock Exchange for the last 10 trading days leading up to and including the Last Trading Day;

iv. a discount of approximately 6.25% to the closing price per Share of HK$0.4 as quoted on the Stock Exchange as at the Latest Practicable Date; and

v. a premium of approximately 140.38% to the audited consolidated net assets per Share of approximately HK$0.156 as at 31 December 2006.

The Consideration under the Supplemental Transfer Agreement is RMB111,765,000 (equivalent to approximately HK$114,000,000), the Assigned Debt therefore will amount to RMB61,765,000 (equivalent to approximately HK$63,000,000). Based on the Issue Price of HK$0.375, the number of Consideration Shares will be 168,000,000, which represent (i) approximately 10.81% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 9.75% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares shall be issued as fully paid and shall rank pari passu in all respects with the ordinary Shares then in issue. An application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Conditions precedent: Completion of the Deed of Debt Assignment is subject to fulfillment of the following conditions:

(a) the passing of the necessary resolution(s) (by way of poll) by the Independent Shareholders at the EGM to approve the transactions contemplated under the Deed of Debt Assignment;

(b) the granting of the Whitewash Waiver by the Executive to United Home and parties acting in concert with it;

(c) all the requirements of the Stock Exchange under the Listing Rules in connection with the transactions contemplated by the Deed of Debt Assignment having been fully complied with;

(d) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares;

(e) the Company having received a PRC legal opinion from its lawyers as to PRC law in connection with the transactions contemplated under the Deed of Debt Assignment to the satisfaction of the Company;

(f) the Supplemental Transfer Agreement becoming unconditional in all respects; and

(g) all the representations and warranties given by all the parties to the Deed of Debt Assignment remain true and correct.

As at the Latest Practicable Date, the above condition (e) has been fulfilled.

None of the above conditions can be waived.

Completion: Completion of the Deed of Debt Assignment shall take place within 30 business days after the satisfaction of all of the above conditions of the Deed of Debt Assignment or such later date as the parties may mutually agree.

Under the Deed of Debt Assignment, there is no recourse to the Company. At Completion, the following will take place simultaneously: (i) United Home shall settle the Assigned Debt with the Vendors in cash in RMB or an equivalent amount denominated in other currencies as agreed by the Vendors and United Home; (ii) the Vendors shall confirm with the other parties in writing that they have received the Assigned Debt; and (iii) the Company shall issue the Consideration Shares to United Home.

The Deed of Debt Assignment shall lapse if all the conditions in the Deed of Debt Assignment have not been fulfilled on or before 30 September 2007 or such later date as the parties may mutually agree.

INFORMATION ON THE VENDORS AND UNITED HOME

Shanghai SEEC is principally engaged in the business of investment consulting. Shanghai SEEC is owned as to 59% by Shenyang Lianya, 20% by Hainan Lianou and 21% by Kunshan Zhonglian. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, one of the joint venture party of Hainan Lianou is Beijing Liancheng I&C which owns 5% of the registered capital of Hainan Lianou. The entire registered capital of Beijing Liancheng I&C is owned as to 25% each by Messrs. Wang Boming, Zhang Zhifang, Dai Xiaojing and Wang Li. Hainan Lianou is also a 56% beneficial owner of Kunshan Zhonglian. Save as aforesaid, Hainan Lianou and Kunshan Zhonglian and their ultimate beneficial owners are third parties independent of the Company and Connected Persons of the Company. Shenyang Lianya is owned by 50 of its staff, including four of the Directors, namely Messrs. Wang Boming, Zhang Zhifang, Dai Xiaojing and Li Shijie. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, these 50 staff (except Messrs. Wang Boming, Zhang Zhifang, Dai Xiaojing and Li Shijie) are third parties independent of the Company and Connected Persons of the Company. 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.

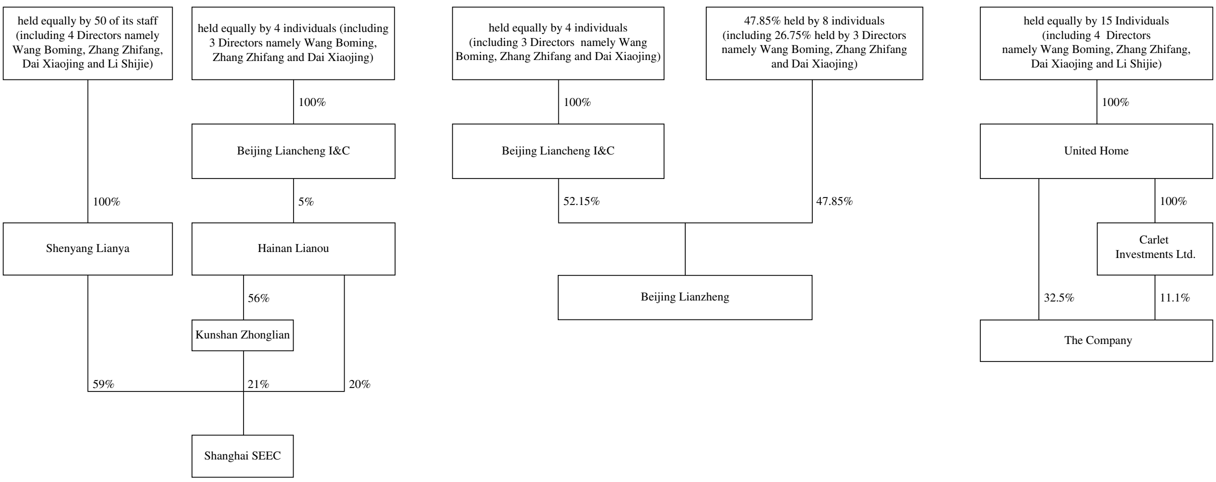
Beijing Lianzheng is principally engaged in the business of investment consulting. The entire registered capital of Beijing Lianzheng is owned as to 52.15% by Beijing Liancheng I&C, 10.23% by Wang Boming, 9.44% by Zhang Zhifang, 8.65% by Wang Li, 7.08% by Dai Xiaojing, 3.15% by Sun Jianyi, 3.15% by Li Yi, 3.15% by Chu Xubo and 3.00% by Wangwei. The entire registered capital of Beijing Liancheng I&C is owned as to 25% each by Messrs. Wang Boming, Zhang Zhifang, Dai Xiaojing and Wang Li. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Beijing Lianzheng and its ultimate beneficial owners (other than Messrs. Wang Boming, Zhang Zhifang and Dai Xiaojing) are third parties independent of the Company and Connected Persons of the Company.

As at the Latest Practicable Date, United Home was beneficially interested in 677,843,824 Shares (of which 172,644,210 Shares, representing approximately 11.1% of the existing entire issued share capital of the Company, are held through its wholly-owned subsidiary Carlet Investments Ltd.), representing approximately 43.6% of the existing entire issued share capital of the Company. United Home is beneficially owned by 15 individuals in equal proportions, four of whom are Directors (namely, Messrs. Wang Boming, Zhang Zhifang, Dai Xiaojing and Li Shijie). Accordingly, United Home is a Connected Person of the Company pursuant to the Listing Rules.

Accordingly, the Proposed Acquisition and the Proposed Debt Assignment constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As shown above, there are common beneficial owners both in United Home and each of the Vendors. All of the 15 individual shareholders of United Home (namely Wang Boming, Zhang Zhifang, Dai Xiaojing, Li Shijie, Wang Li, Sun Jianyi, Li Yi, Chu Xubo, Wangwei, Lei Jun, Liu Xiao, Song Guoqing, Xi Shuguang, Xu Gang and Yang Daming) are also beneficial owners of Shenyang Lianya. 8 of the individual shareholders of United Home (namely Wang Boming, Zhang Zhifang, Dai Xiaojing, Wang Li, Sun Jianyi, Li Yi, Chu Xubo and Wangwei) are also beneficial owners of Beijing Lianzheng.

Below are simplified shareholding charts of the Vendors and United Home as at the Latest Practicable Date.



INFORMATION ON THE ACQUIRED BUSINESS

The Acquired Business comprises the exclusive advertising agency business in respect of all the advertisements appearing in China Auto Pictorial carried on by Jingzheng Ronglian Advertising. China Auto Pictorial is one of the leading automobile magazines in the PRC. For the period ended 31 December 2005, the audited loss before taxation and loss after taxation of the Acquired Business prepared under the HKFRSs were both approximately RMB0.5 million (equivalent to approximately HK$0.5 million). For the year ended 31 December 2006, the audited profit before taxation and profit after taxation of the Acquired Business prepared under the HKFRSs were both approximately RMB13.5 million (equivalent to approximately HK$13.8 million). The improvement in the results of the Acquired Business was mainly due to increased and improved sales and marketing efforts and the increase in advertising volume and advertising fees. The audited net assets prepared under the HKFRSs of the Acquired Business as at 31 December 2006 was approximately RMB10.5 million (equivalent to approximately HK$10.7 million). Based on the audited balance sheet of the Acquired Business as at 31 December 2006, the major assets and liabilities for the Acquired Business were trade and other receivables and other payables and accruals respectively.

Upon completion of the acquisition of Jingzheng Ronglian Advertising, it was accounted for as a subsidiary of the Company in 2006. Upon completion of the Proposed Acquisition, the investment in the Acquired Business will be reflected as sole agency exclusive rights in the advertising contract held by Jingzheng Ronglian Advertising and goodwill arising from consolidation in the consolidated accounts of the Group.

REASONS FOR THE PROPOSED ACQUISITION AND THE PROPOSED DEBT ASSIGNMENT

Jingzheng Ronglian Advertising is a company which carries on the advertising agency business in the PRC. According to the circular of the Company dated 15 September 2006, the Directors consider that the acquisition of the bare shell of Jingzheng Ronglian Advertising will add another advertising agency company to the Group and provide an opportunity for the Group to expand its advertising agency business in the PRC in future. The Company intends that Jingzheng Ronglian Advertising will continue to be engaged in advertising agency business. If opportunities arise, the Group will utilize Jingzheng Ronglian Advertising to engage in providing advertising agency services in relation to magazines circulated in the PRC. Currently, there is no discussion in this regard.

The Acquired Business comprises the exclusive advertising agency business in respect of all the advertisements appearing in China Auto Pictorial carried on by Jingzheng Ronglian Advertising. China Auto Pictorial is one of the leading automobile magazines in the PRC. In light of the growing automobile market in the PRC, the executive Directors are of the view that there is room for development for automobile advertising agency business in printed media industry. According to The Society of Automotive Engineers of China *(Note)*, total sales volume of automobile increased by approximately 25.5% for the 11 months ended 30 November 2006 when compared to the corresponding period last year. The executive Directors believe that the Proposed Acquisition can improve the earning base through diversification of business and provide a new source of income to the Group. Therefore, the executive Directors are of the view that the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

The settlement of the Consideration partly by cash and partly by the issue of the Consideration Shares under the Deed of Debt Assignment are financing arrangements for the Group which the executive Directors are of the view that such arrangement would preserve the cash resources for the Group as well as enhance the capital base of the Company. The executive Directors have considered other financing alternatives such as borrowings from banks or other third parties, however, this will incur additional borrowing costs to the Group.

The Vendors are two limited liability companies established under the laws of the PRC. As advised by the executive Directors, the Vendors are required to seek approvals from a numbers of relevant government authorities in the PRC before acquiring foreign listed company's shares. Such procedure would be complicated and time consuming and it is not certain how long it would take for such approvals to be obtained or whether such approval could be obtained. Under this circumstance and given that there are common beneficial owners both in United Home and each of the Vendors, the executive Directors consider that the settlement of part of the Consideration through the Proposed Debt Assignment and the arrangement of issuing Shares to United Home instead of the Vendors will facilitate the Proposed Acquisition and such arrangement is in the interest of the Company.

