



財訊傳媒集團有限公司
SEEC MEDIA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

(stock code 股份代號: 205)

Interim Report 2006

2006年中期報告



The board of directors (the "Board") of SEEC Media Group Limited (the "Company") is pleased to present the interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2006

		(Unaudited)	
		Six months ended 30 June	
	<i>Notes</i>	2006	2005
		HK\$'000	HK\$'000
Revenue	2	42,715	45,856
Cost of sales		(9,878)	(10,625)
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Gross profit		32,837	35,231
Other income		2,600	2,922
Selling and distribution costs		(16,160)	(9,224)
Administrative expenses		(12,084)	(3,942)
Finance costs		(946)	–
Other expenses		(15)	(56)
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Profit before tax	3	6,232	24,931
Income tax expenses	4	(2,854)	(5,105)
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		3,378	19,826
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Attributable to:			
Equity holders of the Company		698	15,006
Minority interests		2,680	4,820
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		3,378	19,826
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Earnings per share (HK cents)	6		
Basic		0.04	0.97
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Diluted		0.04	0.96
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CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2006

		(Unaudited) As at 30 June 2006 HK\$'000	(Audited) As at 31 December 2005 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		2,728	2,255
Intangible assets		23,043	23,664
Goodwill	7	125,216	60,387
Interest in a jointly controlled entity		–	–
Available-for-sale investments		–	5,185
		150,987	91,491
CURRENT ASSETS			
Loan receivable		–	19,000
Available-for-sale investments		31,888	5,185
Derivatives		1,411	–
Amount due from a jointly controlled entity		7,612	5,856
Trade receivables	8	36,494	30,114
Other receivables and prepayments		2,978	4,838
Amounts due from related companies		8,632	889
Bank balances and cash		143,027	172,780
		232,042	238,662
CURRENT LIABILITIES			
Trade payables	9	2,919	2,774
Derivatives		3,109	–
Other payables and accruals		20,720	15,220
Amounts due to related companies		4,843	–
Tax payable		9,886	19,114
		41,477	37,108
NET CURRENT ASSETS		190,565	201,554
TOTAL ASSETS LESS CURRENT LIABILITIES		341,552	293,045
CAPITAL AND RESERVES			
Share capital	10	155,207	155,082
Reserves		118,656	113,730
Equity attributable to equity holders of the Company		273,863	268,812
Minority interests		–	24,233
TOTAL EQUITY		273,863	293,045
NON-CURRENT LIABILITY			
Convertible bond	11	67,689	–
		341,552	293,045

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Reserve funds HK\$'000	Exchange translation reserve HK\$'000	Share option reserve HK\$'000	Warrant 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 2006	155,082	19,170	4,125	1,538	850	-	(2,784)	90,831	268,812	24,233	293,045
Gains on fair value changes of available-for-sale investments	-	-	-	-	-	-	518	-	518	-	518
Exchange difference arising on translation of foreign operations	-	-	-	651	-	-	-	-	651	324	975
Total income recognised in equity	-	-	-	651	-	-	518	-	1,169	324	1,493
Net profit for the period	-	-	-	-	-	-	-	698	698	2,680	3,378
Total recognised income and expenses for the period	-	-	-	651	-	-	518	698	1,867	3,004	4,871
Issue of shares upon exercise of share options	125	137	-	-	-	-	-	-	262	-	262
Issue of nil-paid warrant attached to convertible bond issued	-	-	-	-	-	9,129	-	-	9,129	-	9,129
Decrease in minority interests as a result of acquisitions of additional interests in subsidiaries	-	-	-	-	-	-	-	-	-	(27,237)	(27,237)
Dividends paid (2005 final dividend of HK\$0.004 per share)	-	-	-	-	-	-	-	(6,207)	(6,207)	-	(6,207)
Transfer to reserve funds	-	-	631	-	-	-	-	(631)	-	-	-
	125	137	631	651	-	9,129	518	(6,140)	5,051	(24,233)	(19,182)
At 30 June 2006	155,207	19,307	4,756	2,189	850	9,129	(2,266)	84,691	273,863	-	273,863

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Attributable to equity holders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Reserve funds HK\$'000	Exchange translation reserve HK\$'000	Share option reserve HK\$'000	Warrant 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
Losses on fair value changes of available-for-sale investments and net expenses recognised in equity	-	-	-	-	-	-	(1,461)	-	(1,461)	-	(1,461)
Net profit for the period	-	-	-	-	-	-	-	15,006	15,006	4,820	19,826
Total recognised income and expenses for the period	-	-	-	-	-	-	(1,461)	15,006	13,545	4,820	18,365
Dividends paid (2004 final dividend of HK\$0.01 per share)	-	-	-	-	-	-	-	(15,492)	(15,492)	-	(15,492)
Issue of shares upon exercise of share options	220	242	-	-	-	-	-	-	462	-	462
Recognition of equity-settled share-based payments	-	-	-	-	142	-	-	-	142	-	142
	220	242	-	-	142	-	(1,461)	(486)	(1,343)	4,820	3,477
At 30 June 2005	155,007	19,087	2,127	11	850	-	(1,461)	77,270	252,891	19,826	272,717

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2006*

	(Unaudited)	
	Six months	
	ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(8,235)	24,918
NET CASH USED IN INVESTING ACTIVITIES		
Acquisitions of additional interests in subsidiaries	(92,066)	–
Other investing cash flows	(2,275)	(3,608)
	(94,341)	(3,608)
NET CASH FROM FINANCING ACTIVITIES		
Proceeds on issue of convertible bond	77,946	–
Other financing cash flows	(5,945)	462
	72,001	462
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(30,575)	21,772
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	172,780	102,523
NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES	822	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD, represented by bank balances and cash	143,027	124,295

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34") Interim Financial Reporting.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, 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 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 all the new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standard, amendment or interpretations will have no material impact on the results and the financial position of the Group.

2. REVENUE AND SEGMENT INFORMATION

Revenue represents the net invoiced value of provision of advertising agency services, less trade discounts. The Group's revenue is entirely derived from activities carried out in the People's Republic of China. Accordingly, no analysis by business and geographical segments is presented.

3. PROFIT BEFORE TAX

The Group's profit before tax has been arrived at after charging/(crediting):

	For the six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	307	211
Impairment for irrecoverable debts	1,707	73
Amortisation of intangible assets*	843	827
Loss on disposal of property, plant and equipment	5	–
Interest income	(240)	(2,860)

* The amortisation of intangible assets is included in the "Cost of sales" on the face of the condensed consolidated income statement.

4. INCOME TAX EXPENSES

No provision for Hong Kong Profits Tax has been made for the current period (2005: Nil) because the Group did not have any assessable profits arising in Hong Kong.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

5. DIVIDENDS

On 15 June 2006, a dividend of HK\$0.004 per share (2005: HK\$0.01 per share) was paid to shareholders as the final dividend for 2005. The directors do not recommend payment of an interim dividend.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	For the six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to the equity holders of the Company)	698	15,006
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,551,412,183	1,549,205,829
Effect of dilutive share options	14,008,285	12,007,951
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,565,420,468	1,561,213,780

7. GOODWILL

During the period, the Company entered into a conditional agreement with Shanghai SEEC Investment and Development Co., Ltd. for the acquisitions of the 14.3% interest in the registered capital of Hainan Caixun Informedia Co., Ltd.; and 40% interest in the registered capital of Beijing Caixun Century Infotech Co., Ltd. which in turn holds 30% interest in each of Beijing Caixun Advertising Co., Ltd. and Shenzhen Caixun Advertising Co., Ltd. for a cash consideration of approximately HK\$92,066,000, resulting in goodwill arising of approximately HK\$64,829,000.

8. TRADE RECEIVABLES

The average credit period granted by the Group is within three months from the date of the recognition of the sales.