Note: The Society of Automotive Engineers of China was founded in 1963. It is a national, academic and non-profit-making organization established by scientific and technical personnel in the automotive industry in the PRC. Its aims are to promote the scientific and technical progress for automotive industry in the PRC; to foster the growth of automotive scientific and technical professionals; to promote the technical exchange between worldwide automotive circles; and to popularize the automotive scientific and technical knowledge. (Source: Based on information from http://www.sae-china.org)

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a table showing the shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) upon Completion:–

			(Assuming that the Whitewash Wavier is granted and, other than the Consideration Shares, no further Shares are issued between the Latest Practicable Date and Completion)		(Assuming that the Whitewash Wavier is granted, the Consideration Shares are issued and all outstanding convertible bond, warrant and share options of the Company are exercised between the Latest Practicable Date and Completion)	
	Existing number of Shares held	Existing percentage of shareholding	Shares held upon Completion	Percentage of shareholding upon Completion	Shares held upon Completion	Shareholding upon Completion
Shareholders						
United Home and the parties acting in concert with it	677,843,824 *(Note 1)*	43.6%	845,843,824	49.1%	845,843,824	40.2%
Arisaig Greater China Fund Limited *(Note 2)*	155,406,000	10.0%	155,406,000	9.0%	155,406,000	7.4%
Public Shareholders	721,574,790	46.4%	721,574,790	41.9%	721,574,790	34.3%
Holders of share options *(Note 3)*	–	–	–	–	70,100,000	3.4%
Holder of warrant *(Note 4)*	–	–	–	–	79,947,009	3.8%
Holder of convertible bond *(Note 5)*	–	–	–	–	229,937,913	10.9%
	1,554,824,614	100.0%	1,722,824,614	100.0%	2,102,809,536	100.0%

Notes:

(1) 172,644,210 Shares (representing approximately 11.1% of the existing entire issued share capital of the Company) held by Carlet Investments Ltd. were indirectly owned by United Home by virtue of its 100% ownership in Carlet Investments Ltd. In addition to the 172,644,210 Shares held by Carlet Investments Ltd., 505,199,614 Shares (representing approximately 32.5% of existing entire issued share capital of the Company) were directly owned by United Home.

(2) The 155,406,000 Shares held by Arisaig Greater China Fund Limited were indirectly owned by Arisaig Partners (Holdings) Limited by virtue of its 100% ownership in Arisaig Partners (BVI) Limited. Arisaig Partners (Mauritius) Limited is a direct wholly-owned subsidiary of Arisaig Partners (BVI) Limited and the fund manager of Arisaig Greater China Fund Limited. Madeleine Ltd. is interested in the same 155,406,000 Shares through its 33.33% interests in Arisaig Partners (Holdings) Limited Madeleine Ltd. is beneficially owned by Mr. Cooper Lindsay William Ernest. Assuming that no further Shares, other than the Consideration Shares, are issued between the

Latest Practicable Date and Completion, the total shareholding of Arisaig Greater China Fund Limited will drop to approximately 9.0% on Completion. Assuming that the Consideration Shares are issued and all outstanding convertible note, warrant and share options of the Company are exercised, the total shareholding of Arisaig Greater China Fund Limited will drop to approximately 7.4% on Completion. As such, Arisaig Greater China Fund will no longer be a substantial shareholder or a Connected Person of the Company under the Listing Rules. Therefore, Arisaig Greater China Fund Limited and its associates should then become members of the public.

(3) As at the Latest Practicable Date, there were a total of 70,100,000 share options granted by the Company to four directors (namely Wang Boming, Zhang Zhifang, Dai Xiaojing and Li Shijie) and 119 employees of the Group, details of which are set out in Appendix II on page 79 of this circular.

(4) On 19 May 2006, the Company issued to an independent third party, Templeton Strategic Emerging Markets Fund II, LDC, represented by Templeton Asset Management Limited the nil-paid warrant carrying rights to subscribe for up to 79,947,000 Shares, details of which are set out in Appendix II on page 78 of this circular. As at the Latest Practicable Date, no conversion of such warrant has been made.

(5) On 19 May 2006, the Company issued to an independent third party, Templeton Strategic Emerging Markets Fund II, LDC, represented by Templeton Asset Management Limited a convertible bond amounting to US$10 million, details of which are set out in Appendix II on page 78 of this circular. As at the Latest Practicable Date, no conversion of such convertible bond has been made.

The 229,937,913 Shares are based on the assumption that the Shares are issued as to the Maximum Issue Amount of Shares as referred to the Company's announcement dated 25 April 2006 in relation to the issue of US$10,000,000 2% convertible bond due 2011 and nil-paid warrant. Pursuant to the Company's announcement dated 25 April 2006, the Maximum Issue Amount referred to the maximum amount of Shares which the Company is obliged to issue upon conversion of the convertible bond, which is 229,937,913 Shares (assuming a conversion price of HK$0.422 and an exchange rate of US$1 to HK$7.8 and upon conversion of convertible bond at the yield to redemption amount on the maturity date), having taken into account (i) the number of warrant shares and; (ii) the number of Shares which the Company shall be authorized to issue and allot under the general mandate.

IMPLICATION OF THE PROPOSED ACQUISITION AND THE PROPOSED DEBT ASSIGNMENT UNDER THE LISTING RULES AND THE TAKEOVERS CODE

As discussed under the section headed "Information on the Vendors and United Home" above, one of the Vendors and United Home are Connected Persons of the Company under the Listing Rules. The Proposed Acquisition and the Proposed Debt Assignment therefore constitute connected transactions for the Company under the Listing Rules. In addition, reference is made to the circular dated 15 September 2006 of the Company in relation to the Previous Acquisition. Given that the Previous Acquisition, the Proposed Acquisition and the Proposed Debt Assignment involve (i) the same parties or with parties connected or otherwise associated with one another and (ii) the acquisition of Jingzheng Ronglian Advertising and part of its business (i.e. the Acquired Business), the Directors consider that it would be appropriate to aggregate the Previous Acquisition with the Proposed Acquisition and the Proposed Debt Assignment. As the Aggregated Percentage Ratios for the Previous Acquisition, the Proposed Acquisition and the Proposed Debt Assignment are more than 2.5% but less than 25%, the Previous Acquisition, the Proposed Acquisition and the Proposed Debt Assignment in aggregate constitute a discloseable transaction for the Company under the Listing Rules. The Proposed Acquisition, the Proposed Debt Assignment and the issue of the Consideration Shares are subject to the approval of the Independent Shareholders by way of poll at the EGM. United Home (including shareholders of United Home and the Directors), Carlet Investments Ltd., their respective Associates and parties acting in concert with any of them will abstain from voting.

Upon Completion (assuming that no further Shares, other than the Consideration Shares, are issued by the Company between the Latest Practicable Date and Completion), the beneficial shareholding interest of United Home and parties acting in concert with it in the Company will increase from approximately 43.6% to 49.1%. Accordingly, United Home will be obliged to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by United Home and parties acting in concert with it under Rule 26.1 of the Takeovers Code, unless a Whitewash Waiver is obtained from the Executive. The Proposed Acquisition and the Proposed Debt Assignment will not result in any change of control of the Company.

United Home and parties acting in concert with it have made an application to the Executive for the Whitewash Waiver. The Executive has indicated that the Whitewash Wavier will be granted to United Home and the parties acting in concert with it, subject to, among other things, the approval by the Independent Shareholders by way of poll at the EGM. United Home (including shareholders of United Home and the Directors), Carlet Investments Ltd., their respective Associates and parties acting in concert with any of them will abstain from voting. Completion is subject to the satisfaction of a number of conditions precedent (including the obtaining of the Whitewash Waiver from the Executive) as detailed above.

The condition regarding the obtaining of the Whitewash Waiver will not be waived under the Deed of Debt Assignment. The Whitewash Waiver may or may not be granted by the Executive. If the Whitewash Waiver is not granted, both the Supplemental Transfer Agreement and the Deed of Debt Assignment shall lapse since the Supplemental Transfer Agreement shall lapse if all the conditions in the Deed of Debt Assignment have not been fulfilled. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

United Home has confirmed to the Company that it and parties acting in concert with it have not dealt in any shares, convertible securities, warrants or options of the Company, or any outstanding derivatives in respect thereof within the 6-month period prior to the date of the Announcement and up to the Latest Pracicable Date. United Home has undertaken to the Company that, from the Latest Practicable Date up to Completion (being the date on which the Consideration Shares will be issued), it will not deal in any shares, convertible securities, warrants or options of the Company, or any outstanding derivatives in respect thereof.

As at the date of the Announcement:

(a) save that (i) United Home was beneficially interested in 677,843,824 Shares (of which 172,644,210 Shares, representing approximately 11.1% of the entire issued share capital of the Company based on 1,553,874,614 Shares in issue as at the date of the Announcement, were held through its wholly-owned subsidiary Carlet Investments Ltd.), representing approximately 43.6% of the entire issued share capital of the Company based on 1,553,874,614 Shares in issue as at the date of the Announcement; and (ii) Messrs. Wang Boming, Zhang Zhifang, Dai Xiaojing and Li Shijie holds 1,500,000, 1,500,000, 1,500,000 and 7,900,000 share options of the Company respectively where holders of such share options will abstain from voting if they exercise such share options, United Home and parties acting in concert with it did not hold or have control or direction over any shares, convertible securities, warrants or options of the Company, or any outstanding derivatives in respect thereof;

(b) United Home and parties acting in concert with it had not received any irrevocable commitment to vote for or against the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Waiver from any holder of shares, convertible securities, warrants or options of the Company, or any outstanding derivatives in respect thereof;

(c) there was no outstanding derivative in respect of securities in the Company entered into by United Home or any person acting in concert with it;

(d) there was no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of United Home or the Company and which might be material to the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Wavier;

(e) there was no agreement or arrangement to which United Home is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Wavier other than those conditions precedent set out on pages 9, 11 and 12 of this circular.

INFORMATION ON THE GROUP

The principal activity of the Company is investment holding while its subsidiaries are mainly engaged in the provision of advertising agency services in the PRC.

As at 31 December 2006, the audited consolidated net assets of the Group was approximately HK$242.5 million and the net asset value per Share was approximately HK$0.156. For the year ended 31 December 2005, the turnover of the Group amounted to approximately HK$101.5 million while its net profit was approximately HK$39.5 million and the earnings per Share was approximately HK1.97 cents. For the year ended 31 December 2006, the Group recorded a turnover of approximately HK$99.1 million while its net loss was approximately HK$26.3 million and the loss per Share was approximately HK1.87 cents.

FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION AND THE PROPOSED DEBT ASSIGNMENT ON THE GROUP

The Consideration of RMB111,765,000 of the Proposed Acquisition will be settled as to RMB50,000,000 (equivalent to approximately HK$51,000,000) by cash, therefore, the bank balances and cash position of the Group will be decreased by approximately HK$51,000,000. The Assigned Debt of RMB61,765,000 (equivalent to approximately HK$63,000,000) will be settled by the issue of the Consideration Shares at the Issue Price of HK$0.375. The share capital and share premium accounts of the Company will be increased by HK$16,800,000 and HK$46,200,000 respectively upon the issue of the Consideration Shares as fully paid Shares. Upon completion of the Proposed Acquisition, the investment in the Acquired Business will be reflected as sole agency exclusive rights in the advertising contract held by Jingzheng Ronglian Advertising and goodwill arising from consolidation in the consolidated accounts of the Group. There is no material effect on the liabilities of the Group as a result of the Proposed Acquisition and the Proposed Debt Assignment. Earnings of Group will be enhanced as a result of the Proposed Acquisition.

EGM

A notice convening the EGM to be held at Room 2502, Alexandra House, 18 Chater Road, Central, Hong Kong on 30 July 2007 at 10:00 a.m., is set out on pages 92 to 93 of this circular. At the EGM, ordinary resolutions will be proposed to approve the Proposed Acquisition, the Proposed Debt Assignment (including the issue of the Consideration Shares) and the Whitewash Waiver.