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

	As at 30 June 2006		As at 31 December 2005	
	HK\$'000	Percentage	HK\$'000	Percentage
Within three months	28,996	79	21,116	70
Four to six months	4,392	12	6,242	21
Seven months to one year	3,106	9	2,756	9
	36,494	100	30,114	100

9. TRADE PAYABLES

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

	As at 30 June 2006		As at 31 December 2005	
	HK\$'000	Percentage	HK\$'000	Percentage
Within two months	1,789	61	1,899	69
Five months to one year	1,088	37	834	30
Over one year	42	2	41	1
	2,919	100	2,774	100

10. SHARE CAPITAL

	As at 30 June 2006 HK'000	As at 31 December 2005 HK'000
<i>Authorised:</i>		
3,000,000,000 ordinary shares of HK\$0.10 each	300,000	300,000
<i>Issued and fully paid:</i>		
1,552,074,614 (2005: 1,550,824,614) ordinary shares of HK\$0.10 each	155,207	155,082

During the six months ended 30 June 2006, 1,250,000 share options were exercised for 1,250,000 shares of HK\$0.10 each for a total cash consideration of HK\$262,500.

11. 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 Templantation Asset Management Limited, on 19 May 2006. The CB carried coupon interest at the rate of 2% per annum on the outstanding principal amount of the CB and will be mature at the fifth year after the issuance of the CB. The Nil-paid warrant carried the right to subscribe for up to 79,947,009 shares of the Company. Details of the transaction is set out in the Company’s announcement dated 25 April 2006.

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 HKAS 32 and HKAS 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 that time by the market to instruments of comparable credit status taken into account the business risk of the Company as well as premium added for raising fund in a short period of time, but without the conversion option. The effective interest rate of the liability component is 12% per annum.
- (ii) Embedded 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) Embedded redemption discretionary option represents the Company’s option to early redeem all or part of the CB.
- (iv) Nil-paid warrant represents the right to subscribe the Company’s own equity.

12. SHARE OPTIONS

Details of the movements in the number of share options under the Company's share options scheme during the period were as follows:

Grantee	Date of grant	Exercise price HK\$	Exercisable period	Number of share options		
				Balance in issue at 1 January 2006	Exercised during the period	Balance in issue at 30 June 2006
Executive director Li Shijie	25 July 2003	0.21	25 July 2004 to 24 July 2009	6,900,000	–	6,900,000
Other employees in aggregate	25 July 2003	0.21	25 July 2004 to 24 July 2009	25,500,000	(1,250,000)	24,250,000
	22 October 2003	0.35	22 October 2003 to 21 October 2008	1,000,000	–	1,000,000
	25 February 2004	0.566	25 February 2005 to 24 February 2010	2,500,000	–	2,500,000
				35,900,000	(1,250,000)	34,650,000

Note: The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised was HK\$0.377.

13. EVENT AFTER THE BALANCE SHEET DATE

As detailed in the Company's announcement on 6 September 2006, Beijing Caixun Advertising Co., Ltd and Shenzhen Caixun Advertising Co., Ltd, both being indirect wholly-owned subsidiaries of the Company, entered into an agreement (the "Transfer Agreement") with Shanghai SEEC Investment and Development Corporation and Beijing Lianzheng Information & Technology Company Limited to acquire 80% and 20% interest of the registered capital in Beijing Jingzheng Ronglian Advertising Company Limited ("Jingzheng Ronglian Advertising") respectively at an aggregate consideration of RMB2,000,000 (approximately HK\$1,941,748) satisfied by cash.

Under the Transfer Agreement, the Group in effect purchased the bare shelf of Jingzheng Ronglian Advertising with its paid-up registered capital. Apart from the above, the Group will not purchase any other assets and liabilities of Jingzheng Ronglian Advertising.

The transaction constituted a disclosable and connected transaction to the Company and details can be referred to the Company's circular dated 15 September 2006.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

For the first half of 2006, the Group reported total revenue of approximately HK\$42.7 million, almost at the same level in the corresponding period of 2005. Operating profit amounted to approximately HK\$6.2 million, representing a decrease of approximately 75% from the corresponding period last year. Profit attributable to shareholders was approximately HK\$698,000 representing a decrease of approximately 95% from the corresponding period last year.

Despite the fact that the Group's flagship title "Caijing Magazine" achieved an encouraging increase in revenue leveraging on its well-known brand name and excellent quality, enabling it to maintain its leading position among other finance magazines in China. However, advertising revenue of "Real Estate" (formerly known as "New Real Estate") dropped because the Chinese domestic real estate and related industries were heavily hit as a result of the Chinese government's implementation of stringent policies to curb the overheating real estate sector. Related events under planning had also been called off.

In view of the Group's long-term development, the Group collaborated with renowned international media group TIME Inc. in the first half of the year to launch "Sports Illustrated" in Mainland China. With respect to the household sector, the Group also teamed up with US renowned Meredith Corporation to introduce "Better Homes and Gardens" in China. A working team was set up by the Group for these magazines for the launch of trial copies during the first half of the year, but official publication of these magazines are expected to be launched in the second half of the year. In the meantime, "PC Magazine", a publication jointly launched with Ziff Davis Media Inc. at the end of 2005 also performed satisfactorily. However, it has commenced operation for only six months and is still in the nurturing stage. As a result of the substantial initial investment for the launch of these three titles, the Group recorded a fall in its profit in the first half of 2006.

OUTLOOK

Given the Chinese government's determination to cool down the overheated real estate sector, it is anticipated that the Chinese domestic real estate market will not recover in a short period of time and as a result, advertising revenue from "Real Estate" will not pick up rapidly as well. However, in view of the sustained growth of the Chinese economy in recent years, it is expected that the real estate market will still have room for expansion. Furthermore, with "Real Estate"'s renowned brand name, the Company anticipates operating revenue from real estate advertisements to be encouraging, while flagship title "Caijing Magazine" will continue to maintain a positive growth momentum by taking advantage of its well-recognized brand name and superior quality.

The management has a firm belief that the Group's promising development in the future lies in the launch of more branded publications. China's sports market is expected to undergo drastic changes with the upcoming of the 2008 Beijing Olympic Games. The Group partnered with an international top media group to launch "Sports Illustrated" with a focus placed on the development of the sports market driven by the Olympic Games. However, it takes time to build up the brand presence, it is therefore unlikely for "Sports Illustrated", which is still at its nurturing stage in the year, to generate operating profit, and as a result the Group's profit for the year will be hit. The other two magazines, namely "Better Homes and Gardens" and "PC Magazine" also face similar situation.

The management believes that the Group should also strengthen its investment in the Internet business to cope with the challenges from ever-changing technology nowadays.

In conclusion of the aforesaid, it is anticipated that Group's operating profit will drop in 2006 which, however, will lay a solid foundation for substantial development in the coming years. Looking forward to the future advertising market, the Group plans to build up a diversified brand portfolio at the earliest possible time to facilitate its long-term strategic development.

LIQUIDITY AND FINANCIAL RESOURCES

On 19 May 2006, the Company issued US\$10 million 2% convertible bond due 2011 and nil-paid warrant to Templeton Strategic Emerging Markets Fund II, LDC to raise fund to facilitate development and expansion of the Group. The proceeds was approximately HK\$78 million and was used primarily as general working capital of the Group.

In May 2006, 708,502 shares of Sun New Media Inc of total value at US\$2,692,308 (approximately HK\$21 million) were received for settlement of the loan receivable. The investment was recorded as available-for-sale investments. As at 30 June 2006, the Group had available-for-sales investments of value approximately HK\$32 million as compared to approximately HK\$10 million as at 31 December 2005.

On 30 June 2006, the Group had acquired the remaining 22% effective interest in the Caixun Group and the aggregate purchase consideration of RMB95,749,000 (approximately HK\$92,066,000) was settled in cash in Renminbi from internal resources.

The Group's daily operation activities were financed by internal resources. The Group's equity attributable to equity holders of the Company as at 30 June 2006 was approximately HK\$273.9 million as compared to approximately HK\$268.8 million as at 31 December 2005.

The Group had non-current debt of approximately HK\$67.7 million as at 30 June 2006 and had no non-current debt as at 31 December 2005. The gearing ratio, which was computed by non-current liability over equity attributable to equity holders of the Company was 24.7% as at 30 June 2006.