A form of proxy for use at the EGM (or any adjournment thereto) is enclosed. Whether or not you intend to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to Secretaries Limited, the branch share registrar and transfer office of the Company in Hong Kong at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event no latter than 48 hours before the time appointed for the holding of the EGM (or any adjournment thereon). Completion and return of the proxy will not preclude you from attending and voting at the EGM (or any adjournment thereof) in person should you so wish and in such event the form of proxy shall be deemed to be revoked.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Fu Fengxiang, Mr. Wang Xiangfei, Mr. Ding Yu Cheng and Mr. Zhang Ke who are all independent in respect of the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Waiver, has been formed to advise the Independent Shareholders on the terms of the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Waiver.

INDEPENDENT FINANCIAL ADVISER

Partners Capital International Limited has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Waiver. The appointment of Partners Capital International Limited as the independent financial adviser has been approved by the Independent Board Committee.

RECOMMENDATION

The executive Directors consider that the terms of the Proposed Acquisition and the Proposed Debt Assignment (including the issue of the Consideration Shares) are based on normal commercial terms and are fair and reasonable and the Proposed Acquisition and the Proposed Debt Assignment (including the issue of the Consideration Shares) are in the interests of the Company and the Shareholders as a whole. The executive Directors therefore recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Proposed Acquisition and the Proposed Debt Assignment (including the issue of the Consideration Shares). On the basis that the grant of the Whitewash Wavier is a condition of the Proposed Acquisition and the Proposed Debt Assignment, the executive Directors also consider that the grant of the Whitewash Wavier is fair and reasonable and in the interests of the Company and the Shareholders as a whole. The executive Directors therefore recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Whitewash Wavier.

Your attention is drawn to the letter from the Independent Board Committee set out on page 22 of this circular, which contains its recommendation to the Independent Shareholders in connection with the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Waiver and the letter from Partners Capital International Limited set out on pages 23 to 39 of this circular, which contains its advice to the Independent Board Committee and the principal factors and reasons having been taken into consideration by Partners Capital International Limited.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in appendices to this circular.

By order of the Board
SEEC Media Group Limited
Wang Boming
Chairman

SEEC MEDIA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 205)

13 July 2007

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS AND APPLICATION FOR THE WHITEWASH WAVIER

As the Independent Board Committee, we have been appointed to advise you in respect of the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Waiver, details of which are set out in the "Letter from the Board" in the circular dated 13 July 2007 (the "Circular"), of which this letter forms part. The terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We wish to draw your attention to the "Letter from Partners Capital International Limited" containing its advice to us regarding the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Waiver as set out on pages 23 to 39 of the Circular. Having considered the advice given by Partners Capital International Limited and the principal factors and reasons taken into consideration by them in arriving at their advice, we are of the opinion that the terms of the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and that the Proposed Acquisition, the Proposed Debt Assignment, the Whitewash Waiver are in the interests of the Company and its shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Waiver contained in the notice set out on pages 92 to 93 of the Circular.

Yours faithfully,
For and on behalf of
The Independent Board Committee
Fu Fengxiang **Wang Xiangfei** **Ding Yu Cheng** **Zhang Ke**
Independent non-executive Directors

The following is the full text of the letter from Partners Capital International Limited setting out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.

博大資本國際有限公司
Partners Capital International Limited

Partners Capital International Limited
Unit 3906, 39/F, COSCO Tower
183 Queen's Road Central
Hong Kong

To the Independent Board Committee
and Independent Shareholders

13 July 2007

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
AND
WHITEWASH WAIVER**

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Supplemental Transfer Agreement, the Deed of Debt Assignment, the Whitewash Waiver and how to vote in respect of the ordinary resolutions in relation to the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Waiver, particulars of which are set out in the circular (the "Document") dated 13 July 2007, in which this letter is reproduced, which has been despatched by the Company to the Independent Shareholders in relation to the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Waiver. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed "Definitions" in the Document.

As set out in the letter from the Board (the "Letter from the Board"), on 21 June 2007, the Vendors and the Purchasers entered into the Supplemental Transfer Agreement whereby the Purchasers conditionally agreed to acquire, and the Vendors agreed to sell, the Acquired Business at the Consideration. On 22 June 2007, the Vendors, the Purchasers, United Home and the Company entered into the Deed of Debt Assignment whereby the Purchasers conditionally agreed to assign the rights and obligations of the Assigned Debt arising under the Supplemental Transfer Agreement to United Home, and the Company agreed to issue the Consideration Shares to United Home as consideration for such assignment of the Assigned Debt. Given that one of the Vendors and United Home are Connected Persons of the Company under the Listing Rules, the Proposed Acquisition and the Proposed Debt Assignment constitute connected transactions for the Company under the Listing Rules. As the Aggregated Percentage Ratios for the Previous Acquisition, the Proposed Acquisition and the Proposed Debt Assignment are more than 2.5% but less than 25%, the Previous Acquisition, the Proposed Acquisition and the Proposed Debt Assignment in aggregate constitute a discloseable transaction for the Company under the Listing Rules. The Proposed Acquisition, the Proposed Debt Assignment and the issue of the Consideration Shares are subject to the approval of the Independent

Shareholders by way of poll at the EGM where United Home (including shareholders of United Home and the Directors), Carlet Investments Ltd., their respective Associates and parties acting in concert with any of them and those shareholders who are involved in, or interested in, the Previous Acquisition, the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Waiver will abstain from voting.

Upon Completion (assuming that no further Shares, other than the Consideration Shares, are issued by the Company between the Latest Practicable Date and Completion), the beneficial shareholding interest of United Home and parties acting in concert with it in the Company will increase from approximately 43.6% to 49.1%. Accordingly, United Home will be obliged to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be acquired by United Home and parties acting in concert with it under Rule 26.1 of the Takeovers Code, unless a Whitewash Waiver is obtained from the Executive.

An application has been made by United Home and parties acting in concert with it to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted, will be subject to, among others, the approval of the Independent Shareholders by way of poll at the EGM. United Home (including shareholders of United Home and the Directors), Carlet Investments Ltd., their respective Associates and parties acting in concert with any of them are required to abstain from voting at the EGM. It is a condition precedent to the completion of the Supplemental Transfer Agreement and the Deed of Debt Assignment that the Whitewash Waiver is granted by the Executive and approved by Independent Shareholders. If the Whitewash Waiver is not granted by the Executive or not approved by Independent Shareholders, both the Supplemental Transfer Agreement and the Deed of Debt Assignment shall lapse and the Proposed Acquisition and the Proposed Debt Assignment will not proceed.

In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising Mr. Fu Fengxiang, Mr. Wang Xiangfei, Mr. Ding Yu Cheng and Mr. Zhang Ke, who are all independent in respect of the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Waiver, was formed to advise the Independent Shareholders in respect of the Supplemental Transfer Agreement, the Deed of Debt Assignment and the Whitewash Waiver.

The appointment of Partners Capital International Limited as the independent financial adviser in respect of the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Waiver has been approved by the Independent Board Committee. Partners Capital International Limited is not connected with the directors, chief executive and substantial shareholders of the Company or the Vendors or any of their respective subsidiaries or their respective Associates or parties acting in concert with any of them and therefore is considered suitable to give independent advice to the Independent Shareholders. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Partners Capital International Limited will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective Associates or the Vendors or parties acting in concert with any of them.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Document and have assumed that all information and representations made or referred to in the Document as provided by the executive Directors were true at the time they were made and continue to be true as at the date of the Document. We have also relied on our discussion with the executive Directors regarding the Group, the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Waiver, including the information and representations contained in the Document. We have also assumed that all statements of belief, opinion and intention made by the executive Directors respectively in the Document were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Document and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Document nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the executive Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Purchasers, the Vendors, United Home and their respective Associates, nor have we carried out any independent verification of the information supplied to us.

THE PROPOSED ACQUISITION AND THE PROPOSED DEBT ASSIGNMENT

Principal factors and reasons considered

In arriving at our opinion regarding the terms of the Proposed Acquisition and the Proposed Debt Assignment, we have considered the following principal factors and reasons:

1. *Background of and reasons for the Proposed Acquisition and the Proposed Debt Assignment*

The principal activity of the Company is investment holding while its subsidiaries are mainly engaged in the provision of advertising agency services in the PRC. Beijing Caixun owns the advertising rights to a portfolio of leading magazines in the PRC such as Capital Week, Caijing Magazine, Real Estate Series and Marketing China. Shenzhen Caixun is also engaged in advertising business and assists Beijing Caixun in the sale of advertisements of magazines which Beijing Caixun has exclusive advertising rights.

The following is a summary of the financial results of the Group for each of the three years ended 31 December 2006:

	Year ended 31 December		
	2004	**2005**	**2006**
	HK$'000 (restated)	*HK$'000*	*HK$'000*
Turnover	76,987	101,463	99,098
Profit/(loss) before taxation	65,266	49,790	(20,055)
Profit/(loss) attributable to Shareholders	52,397	30,565	(29,001)
Earnings/(loss) per Share (HK cents)			
– Basic	3.39	1.97	(1.87)
– Diluted	3.34	1.96	(1.87)
Net tangible assets attributable to Shareholders	168,975	184,761	94,496
Net tangible assets attributable to Shareholders per Share (HK$) *(Note)*	0.11	0.12	0.06

Note: calculated based on the total number of Shares as at the Latest Practicable Date of 1,554,824,614 Shares

On 6 September 2006, the Purchasers and the Vendors entered into the Transfer Agreement whereby the Purchasers agreed to acquire the entire registered capital in Jingzheng Ronglian Advertising at a total consideration of RMB2,000,000 (equivalent to approximately HK$2,040,000) in cash. As stated in the circular dated 15 September 2006, in view of the net losses of Jingzheng Ronglian Advertising incurred for the year ended 31 December 2005, the Directors considered that it was not attractive for the Group to purchase the underlying assets and liabilities of Jingzheng Rouglian Advertising. As such, under the Transfer Agreement, the parties have agreed that immediately after the execution of the Transfer Agreement, all the then existing assets and liabilities will be transferred to third parties procured by the Vendors. The Purchasers in effect purchased the bare shelf of Jingzheng Ronglian Advertising with its paid-up registered capital.

Recently, the parties to the Transfer Agreement decided not to transfer the Acquired Business to third parties in light of the good future prospect of advertising agency business in automobile market in the PRC. The executive Directors are also of the view that the Proposed Acquisition would diversify the portfolio of advertising agency business of the Group. Therefore, on 21 June 2007, the Vendors and the Purchasers entered into the Supplemental Transfer Agreement whereby the Purchasers conditionally agreed to acquire, and the Vendors agreed to sell, the Acquired Business at the Consideration.

The Acquired Business comprises the exclusive advertising agency business in respect of all the advertisements appearing in China Auto Pictorial carried on by Jingzheng Ronglian Advertising. China Auto Pictorial is one of the leading automobile magazines in the PRC. In light of the growing automobile market in the PRC, the executive Directors are of the view that there is room for development of automobile advertising agency business in print media industry. The executive Directors believe that the Proposed Acquisition can improve the earning base through diversification of business and provide a new source of income to the Group. Therefore, the executive Directors are of the view that the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

As advised by the Company, China Auto Pictorial has a history of 10 years. China Auto Pictorial provides latest information on testing and driving reports on imported and domestic automobiles as well as information about car racing. According to a report prepared by HC International Inc.[1], the total advertising expenditure in the printed media in the PRC for the year ended 31 December 2006 reached approximately RMB77,800 million, representing an increase of approximately 8.7% as compared to that of the preceding year. In particular, the total advertising expenditure in the magazines in the PRC for the year ended 31 December 2006 reached approximately RMB7,200 million, representing an increase of approximately 22.9% as compared to that of the preceding year. In addition, according to the audit report prepared by BPA Worldwide[2], the average monthly qualified circulation of China Auto Pictorial in the PRC was 167,416 copies for the year 2006 and the average monthly qualified circulation of China Auto Pictorial in the PRC was 165,800 copies for the year 2005. We consider that the report from BPA Worldwide is reliable and representative as BPA Worldwide has over 70 years of experience in media and event audit and is an independent organization serving more than 25 countries with more than 2,600 advertisers and agencies as members. According to HC International Inc., China Auto Pictorial ranked top three amongst other automobile magazines in the PRC during September 2006 to April 2007, which are the latest available data, in terms of advertisement revenue. Based on above, we consider that China Auto Pictorial has stable average monthly qualified circulation and stable source of advertisement revenue.

In addition, according to the China Association of Automobile Manufacturers[3], the total number of the automobiles manufactured and total number of the automobiles sold in the PRC in 2006 were approximately 7.28 million vehicles and 7.22 million vehicles respectively, representing increases of approximately 27.32% and 25.13% as compared to those of the year 2005.

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[1] *HC International Inc. is a leading Business-to-Business electronic commerce services provider in PRC and it was listed on Growth Enterprise Market of the Stock Exchange in December 2003.*

[2] *BPA Worldwide is an independent, not-for-profit, self-regulating organization which provides consumer and business media audits for verifying all-paid, all-controlled, or any combination of paid and controlled circulation, reported in a single document, with each type of circulation broken out.*

[3] *China Association of Automobile Manufacturers is a nation-wide industrial non-profit making oriented association formed amongst manufacturers of automobiles, motor cycles, automotive component parts and related business in the PRC. One of the primary functions of China Association of Automobile Manufacturers is to conduct research of the automobile industry in the PRC and formulate the development plan of the automobile industry of the PRC on behalf of the PRC government.*

Against the above background, in particular the stable average monthly circulation of China Auto Pictorial in the PRC; the growth of the total advertising expenditure in the printed media in the PRC; the growth in sales of automobiles in the PRC; the ranking of China Auto Pictorial amongst other automobile magazines in the PRC in terms of advertisement revenue and in light of the unsatisfactory financial performance of the Group for the past year, we concur with the executive Directors' view that the Proposed Acquisition will provide an opportunity for the Group to expand its advertising agency business in the PRC and we consider that it is commercially sensible for the Group to seek other business opportunities so as to diversify its business risk and to increase its revenue sources and the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

On the other hand, on 22 June 2007, the Vendors, the Purchasers, United Home and the Company also entered into the Deed of Debt Assignment whereby the Purchasers conditionally agreed to assign the rights and obligations of the Assigned Debt arising under the Supplemental Transfer Agreement to United Home, and the Company agreed to issue the Consideration Shares to United Home as consideration for such assignment of the Assigned Debt. Pursuant to the Deed of Debt Assignment, Shenzhen Caixun and Beijing Caixun, being the Purchasers, agreed to assign the rights and obligations of the Assigned Debt arising under the Supplemental Transfer Agreement to United Home and the Company agreed to allot and issue the Consideration Shares to United Home as consideration for assignment of the Assigned Debt. The Consideration under the Supplemental Transfer Agreement was fixed at RMB111,765,000 (equivalent to approximately HK$114,000,000), the Assigned Debt will therefore amount to RMB61,765,000 (equivalent to approximately HK$63,000,000). Based on the Issue Price of HK$0.375, the maximum number of Consideration Shares will be 168,000,000, which represent (i) approximately 10.81% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 9.75% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

As set out in the Letter from the Board, the settlement of the Consideration partly by cash and partly by the issue of the Consideration Shares under the Deed of Debt Assignment are financing arrangements for the Group which the executive Directors are of the view that such arrangement would preserve the cash resources for the Group as well as enhance the capital base of the Company. As further set out in the Letter from the Board, the Vendors are two limited liability companies established under the laws of the PRC and the Vendors are required to seek approvals from a numbers of relevant government authorities in the PRC before acquiring foreign listed company's shares. Such procedure would be complicated and time consuming and it is not certain how long it would take for such approvals to be obtained or whether such approval could be obtained. Under this circumstance and given that there are common beneficial owners both in United Home and each of the Vendors, the executive Directors consider that the settlement of part of the Consideration through the Deed of Debt Assignment and the arrangement of issuing Shares to United Home instead of the Vendors will facilitate the Proposed Acquisition and such arrangement is in the interest of the Company.

On the above basis, we consider that the arrangement to settle the Consideration by way of a combination of cash and the issue of the Consideration Shares is fair and reasonable so far as the Independent Shareholders are concerned since such arrangement will enable the Group to preserve the cash resources and enhance the capital base of the Company. In addition, given that United Home and each of the Vendors are substantially owned by same group of common beneficial owners, we consider that it is virtually indifferent to the Company to issue the Consideration Shares to United Home instead of the Vendors. Meanwhile, in light of the fact that the issue of the Consideration Shares will enhance the capital base of the Company notwithstanding there will be dilution effect on the shareholding of the Independent Shareholders (please also refer to the paragraph headed "Potential dilution effect on the shareholding of the Company" below for more information), we consider that the arrangement of issuing the Consideration Shares to United Home instead of the Vendors is fair and reasonable so far as the Independent Shareholders are concerned.

2. *Terms of the Proposed Acquisition*

(i) Consideration

Pursuant to the Supplemental Transfer Agreement, Shenzhen Caixun and Beijing Caixun, both being wholly owned subsidiary of the Company, will purchase the Acquired Business at the Consideration of RMB111,765,000 which shall be satisfied by cash with two installments, among which RMB50 million shall be paid as deposit within 7 days after the signing of the Supplemental Transfer Agreement and the balance shall be paid or procured to be paid in cash on Completion. As set out in the Letter from the Board, the Consideration was agreed after arm's length negotiations among the parties taking into consideration the historical performance and future prospects of the Acquired Business and is expected to be equivalent to 9 times of the audited profit before taxation of Jingzheng Ronglian Advertising attributable to the Acquired Business for the financial year ended 31 December 2006, but in any event shall not exceed RMB111,765,000 (equivalent to approximately HK$114,000,000). Pursuant to the Deed of Debt Assignment, the balance of the Consideration will be assumed by United Home and United Home will pay in cash to the Vendors upon Completion. The Company will then issue the Consideration Shares to United Home as consideration for the Proposed Debt Assignment.

For the purpose of assessing of the fairness and reasonableness of the Consideration, the following approaches are adopted:

- ***Price/earnings multiple***

As the Acquired Business is engaged in the advertising agency businesses in the PRC, reference to price/earnings multiple is the most common approach adopted by the investment community in valuing such kind of revenue-generating entities. For the purpose of assessing the fairness and reasonableness of the Consideration by reference to the price/earnings multiples, we have identified eight companies listed on the Stock Exchange which are principally engaged in the adverting businesses in Hong Kong and/or the PRC (i.e. the majority of the turnovers of their respective latest financial year were generated from advertising and related business) and we select those companies with market capitalisation of less than HK$800 million and are profit-making (the "Comparables") in order to have a closer comparison to the Acquired Business in view of the profit-making status of the Acquired Business and the registered capital of RMB2 million of Jingzheng Ronglian Advertising and we consider that it represents the exhaustive list of comparable companies. The details of the Comparables are set out below:

Company name	**Year end date**	**Closing share price as at 8 June 2007** *(HK$)*	**Approximate market capitalisation** *(HK$ million)*	**Latest published earnings (after tax) per share** *(HK$)*	**Price/ earnings multiple** *(times)*
Recruit Holdings Limited	31 December	1.53	420.4	0.1994	7.7
Dahe Media Company Limited	31 December	0.94	780.2	0.0204	46.1
				Mean	26.9
				Median	26.9

		Consideration *(RMB)*	**Audited profit before tax prepared under the HKFRSs** *(RMB)*	**Price/earnings multiple** *(times)*
The Acquired Business	31 December	111,765,000	13,531,634 *(Note)*	8.3

Source: www.hkex.com.hk and Infocast

Note: According to the audited report of the Acquired Business, all the profit before tax in the amount of RMB13,531,634 was related to the Acquired Business only.

For further comparison purpose, we also set out the price-earnings multiple of the Comparables calculated based on the latest published earnings before tax as follows:

Company name	**Year end date**	**Closing share price as at 8 June 2007** *(HK$)*	**Approximate market capitalisation** *(HK$ million)* **(a)**	**Latest published earnings (before tax)** *(HK$ million)* **(b)**	**Price/ earnings multiple** *(times)* **=(a)/(b)**
Recruit Holdings Limited	31 December	1.53	420.4	64.3	6.5
Dahe Media Company Limited	31 December	0.94	780.2	24.3	32.1
				Mean	19.3
				Median	19.3

		Consideration *(RMB)*	**Audited profit before tax prepared under the HKFRSs** *(RMB)*	**Price/earnings multiple** *(times)*
The Acquired Business	31 December	111,765,000	13,531,634 *(Note)*	8.3

Source: www.hkex.com.hk and Infocast

Upon comparison, we note that the price/earnings multiple represented by the Consideration of 8.3 times fall within the range of the Comparables of 7.7 times to 46.1 times (or 6.5 times to 32.1 times calculated based on latest published earnings before tax of the Comparables) and lies well below the mean and median of both 26.9 times (or 19.3 times calculated based on latest published earnings before tax of the Comparables) of the Comparables, which were calculated with reference to the respective closing price of the shares of the Comparables as at 8 June 2007, being the last trading day prior to the signing of the Supplemental Transfer Agreement (the "Last Trading Day") and latest published earnings before and after tax of the Comparables.

Based on the above analysis which was made from the perspective of price/ earnings multiples with reference to the Comparables, in particular, the price/earnings multiple represented by the Consideration of 8.3 times lies well below the mean and median of that of the Comparables, we consider that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

3. Mode of settlement of the Consideration

Pursuant to the Supplemental Transfer Agreement, a deposit of RMB50,000,000 (equivalent to approximately HK$51,000,000) is payable to the Vendors within 7 days after the signing of the Supplemental Transfer Agreement and the balance shall be paid or procured to be paid on Completion. The cash consideration will be financed by internal resources of the Group and/or by other third parties. As set out in the Letter from the Board, the aforesaid balance of the Consideration is expected to be satisfied by way of issue of the Consideration Shares pursuant to the Deed of Debt Assignment. The Consideration under the Supplemental Transfer Agreement was fixed at RMB111,765,000 (equivalent to approximately HK$114,000,000), the Assigned Debt will therefore amount to RMB61,765,000 (equivalent to approximately HK$63,000,000). Based on the Issue Price of HK$0.375, the maximum number of Consideration Shares to be issued will be 168,000,000. As stated in the Letter from the Board, the Issue Price of HK$0.375 was determined after arm's length negotiations between the parties with reference to recent traded prices of the Shares and was equivalent to the average closing prices per Share as quoted on the Stock Exchange for the last 30 consecutive trading days immediately prior to and including the date of the Deed of Debt Assignment.

For our assessment purpose, we note that the Issue Price of HK$0.375 per Consideration Share represents:–

(i) a discount of approximately 12.79% to the closing price of HK$0.43 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 10.93% to the average closing price of approximately HK$0.421 per Share for the last five trading days up to and including the Last Trading Day;

(iii) a discount of approximately 8.31% to the average closing price of approximately HK$0.409 per Share for the last 10 trading days up to and including the Last Trading Day;

(iv) a discount of approximately 0.00% to the average closing price of approximately HK$0.375 per Share for the last 30 trading days up to and including the Last Trading Day;

(v) a premium of approximately 8.98% over the average closing price of approximately HK$0.3441 per Share for the last 90 trading days up to and including the Last Trading Day;

(vi) a discount of approximately 6.3% to the average closing price of approximately HK$0.40 per Share on the Latest Practicable Date;

(vii) a premium of approximately 140.38% over the net asset value per Share of HK$0.156 as at 31 December 2006 based on the latest published audited financial information of the Group as shown in the Company's 2006 annual report and the total number of issued Shares as at the Latest Practicable Date; and

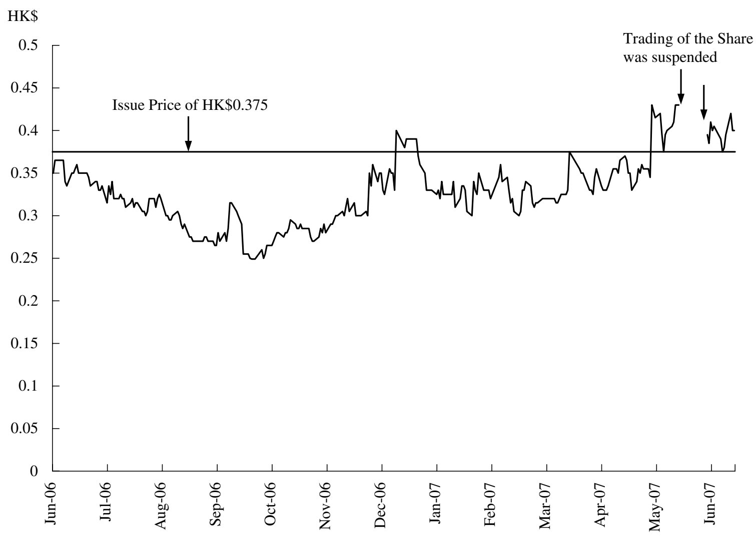
(viii) a premium of approximately 400.00% over the net tangible asset value per Share of HK$0.075 as at 31 December 2006 based on the latest published audited financial information of the Group as shown in the Company's 2006 annual report and the total number of issued Shares as at the Latest Practicable Date.

For the purpose of assessing the fairness and reasonableness of the Issue Price, the following approaches are further taken into consideration:

(a) Share price performance

For the purpose of further comparing the Issue Price with the market price of the Shares, we plot the closing price level of the Shares traded on the Stock Exchange from 1 June 2006 (being the 12-month period prior to the Announcement as 52-week benchmarking period is a commonly used tenure for analysis purpose) to 8 June 2007 (being the Last Trading Day) (the "Review Period") and further up to the Latest Practicable Date (the "Extended Review Period") as follows:

Share price preformance



Source: Infocast

During the Review Period, the lowest closing price was HK$0.249 per Share recorded on 27, 28 and 29 September 2006 respectively and the highest closing price was HK$0.43 per Share recorded on 6, 7 and 8 June 2007 respectively. The trading of the Shares was suspended on 11 June 2007 pending the publication of the Announcement and the trading of the Shares resumed on 25 June 2007. The Issue Price represents a premium of approximately 50.6% over the lowest closing price per Share and a discount of approximately 12.8% to the highest closing price per Share during the Review Period. For reference purpose, the Issue Price also represents a premium of approximately 50.6% over the lowest closing price of HK$0.249 per Share, a discount of approximately 12.8% to the highest closing price of HK$0.43 per Share during the Extended Review Period and a discount of approximately 6.3% to the closing price of the Shares of HK$0.40 on the Latest Practicable Date.

We note that the closing prices of the Shares fell mainly within the band of HK$0.30 to HK$0.40 during the Review Period, except that the closing prices of the Shares fell below HK$0.30 during August and September 2006. We also note that the closing price of the Shares rose from a level of approximately HK$0.35 per Share in mid May 2007 to HK$0.43 per Share on 23 May 2007. We note that the Company issued an announcement dated 23 May 2007 in relation to the unusual increase in price and trading volume of the Shares but the Company confirmed that there were no negotiation and/or agreement relating to intended acquisitions or realizations which are discloseable under the Listing Rules. As at the Latest Practicable Date, the closing price per Share was HK$0.40.

(b) Price/earnings multiple

As the Company is principally engaged in the provision of advertising agency services in the PRC, price-earnings multiple is one of the most commonly used benchmarks for valuing the Company. However, the Group has been loss making for the year ended 31 December 2006. Accordingly, it would not be feasible and meaningful to assess the Issue Price using the price-earnings multiple approach.

(c) Net asset value

In addition to price/earnings multiples, we also assess the Company by reference to its net asset value. For comparison purpose, we consider that the Comparables are relevant and appropriate for comparison. We have reviewed and tabulated below the premia of the closing share prices of the Comparables as at 8 June 2007 over their respective net tangible asset value as reported in their latest published financial reports:

Company name	**Year end date**	**Market capitalisation** *(HK$ million)*	**Closing share price as at 8 June 2007** *(HK$)*	**Latest published net tangible asset value per share** *(HK$)*	**Premium of the closing share price on 8 June 2007 over the latest published net tangible asset value per share**
Recruit Holdings Limited	31 December	420.4	1.53	0.639	139.4%
Dahe Media Company Limited	31 December	780.2	0.94	0.312	201.3%
				Mean	70.4%
				Median	170.4%
The Company	**31 December**	**668.1**	**0.43**	**0.075**	**473.3%**
Issue Price *(HK$)*			**0.375**	**0.075**	**400.0%**

Source: www.hkex.com.hk and Infocast

Upon comparison, we note that the premium of approximately 400.0% as represented by the Issue Price over the net tangible asset value per Share of HK$0.075 lies well above the median and mean of that of the Comparables.

Based on the above and notwithstanding the discount of the Issue Price to the closing price of the Shares on the Last Trading Date, in particular, the premium of approximately 400.0% as represented by the Issue Price over the net tangible asset value per Share of HK$0.075 lies well above the mean and median of that of the Comparables, we consider that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

4. *Financial effects of the Proposed Acquisition and the Proposed Debt Assignment on the Group*

(i) Earnings

Upon completion of the Proposed Acquisition and the Proposed Debt Assignment, the financial results of the Acquired Business will be consolidated into the accounts of the Group after Completion. As set out in the Letter from the Board, the audited profit before taxation of the Acquired Business prepared under the HKFRSs for the year ended 31 December 2006 was approximately RMB13.5 million (equivalent to approximately HK$13.8 million). According to the annual report of the Company for the year ended 31 December 2006, the audited consolidated loss attributable to the Shareholders was approximately HK$29.0 million. Assuming the Proposed Acquisition and the Proposed Debt Assignment were completed on 1 January 2006 and the expenses in relation to the issue of the Consideration Shares were minimal, the combined loss of the Group would be reduced for the year ended 31 December 2006.

(ii) Cashflow

The Consideration under the Supplemental Transfer Agreement was fixed at RMB111,765,000 (equivalent to approximately HK$114,000,000), out of which RMB50 million (equivalent to approximately HK$51 million) was paid by cash as deposit within 7 days after the signing of the Supplemental Transfer Agreement whilst the remainder of the Consideration will be satisfied by way of issuance of the Consideration Shares. Based on the annual report of the Company for the year ended 31 December 2006, the Group had bank balances and cash and pledged deposits of approximately HK$170.7 million in aggregate as at 31 December 2006. Assuming the Proposed Acquisition and the Proposed Debt Assignment were completed on 31 December 2006 and the expenses in relation to the issue of the Consideration Shares were minimal, the Group would record a cash outflow of HK$51 million (equivalent to cash outflow of approximately HK$0.03 per Share) and a reduction of the HK$51 million in the bank balances and cash of the Group.

The Company expects that there will be no funding commitment from the Company in relation to the ongoing operation of the Acquired Business after completion of the Acquisition.

(iii) Net Asset Value

According to the annual report of the Company for the year ended 31 December 2006, the consolidated net assets attributable to equity holders of the Company were approximately HK$242.5 million (equivalent to approximately HK$0.156 per Share). As set out in the Letter from the Board, the audited net assets prepared under the HKFRSs of the Acquired Business as at 31 December 2006 was approximately RMB10.5 million (equivalent to approximately HK$10.7 million). **However, according to the Supplemental Transfer Agreement, all the assets and liabilities of the Acquired Business created before the Completion, namely trade and other receivables, equipment and other payables and accruals, would belong to the Vendors. Upon Completion, the Acquired Business will be accounted as an intangible asset in the consolidated balance sheet of the Group. Independent Shareholders should note that the audited net assets prepared under the HKFRSs of the Acquired Business will not be consolidated into the balance sheet of the Group and the figure presented here are for reference purpose.** The Consideration under the Supplemental Transfer Agreement is RMB111,765,000 (equivalent to approximately HK$114,000,000), the Assigned Debt would be RMB61,765,000 (equivalent to approximately HK$63,000,000) and it will be settled by way of issue of the Consideration Shares. Assuming the Proposed Acquisition and the Proposed Debt Assignment were completed on 31 December 2006 and the expenses in relation to the issue of the Consideration Shares were minimal, the consolidated net assets attributable to equity holders of the Company would be enhanced after taking into account of the issue of the Consideration Shares. However, the consolidated net tangible assets attributable to equity holders of the Company would be reduced given that the Acquired Business will be accounted as intangible asset of the Group upon Completion and the Proposed Acquisition was partly settled by cash, which is the tangible asset. The difference between the Consideration and the value of the intangible asset attributable to the Acquired Business will be recorded as goodwill in the consolidated balance sheet, which is also an intangible asset of the Group.

(iv) Gearing

Based on the audited consolidated balance sheet of the Group as at 31 December 2006, total liabilities of the Group were approximately HK$140.4 million as at 31 December 2006 whilst the consolidated net assets of the Group as at 31 December 2006 were approximately HK$242.5 million. As at 31 December 2006, the gearing ratio of the Group (measured by total liabilities over shareholders' equity) was 57.9%. According to the Supplemental Transfer Agreement, all the assets and liabilities of the Acquired Business created before the Completion, namely trade and other receivables, equipment and other payables and accruals, would belong to the Vendors, therefore, the Proposed Acquisition would not have impact on the level of liabilities of the Group upon the Completion. As illustrated in the sub-paragraph headed "Net Asset Value" above, assuming the Proposed Acquisition and the Proposed Debt Assignment were completed on 31 December 2006, the consolidated net assets attributable to equity holders of the Company would increase. Based on the foregoing, the gearing ratio of the enlarged Group (measured by total liabilities over shareholders' equity) would be reduced as the net assets of the Company would increase upon Completion whilst, as set out in the Letter from the Board, there is no material effect on the liabilities of the Group as a result of the Proposed Acquisition and the Proposed Debt Assignment.

Based on the above, the Proposed Debt Assignment would have an overall positive effect on the financial position of the Group in terms of earnings, net asset value and gearing based on historical audited figures notwithstanding there will be negative impact on cashflow of the Group. On such basis, we are of the view that the Proposed Acquisition and the Proposed Debt Assignment are in the interests of the Company and the Shareholders as a whole.

5. Potential dilution effect on the shareholding of the Company

Based on the Issue Price, 168,000,000 Shares will be issued upon Completion, representing (i) approximately 10.81% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 9.75% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

As disclosed in the table set out in the section headed "Shareholding structure of the Company" in the Letter from the Board, the shareholdings of the Independent Shareholders in the Company will be diluted from approximately 46.4% to 41.9% upon Completion.

We were advised by the executive Directors that they had considered various financing alternatives for satisfying the Consideration. The executive Directors were of the view that debt financing would adversely affect the gearing of the Company and the interest expenses thereof would inevitably impact the profitability of the Company. In light of the above and in view that the issue of the Consideration Shares will enlarge and strengthen capital base of the Company, the executive Directors consider that the issue of the Consideration Shares are the best financing alternatives available to the Company at the moment to partly finance the Proposed Acquisition.

Taking into account the above factors, in particular, the following:

(i) the Issue Price represents a substantial premium over the net tangible assets per Share;

(ii) the issue of the Consideration Shares will enlarge and strengthen capital base of the Company as well as greatly enhance the net asset position and gearing position of the Group based on historical audited figures;

(iii) the issue of the Consideration Shares will be used to settle part of the Consideration under the Proposed Acquisition; and

(iv) the executive Directors consider that the issue of the Consideration Shares are the best financing alternatives available to the Company at the moment to partly finance the Proposed Acquisition,

we are of the opinion that the issue of the Consideration Shares is an acceptable means of financing the majority portion of the Consideration and the shareholding dilution to the Independent Shareholders is acceptable so far as the Independent Shareholder are concerned.

6. The Whitewash Waiver

(a) Background

As at the Latest Practicable Date, United Home is beneficially interested in 677,843,824 Shares, representing approximately 43.6% of the existing issued share capital of the Company. Upon the Completion (assuming that no further Shares, other than the Consideration Shares, are issued by the Company between the Latest Practicable Date and the Completion), the beneficial shareholding interest of United Home (and parties acting in concert with it) in the Company will increase from approximately 43.6% to 49.1%. Accordingly, United Home will be obliged to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be acquired by United Home and parties acting in concert with it under Rule 26.1 of the Takeovers Code, unless a Whitewash Waiver is obtained from the Executive.

An application has been made by United Home and parties acting in concert with it to the Executive for the Whitewash Waiver pursuant to the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll, which United Home and parties acting in concert with it will abstain from voting on the relevant resolution.

(b) The Whitewash Waiver as a condition of the Supplemental Transfer Agreement and the Deed of Debt Assignment

It is a condition precedent to the completion of the Supplemental Transfer Agreement and the Deed of Debt Assignment that the Whitewash Waiver is granted by the Executive and approved by Independent Shareholders. If the Whitewash Waiver is not granted by the Executive or not approved by Independent Shareholders, the Supplemental Transfer Agreement and the Deed of Debt Assignment will lapse and the Proposed Acquisition and the Proposed Debt Assignment will not proceed.

(c) United Home and parties acting in concert with it shall remain as the largest group of Shareholders

As at the Latest Practicable Date, United Home is beneficially interested in 677,843,824 Shares, representing approximately 43.6% of the existing entire issued share capital of the Company. Upon the Completion (assuming that no further Shares, other than the Consideration Shares, are issued by the Company between the Latest Practicable Date and Completion), the beneficial shareholding interest of United Home (and parties acting in concert with it) in the Company will increase from approximately 43.6% to 49.1%. On such basis, Independent Shareholders should note that United Home and parties acting in concert with it shall remain as the largest group of Shareholders upon completion of the Proposed Acquisition and the Proposed Debt Assignment.

The granting and approval of the Whitewash Waiver will enable the Group and all the Shareholders, including the Independent Shareholders, to take the opportunity to enjoy the potential benefits upon completion of the Proposed Acquisition and the Proposed Debt Assignment which include, among other things, (i) the opportunity for the Group to expand its business in the advertising business in the PRC; (ii) the earnings of the Group will be enhanced based on historical audited figures; (iii) the increase in net assets and the enhancement of the equity base of the Group; (iv) significant reduction in the gearing level of the Group. Accordingly, we consider that the granting of the Whitewash Waiver is fair and reasonable so far as the Company and the Independent Shareholders are concerned as it is a condition precedent to the Proposed Acquisition and the Proposed Debt Assignment.

RECOMMENDATION

Having considered the principal factors and reasons, we are of the opinion that the terms of the Proposed Acquisition and the Proposed Debt Assignment are on normal commercial terms, in the ordinary course of business of the Group and are fair and reasonable and the Proposed Acquisition and the Proposed Debt Assignment are in the interests of the Company and the Shareholders as a whole. On the basis that the grant of the Whitewash Waiver is a condition of the Supplement Transfer Agreement and the Deed of Debt Assignment, we also consider that the grant of the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM for approving the Proposed Acquisition and the Proposed Debt Assignment and we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM for approving the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Partners Capital International Limited
Alan Fung **Harry Yu**
Managing Director *Executive Director*

1. THREE YEAR SUMMARY

The following table summaries the audited consolidated results of the Group for the last three financial years ended 31 December 2006, as extracted from the audited consolidated financial statements of the Group. There was no modification or qualification in the auditors' report of the Group for each of the three financial years ended 31 December 2006. There were no extraordinary items or exceptional items for these three years.

	For the year ended 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
			(restated)
			(Note)
Revenue	99,098	101,463	76,987
Cost of sales	(25,813)	(23,336)	(13,439)
Gross profit	73,285	78,127	63,548
Other income	7,503	4,456	6,090
Selling and distribution costs	(43,103)	(21,577)	(20,416)
Administrative expenses	(27,417)	(11,044)	(9,126)
Other operating expenses	–	(172)	(5,534)
Change in fair value of derivative financial instruments	(4,074)	–	–
Impairment loss recognised in respect of available-for-sale investments	(21,149)	–	–
Finance costs	(5,100)	–	–
Gain on disposal of subsidiaries	–	–	30,704
(Loss) profit before taxation	(20,055)	49,790	65,266
Taxation	(6,266)	(10,283)	(8,934)
(Loss) profit for the year	(26,321)	39,507	56,332
Attributable to:			
Equity holders of the parent	(29,001)	30,565	52,397
Minority interests	2,680	8,942	3,935
	(26,321)	39,507	56,332
(Loss) earnings per Share (HK cents)			
Basic	(1.87)	1.97	3.39
Diluted	(1.87)	1.96	3.34
Dividend	–	6,207	15,492
Dividend per Share (HK cents)	–	0.40	1.00

Note: In 2005, the Group has applied HKFRS 2 "Share-based payment" retrospectively to expense the fair value of share options granted to directors and employees of the Company that were granted after 7 November 2002 and had not yet vested on 1 January 2005. Accordingly, certain comparative figures for the year 2004 have been restated.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE TWO YEARS ENDED 31 DECEMBER 2006

The following information is extracted from the audited consolidated financial statements of the Group as extracted from the annual report of the Company for the year ended 31 December 2006.

Consolidated Income Statement

For the year ended 31 December 2006

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

Consolidated Balance Sheet
At 31 December 2006

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

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

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

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

Consolidated Cash Flow Statement

For the year ended 31 December 2006

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

1. GENERAL

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

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

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

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

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

Goodwill

Goodwill arising on acquisition prior to 1 January 2005

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

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

Goodwill arising on acquisitions on or after 1 January 2005

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

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

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

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

Joint ventures

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

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

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

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

Revenue recognition

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

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

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

Property, plant and equipment

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

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

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

Sole agency rights

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

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

Impairment loss (other than goodwill)

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

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

Operating leases

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

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

Taxation

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

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

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

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

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

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

Foreign currencies

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

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

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

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

Borrowing costs

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

Retirement benefits costs

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

Financial instruments

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

Financial assets

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

Loans and receivables

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

Available-for-sale financial assets

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

Financial liabilities and equity

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

Financial liabilities

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

Equity instruments

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

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

Convertible bond

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

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

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

Warrant

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

Derivative financial instruments

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

Embedded derivatives

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

Derecognition

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

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

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimated impairment of goodwill

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

Allowances for bad and doubtful debts

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

5. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

Credit risk

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

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

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

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

Market risk

Currency risk

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

Fair value interest rate risk

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

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

Cash flow interest rate risk

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

Equity price risk

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

Fair value

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

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

- the fair value of derivative instruments, are estimated using option pricing model (for example, binomial method).

6. REVENUE AND SEGMENTAL INFORMATION

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

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

7. FINANCE COSTS

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

8. (LOSS) PROFIT BEFORE TAXATION

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

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

9. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

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

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

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

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

Employees' emoluments

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

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

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

10. TAXATION

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

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

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

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

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

11. DIVIDEND

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

12. (LOSS) EARNINGS PER SHARE

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

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

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

13. PROPERTY, PLANT AND EQUIPMENT

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

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

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

14. SOLE AGENCY RIGHTS

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

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

15. GOODWILL

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

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

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

16. INTEREST IN A JOINTLY CONTROLLED ENTITY

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

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

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

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

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

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

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

17. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

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

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

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

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

18. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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

19. LOAN RECEIVABLE

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

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

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

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

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

20. TRADE AND OTHER RECEIVABLES

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

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

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

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

21. PLEDGED BANK DEPOSIT AND BANK BALANCES

Bank balances carry interest at market rates which range from 1.80% to 4.49% (2005: 1.71% to 2.07%) per annum. The pledged deposit carries fixed interest rate of 4.9% per annum. Pledged bank deposit represents deposit pledged to a bank to secure short-term banking facilities granted to the Company's subsidiary and will be released upon the settlement of relevant bank borrowing.

22. AMOUNTS DUE FROM/TO RELATED COMPANIES

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

Notes:

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

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

23. OTHER FINANCIAL LIABILITIES

Trade payables

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

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

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

Other payables and accruals

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

24. BANK BORROWING

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

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

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

25. SHARE CAPITAL

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

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

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

26. CONVERTIBLE BOND

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27. ACQUISITIONS OF ADDITIONAL INTEREST IN CONTROLLED ENTITIES AND ASSETS

(i) Acquisition of additional interest in controlled entities

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

(ii) Acquisition of asset

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

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

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

28. NON-CASH TRANSACTION

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

29. COMMITMENTS

(a) Operating lease commitments

As lessee

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

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

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

(b) Other commitments

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

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

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

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

30. SHARE OPTION SCHEMES

Equity-settled share option scheme:

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

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

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

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

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

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

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

Notes:

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

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

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

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

31. RETIREMENT BENEFITS SCHEMES

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

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

32. RELATED PARTY TRANSACTIONS

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

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

Notes:

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

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

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

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

33. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name	Country of incorporation or registration/ operations	Proportion of nominal value of issued share capital/ registered capital held by the Company		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
Beijing SEEC Book and Press Distribution Co., Ltd.	PRC	–	100	RMB5,000,000 Limited liability company	Book and press distributor
Hainan Caixun	PRC	–	100	RMB9,000,000 Limited liability company	Investment holding
Shenzhen Caixun	PRC	–	100	RMB1,000,000 Limited liability company	Advertising agent
Shanghai Caixun Media Conference Exhibition	PRC	100	–	HK$10,000,000 Limited liability Limited company	Investment holding
Superfort Management Corp.	British Virgin Islands/ Hong Kong	100	–	US$100 Limited company	Investment holding

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

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

34. POST BALANCE SHEET EVENTS

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

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

3. INDEBTEDNESS

At the close of business on 31 May 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$86.2 million comprising of (i) bank loan of approximately HK$8.2 million which was secured by a charge over a bank deposit of approximately HK$39 million of the Company, (ii) a convertible bond of outstanding amount of approximately HK$73.4 million and (iii) amounts due to related companies of approximately HK$4.6 million.

Save as disclosed in the above paragraph and apart from intra-group liabilities, the Group did not have, at the close of business on 31 May 2007, any outstanding overdrafts or loans or other similar indebtedness, mortgages, charges or guarantees or other material contingent liabilities.

Amounts referred to in this indebtedness statement denominated in currencies other than Hong Kong dollars have been translated into Hong Kong dollars at the relevant rates of exchange prevailing as at the close of business on 31 May 2007.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Takeovers Code and the Listing Rules for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular, other than those with regards to United Home and the parties acting in concert with it, have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The directors of United Home jointly and severally accept full responsibility for the accuracy of the information contained in this circular in relation to United Home and the parties acting in concert with it, and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular, in relation to United Home and the parties acting in concert with it, have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

(a) Authorised and issued share capital

The authorised and issued share capital of the Company as at the Latest Practicable Date and following completion of the Proposed Debt Assignment (assuming that no further Shares, other than the Consideration Shares, are issued by the Company between the Latest Practicable Date and Completion) are as follows:

		HK$
Authorised		
3,000,000,000	Shares	300,000,000
Issued		
1,554,824,614	Shares in issue as at the Latest Practicable Date	155,482,461
168,000,000	Shares to be issued pursuant to the Proposed Debt Assignment	16,800,000
1,722,824,614	Shares in issue immediately upon completion of the Proposed Debt Assignment	172,282,461

All the issued Shares rank pari passu in all respects including all rights as to dividends, voting and return of capital. The Consideration Shares to be issued upon completion of the Proposed Debt Assignment will rank pari passu in all respects including all rights as to dividends, voting and return on capital.

As at the Latest Practicable Date, 1,100,000 new Shares have been issued since 31 December 2006, being the date to which the latest published audited account of the Group were made up.

(b) Convertible bond

On 19 May 2006, the Company issued to an independent third party, Templeton Strategic Emerging Markets Fund II, LDC, represented by Templeton Asset Management Limited a convertible bond amounting to US$10 million (equivalent to HK$78 million) carrying rights to convert into Shares ("Convertible Bond"). Conversion price of the Convertible Bond is the higher of (i) HK$0.422 per Share and (ii) an amount equalling 90% of the volume weighted average price of the Share for the 30 trading days preceding 19 November 2008. The Convertible Bond's holder has the right to convert all or some of the Convertible Bond into the Shares 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 the Convertible Bond at 138.51% of its principal amount plus accrued interest on 8 May 2011.

As at the Latest Practicable Date, no conversion of the Convertible Bond has been made since the issue date of 19 May 2006.

(c) Warrant

On 19 May 2006, the Company issued to an independent third party, Templeton Strategic Emerging Markets Fund II, LDC, represented by Templeton Asset Management Limited the nil-paid warrant (the "Warrant"). The Warrant, which was granted for no consideration, carries the rights to subscribe for up to 79,947,009 Shares at an exercise price of HK$0.422 per Share during the period from 19 May 2006 to 18 May 2011.

As at the Latest Practicable Date, no conversion of the Warrant has been made since the issue date of 19 May 2006.

(d) Share option scheme

The Company has adopted a share option scheme for the employees of the Group. As at the Latest Practicable Date, there were a total of 70,100,000 outstanding options granted by the Company to certain Directors and employees of the Group entitling the holders thereof to subscribe for an aggregate of 70,100,000 Shares. Details of the options outstanding are as follows:

Grantee	Date of grant	Exercise price *HK$*	Exercisable period	Number of share options outstanding as at Latest Practical Date
Executive Directors				
Li Shijie	25.7.2003	0.210	25.7.2004 to 24.7.2009	6,900,000
Li Shijie	7.2.2007	0.330	7.2.2010 to 6.2.2015	1,000,000
Wang Boming	7.2.2007	0.330	7.2.2010 to 6.2.2015	1,500,000
Zhang Zhifang	7.2.2007	0.330	7.2.2010 to 6.2.2015	1,500,000
Dai Xiaojing	7.2.2007	0.330	7.2.2010 to 6.2.2015	1,500,000
119 other employees of the Group in aggregate	25.7.2003	0.210	25.7.2004 to 24.7.2009	22,000,000
	22.10.2003	0.350	22.10.2003 to 21.7.2008	500,000
	25.2.2004	0.566	25.2.2005 to 24.2.2010	2,500,000
	7.2.2007	0.330	7.2.2010 to 6.2.2015	32,700,000
				70,100,000

Save as disclosed above, as at the Latest Practicable Date, the Company has no securities which are convertible or exercisable into Shares.

3. MARKET PRICES

The table below shows the closing prices of the Shares quoted on the Stock Exchange (i) at the end of each of the six calendar months immediately preceding 22 June 2007, being the date of the Announcement; (ii) on the Last Trading Day; and (iii) on the Latest Practicable Date.

Date	**Closing price** *(HK$)*
29 December 2006	0.390
31 January 2007	0.335
28 February 2007	0.315
30 March 2007	0.325
30 April 2007	0.355
31 May 2007	0.395
Last Trading Day	0.430
Latest Practicable Date	0.400

The lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the period between the beginning of the six months preceding the date of the Announcement and the Latest Practicable Date were HK$0.3 on 5 February 2007 and 5 March 2007 and HK$0.43 on 23 May 2007, and 6 June 2007 to 8 June 2007.

4. DISCLOSURE OF INTERESTS

(a) Interests in shares, underlying shares or debentures of the Company

As at the Latest Practicable Date, the interests and short positions of each of the Directors and chief executive of the Company in the shares, underlying shares (within the meaning of Part XV of the SFO) or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in underlying shares of the Company – share options to subscribe for Shares

Name of Director	Date of grant	Exercise price *(HK$)*	Exercisable period	Number of share options outstanding
Wang Boming	7 February 2007	0.33	7 February 2010 to 6 February 2015	1,500,000
Zhang Zhifang	7 February 2007	0.33	7 February 2010 to 6 February 2015	1,500,000
Dai Xiaojing	7 February 2007	0.33	7 February 2010 to 6 February 2015	1,500,000
Li Shijie	7 February 2007	0.33	7 February 2010 to 6 February 2015	1,000,000
Li Shijie	25 July 2003	0.21	25 July 2004 to 24 July 2009	6,900,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective Associates had any interests and short positions in the shares, underlying shares (within the meaning of Part XV of the SFO) or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Other interests

(i) Interests in service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or its subsidiaries or associated companies (excluding contracts expiring or terminable by any member of the Group within one year without payment of compensation, other than statutory compensation).

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company or any of its subsidiaries or associated companies in force which are continuous contracts with a notice period of 12 months or more or which are fixed term service contract which has more than 12 months to run after the Latest Practicable Date (irrespective of the notice period).

None of the Directors had entered into or amended any service contracts (including both continuous and fixed term contracts) with the Company or any of its subsidiaries or any of its associated companies within six months before the date of the Announcement.

(ii) Interests in assets of the Group

Except for the Supplemental Transfer Agreement and the Deed of Debt Assignment, none of the Directors has, or has had, any direct or indirect interest in any assets which have been, since 31 December 2006, being the date to which the latest audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to, any member of the Group.

(iii) Interests in contracts or arrangements

Except for the Supplemental Transfer Agreement and the Deed of Debt Assignment, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group taken as a whole.

5. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, in accordance with the register kept by the Company under Section 336 of the SFO, the following persons were interested in the issued and unissued share capital of the Company (including short positions) representing 5% or more of the issued share capital of the Company:

Long positions in Shares

Name	**Number of Shares beneficially held or interested**	**Percentage of shareholding**
United Home *(Notes 1 and 6)*	845,843,824	54.4%
Carlet Investments Ltd. *(Note 1)*	172,644,210	11.1%
Finansa Public Company Limited *(Note 2)*	172,644,210	11.1%
Arisaig Greater China Fund Limited *(Note 4)*	155,406,000	10.0%
Arisaig Partners (Mauritius) Limited *(Notes 3 & 4)*	155,406,000	10.0%
Arisaig Partners (Holdings) Limited *(Note 4)*	155,406,000	10.0%
Arisaig Partners (BVI) Limited *(Note 4)*	155,406,000	10.0%
Cooper Lindsay William Ernest *(Note 5)*	155,406,000	10.0%
Madeleine Ltd. *(Note 5)*	155,406,000	10.0%

Note:

1. The 172,644,210 Shares held by Carlet Investments Ltd. were indirectly owned by United Home Limited by virtue of its 100% interest in Carlet Investments Ltd. In addition to the 172,644,210 Shares held by Carlet Investments Ltd., 505,199,614 Shares which represents approximately 32.5% of the issued share capital of the Company, were directly owned by United Home. Messrs. Wang Boming, Zhang Zhifang and Dai Xiaojing are directors of United Home.

2. Finansa Public Company Limited has a security interest in the 172,644,210 Shares pledged by Carlet Investments Ltd.

3. The capacity of Arisaig Partners (Mauritius) Limited in holding the 141,698,000 Shares was the fund manager of Arisaig Greater China Fund Limited.

4. The 155,406,000 Shares held by Arisaig Greater China Fund Limited were indirectly owned by Arisaig Partners (Holdings) Limited 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.

5. This referred to the same number of 155,406,000 Shares as mentioned in note 4 above through 33.33% interests in Arisaig Partners (Holdings) Ltd. held by Madeleine Ltd. Madeleine Ltd. is beneficially owned by Cooper Lindsay William Ernest.

6. Out of 845,843,824 Shares, 168,000,000 Shares are the Consideration Shares (representing approximately 10.81% of the entire issued share capital of the Company at the Latest Practicable Date and approximately 9.75% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares) to be allotted and issued under the Deed of Debt Assignment.

Save for the persons disclosed in this section, as at the Latest Practicable Date, no other person was recorded in the register kept pursuant to Section 336 of the SFO as having an interest in the issued and unissued share capital of the Company (including short positions) representing 5% or more of the issued share capital of the Company. The Directors are not aware of any person, other than the persons (including his personal, family and corporate interests) as aforesaid, who had, directly or indirectly, an interest in the issued and unissued share capital of the Company (including short positions) representing 5% or more of the issued share capital of the Company as at the Latest Practicable Date.

6. QUALIFICATIONS OF EXPERTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	**Qualification**
Partners Capital International Limited	a licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFC

7. CONSENT

Partners Capital International Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and reference to its name in the form and context in which it appear.

As at the Latest Practicable Date, Partners Capital International Limited is not beneficially interested in the share capital of any member of the Group, nor did it has any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it has any interest, either direct or indirect, in any assets which have been, since 31 December 2006, being the date to which the latest audited accounts of Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to, any member of the Group.

8. NO MATERIAL CHANGE

The Directors are not aware of any material change in the financial or trading position or outlook of the Group since 31 December 2006 (being the date to which the latest published audited accounts of the Group were made up).

9. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

10. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, or their respective Associates was interested in any business which competes or is likely to compete, whether directly or indirectly, with the business of the Company.

11. MATERIAL CONTRACTS

In addition to the Supplemental Transfer Agreement and the Deed of Debt Assignment, the following contracts (not being entered into in the ordinary course of business) have been entered into by the members of the Group after the date two years preceding the Announcement and up to and including the Latest Practicable Date and which are or may be material:

(a) a supplemental deed dated 12 September 2005 between (i) the Company; (ii) The Observer Star Global Publishing Holding Ltd, an independent third party ("Observer Star"); and (iii) Sun Business Network Ltd., an independent third party (the "First Supplemental Deed"), pursuant to which the parties agreed to amend and supplement a sale and purchase agreement dated 7 November 2004 between the same parties whereby the Company agreed to sell and Observer Star agreed to purchase the entire issued share capital of Maxful Management Corp., a then direct wholly-owned subsidiary of the Company, at a total consideration of HK$48,000,000 (the "S&P Agreement");

(b) a second supplemental deed dated 11 April 2006 between (i) the Company; (ii) Observer Star; and (iii) Sun Business Network Ltd., pursuant to which the parties agreed to amend and supplement the S&P Agreement and the First Supplemental Deed;

(c) a purchase agreement relating to US$10,000,000 two per cent. convertible bonds due 2011 and nil paid warrant dated 20 April 2006 between the Company and Templeton Strategic Emerging Markets Fund II, LDC, represented by its investment manager Templeton Asset Management Limited in connection with the issue by the Company of the US$10,000,000 in aggregate principal amount of 2% convertible bonds yielding 8.5% due on 18 May 2011 convertible into Shares, and the nil-paid warrant which carries the right for its holder to subscribe for up to 79,947,009 Shares at an aggregate consideration of US$10,000,000;

(d) an agreement dated 25 May 2006 between Shanghai SEEC as vendor and Superfort Management Corp., a direct wholly-owned subsidiary of the Company as purchaser in relation to the acquisition of the 40% interest in the registered capital of 北京財訊世紀信息科技有限公司 (Beijing Caixun Century InfoTech Co., Ltd.*) at a consideration of RMB69,603,000 (the "Caixun Century Agreement");

(e) a letter agreement dated 1 June 2006 between Shanghai SEEC and Superfort Management Corp. pursuant to which the parties agreed to amend the consideration payable under the Caixun Century Agreement to RMB52,203,000;

(f) an agreement dated 25 May 2006 between Shanghai SEEC as vendor and Superfort Management Corp. as purchaser in relation to the acquisition of the 14.30% interest in the registered capital of 海南財訊信息傳播有限公司 (Hainan Caixun Infomedia Co., Ltd.*) at a consideration of RMB58,061,000 (the "Hainan Caixun Agreement");

(g) a letter agreement dated 1 June 2006 between Shanghai SEEC and Superfort Management Corp. pursuant to which the parties agreed to amend the consideration payable under the Hainan Caixun Agreement to RMB43,546,000;

(h) the Transfer Agreement;

(i) a lease agreement dated 16 April 2007 between Shanghai SEEC as landlord and Beijing Caixun as tenant for one year at a monthly rental of RMB15,137;

(j) a lease agreement dated 16 April 2007 between Shanghai SEEC as landlord and 北京聯辦書刊發行有限公司 (Beijing SEEC Book and Press Distribution Co., Ltd*) as tenant for one year at a monthly rental of RMB7,593; and

(k) a lease agreement dated 16 April 2007 between Shanghai SEEC as landlord and Shenzhen Caixun as tenant for one year at a monthly rental of RMB161,165.

(For identification purposes only)*

12. MISCELLANEOUS

(a) The secretary and the qualified accountant of the Company is Mr. Tseung Sheung Shun, who is an associate member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is at P.O. Box 897 GT, Second Floor, One Capital Place, Grand Cayman, Cayman Islands, British West Indies and its principal place of business is at Room 2502, Alexandra House, 18 Chater Road, Central, Hong Kong.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

(d) The registered address of United Home is Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands.

The issued share capital of United Home is beneficially owned by 15 individuals in equal proportions, four of whom are Directors (namely Wang Boming, Zhang Zhifang, Dai Xiaojing and Li Shijie). The remaining shareholders are Li Yi, Sun Jianyi, Chu Xubo, Wangwei, Lei Jun, Liu Xiao, Xi Shuguang, Song Guoqing, Wang Li, Yang Daming and Xu Gang.

The directors of United Home are Wang Boming, Zhang Zhifang and Dai Xiaojing whose business address is 11th Floor, Prime Tower, 22 Chaoyangmenwai Dajie, Beijing, the PRC.

The registered address of Carlet Investments Ltd. is Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands.

The entire issued share capital of Carlet Investments Ltd. is owned by United Home.

The sole corporate director of Carlet Investments Ltd. is United Home.

As at the Latest Practicable Date, United Home does not have present intention to transfer, charge or pledge the Consideration Shares to any other persons.

(e) As at the Latest Practicable Date, United Home is beneficially interested in 677,843,824 Shares (of which 172,644,210 Shares, representing approximately 11.1% of the existing entire issued share capital of the Company, are held through its wholly-owned subsidiary Carlet Investments Ltd.), representing approximately 43.6% of the existing entire issued share capital of the Company. As at the Latest Practicable Date, save as disclosed in paragraphs (d) and (e) of this section, none of United Home, the directors of United Home or any person acting in concert with it had any shares, convertible securities, warrants or options of the Company, or any outstanding derivatives in respect thereof.

(f) As at the Latest Practicable Date, no person, prior to the posting of this circular, had irrevocably committed themselves to vote for or against the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Wavier.

(g) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with United Home or with any person acting in concert with it in respect of the Shares.

(h) As at the Latest Practicable Date, the Company did not have any shares, convertible securities, warrants or options of United Home, or any outstanding derivatives in respect thereof.

(i) As at the Latest Practicable Date, save for Wang Boming, Zhang Zhifang, Dai Xiaojing and Li Shijie, each of whom holds approximately 6.67% of United Home, none of the Directors have any shares, convertible securities, warrants or options of United Home, or any outstanding derivatives in respect thereof or any shares, convertible securities, warrants or options of the Company, or any outstanding derivatives in respect thereof.

(j) As at the Latest Practicable Date, neither a subsidiary of the Company, a pension fund of the Company and its subsidiaries nor an adviser to the Company as specified in class (2) of the definition of associate in the Takeovers Code had any interest in shares, convertible securities, warrants or options of the Company, or any outstanding derivatives in respect thereof.

(k) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1),(2),(3) and (4) of the definition of associate in the Takeovers Code in respect of any shares, convertible securities, warrants or options of the Company, or any outstanding derivatives in respect thereof.

(l) As at the Latest Practicable Date, none of the Directors intend to vote for or against the Proposed Acquisition, the Proposed Debt Assignment and the Whitewah Waiver.

(m) As at the Latest Practicable Date, no Shares were managed on a discretionary basis by fund managers connected with the Company.

(n) As at the Latest Practicable Date, save for the Supplemental Transfer Agreement and the Deed of Debt Assignment, there was no agreement or arrangement or understanding between United Home or any person acting in concert with it and any of the Directors, Shareholders, recent directors, shareholders, or recent shareholders of the Company which have any connection with or dependence upon completion of the Supplemental Transfer Agreement, the Deed of Debt Assignment and the Whitewash Waiver or otherwise connected with it.

(o) As at the Latest Practicable Date, there was no benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Proposed Acquisition, the Proposed Debt Assignment and the Whitewash Waiver.

(p) As at the Latest Practicable Date, save for the Supplemental Transfer Agreement and the Deed of Debt Assignment, there was no agreement or arrangement or understanding between any Director and any other person which is conditional on or dependent upon completion of the Supplemental Transfer Agreement, the Deed of Debt Assignment and the Whitewash Waiver or is otherwise connected with such agreements.

(q) As at the Latest Practicable Date, save for the Supplemental Transfer Agreement and the Deed of Debt Assignment, there was no material contract entered into by United Home in which any past or current Directors have a material personal interest.

(r) None of United Home, the directors of United Home and any person acting in concert with it had dealt for value in any shares, convertible securities, warrants or options of the Company, or any outstanding derivatives in respect thereof during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date.

(s) The Company had not dealt in any shares, convertible securities, warrants or options of United Home, or any outstanding derivatives in respect thereof and any shares, convertible securities, warrants or options of the Company, or any outstanding derivatives in respect thereof during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date.

(t) None of the Directors had dealt in any shares, convertible securities, warrants or options of the Company, or any outstanding derivatives in respect thereof and in any shares, convertible securities, warrants or options of United Home, or any outstanding derivatives in respect thereof during the period beginning six months prior to being the date of the Announcement and ending on the Latest Practicable Date.

(u) Neither a subsidiary of the Company, a pension fund of the Company and its subsidiaries nor an adviser to the Company had dealt in any shares, convertible securities, warrants or options of the Company, or any outstanding derivatives in respect thereof during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date.

(v) No fund managers who are connected with the Company had dealt in any shares, convertible securities, warrants or options of the Company, or any outstanding derivatives in respect thereof during the period beginning six months prior to the date of the Announcement and ending on the Latest Practicable Date.

(w) As at the Latest Practicable Date, it is the intention of United Home to continue to carry on the business of the Company and to continue the employment of the management and employees of the Group. United Home has no intention to redeploy the fixed assets of the Group.

(x) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's head office at Room 2502, Alexandra House, 18 Charter Road, Central, Hong Kong and at the website of the Company at www.seec-media.com.hk and of the SFC at www.sfc.hk from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the letter from the Independent Board Committee dated 13 July 2007;

(c) the letter from Partners Capital International Limited dated 13 July 2007;

(d) the Supplemental Transfer Agreement;

(e) the Deed of Debt Assignment;

(f) the annual reports of the Company for the two years ended 31 December 2006;

(g) the announcement issued by the Company dated 25 April 2006;

(h) the circular issued by the Company dated 15 September 2006;

(i) the written consent referred to in the paragraph headed "Consent" in this appendix; and

(j) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix.

Pursuant to article 81 of the articles of association of the Company, at any general meeting a resolution put to the vote at the meeting shall be decided on a show of hands unless voting by way of poll is required by the Listing Rules or a poll is (before or on the declaration of the result of the show of hands) demanded. A poll may be demanded:

(a) by the chairman of the meeting; or

(b) by at least three Shareholders present in person or by proxy for the time being entitled to vote at the meeting; or

(c) by any Shareholder or Shareholders present in person or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or

(d) by any Shareholder or Shareholders present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or

(e) if required by the Listing Rules, by any Director or Directors who individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting right at such meeting.

SEEC MEDIA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 205)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "EGM") of SEEC Media Group Limited (the "Company") will be held at Room 2502, Alexandra House, 18 Chater Road, Central, Hong Kong on Monday, 30 July 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "**THAT** the conditional agreement dated 21 June 2007 entered into between 北京財訊廣告有限公司 (Beijing Caixun Advertising Co., Ltd.) ("Beijing Caixun"); 深圳財訊廣告有限公司 (Shenzhen Caixun Advertising Co., Ltd.) ("Shenzhen Caixun"); 上海聯辦投資發展有限公司 (Shanghai SEEC Investment and Development Company Limited) ("Shanghai SEEC") and 北京聯証信息科技有限公司 (Beijing Lianzheng Information & Technology Company Limited) ("Beijing Lianzheng") supplementing a registered capital transfer agreement (dated 6 September 2006 entered into between the same parties) in relation to the acquisition of the exclusive agency business in respect of all the advertisements appearing in 中國汽車畫報 (China Auto Pictorial) carried on by 北京金証榮聯廣告有限公司 (Beijing Jingzheng Ronglian Advertising Company Limited) ("Jingzheng Ronglian Advertising") (the "Supplemental Transfer Agreement"), a copy of the Supplemental Transfer Agreement marked "A" is tabled before the meeting and signed for identification purpose by the Chairman of the meeting, as more particularly described in the circular to the shareholders of the Company dated 13 July 2007 of which this notice forms part (the "Circular") and all the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and that the directors of the Company (the "Directors") (or any of them) be and are hereby authorised to take such action and execute such documentation as they (or any of them) may in their (his) absolute discretion consider necessary, desirable or expedient (including the affixation of the seal of the Company) to give effect to or in connection with the Supplemental Transfer Agreement and the transactions contemplated thereunder."

2. "**THAT** the conditional deed of assignment dated 22 June 2007 entered into between Beijing Caixun; Shenzhen Caixun; Shanghai SEEC; Beijing Lianzheng; United Home Limited ("United Home") and the Company in relation to the assignment of the balance outstanding consideration payable by Beijing Caixun and Shenzhen Caixun to Shanghai SEEC and Beijing Lianzheng under the Supplemental Transfer Agreement (the "Deed of Debt Assignment"), a copy of the Deed of Debt Assignment marked "B" is tabled before the meeting and signed for identification purpose by the Chairman of the meeting, as more particularly described in the Circular and all the transactions contemplated thereunder be

and are hereby approved, ratified and confirmed; and that the Directors (or any of them) be and are hereby authorised to take such action and execute such documentation as they (or any of them) may in their (his) absolute discretion consider necessary, desirable or expedient (including the affixation of the seal of the Company) to give effect to or in connection with the Deed of Debt Assignment and the transactions contemplated thereunder including, but not limited to, the allotment and issue of 168,000,000 ordinary shares of HK$0.10 each in the capital of the Company (the "Consideration Shares") at the issue price of HK$0.375 each, credited as fully paid, to United Home under the Deed of Debt Assignment be approved."

3. "**THAT** conditional upon the passing of the resolutions no. 1 and 2 above, the waiver of the obligation of United Home and parties acting in concert with it to make a mandatory general offer arising from the issue of the Consideration Shares under the Deed of Debt Assignment in accordance with Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "Whitewash Waiver") be and is hereby approved and that the Directors (or any of them) be and are hereby authorised to take such action and execute such documentation as they (or any of them) may in their (his) absolute discretion consider necessary, desirable or expedient (including the affixation of the seal of the Company) to give effect to any matters relating to or in connection with the Whitewash Waiver."

By order of the Board
Wang Boming
Chairman

Hong Kong, 13 July 2007

Notes:

1. A form of proxy for use at the EGM is enclosed.

2. A member of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one proxy or more than one proxies to attend and, on a poll, vote instead of him at the EGM. A proxy need not be a member of the Company.

3. In order to be valid, a form of proxy together with a power of attorney to other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be lodged with the Company's branch share registrar in Hong Kong, Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the EGM (or any adjournment thereof) should you so wish and in such event the form of proxy shall be deemed to be revoked.

4. In the case of joint holders of any shares of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, then one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

5. As as the date of this EGM notice, the Directors are Messrs. Wang Boming, Zhang Zhifang, Dai Xiaojing, Li Shijie, Lau See Him, Louis, Fu Fengxiang, Wang Xiangfei, Ding Yu Cheng and Zhang Ke.