CHARGE ON ASSETS

The Group did not charge any of its assets as at 30 June 2006 (2005: Nil).

FOREIGN CURRENCIES AND TREASURY POLICY

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars, United States Dollars, Singapore Dollars and Renminbi. During the period, the Group did not engaged in any financial instruments for hedging or speculative activities.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2006 (2005:Nil).

EMPLOYEES

At as 30 June 2006, the Group had 171 employees (2005: 126). Salaries, bonus and benefits were decided in accordance with the market condition and performance of the respective employees.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2006, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies were as follows:

RIGHTS TO ACQUIRE SHARES

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

As at 30 June 2006, the share options to subscribe for shares of HK\$0.10 each in the Company granted to a director were as follows:

Name of Director	Capacity	Date of grant	Exercise price HK\$	Exercisable period	Number of options	Number of underlying shares
					Outstanding at 1 January 2006 and 30 June 2006	
Li Shijie	Beneficial Owner	25.7.2003	0.21	25.7.2004 to 24.7.2009	6,900,000	6,900,000

There was no movements in the share options granted to the director during the period.

Save as disclosed above, as at 30 June 2006, none of the directors nor their associates had any long or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company:

Long positions

(a) Ordinary shares of HK\$0.10 each of the Company

Name	Capacity	Number of shares beneficially held	Percentage of holding
United Home Limited (Note 1)	Beneficial owner and controlled corporation	677,843,824	43.67%
Carlet Investments Ltd. (Note 1)	Beneficial owner	172,644,210	11.12%
Arisaig Greater China Fund Limited (Note 2)	Beneficial owner	141,698,000	9.13%
Arisaig Partners (Mauritius) Limited (Note 2)	Investment manager	141,698,000	9.13%
Cooper Lindsay William Ernst (Note 3)	Held by controlled corporation	141,698,000	9.13%
Madeleine Ltd. (Note 3)	Held by controlled corporation	141,698,000	9.13%
Arisaig Partners (Holdings) Ltd (Note 2)	Held by controlled corporation	141,698,000	9.13%
Arisaig Partners (BVI) Limited (Note 2)	Held by controlled corporation	141,698,000	9.13%

(b) Warrant to subscribe ordinary shares of HK\$0.10 each of the Company

Name	Capacity	Number of underlying shares	Percentage of holding
Templeton Asset Management Limited (Note 4)	Investment manager	79,947,009	5.15%

Notes:

- (1) The 172,644,210 shares held by Carlet Investments Ltd. were indirectly owned by United Home Limited by virtue of its 100% ownership of Carlet Investments Ltd. In addition to the 172,644,210 shares held by Carlet Investment Ltd., 505,199,614 shares which represents approximately 32.55% of the issued share capital of the Company, were directly owned by United Home Limited.
- (2) The 141,698,000 shares held by Arisaig Greater China Fund Limited were indirectly owned by Arisaig Partners (Holdings) Ltd. by virtue of its 100% ownership of Arisaig Partners (BVI) Limited. Arisaig Partners (Mauritius) Limited is a direct wholly owned subsidiary of Arisaig Partners (BVI) Limited and the immediate holding company of Arisaig Greater China Fund Limited.
- (3) This referred to the same number of 141,698,000 shares as mentioned in note (2) above through 33% interests in Arisaig Partners (Holdings) Ltd. held by Madeleine Ltd.. Madeleine Ltd. is beneficially owned by Cooper Lindsay William Ernst.
- (4) This referred to the nil-paid warrant issued to Templeton Strategic Emerging Markets Fund II, LDC, represented by its investment manager, Templeton Asset Management Limited, exercisable to subscribe for 79,947,009 shares of the Company.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2006.

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

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

CORPORATE GOVERNANCE

The Company has complied throughout the period with the Code on Corporate Governance (the "Code") as set out in Appendix 14 to the Listing Rules except the following major deviations:

CODE PROVISION A.2.1

This Code stipulates that the roles of chairman and managing director (or chief executive officer) should be separate and should not be performed by the same individual.

The Company does not presently have any officer with the title of "CEO" or "Managing Director". At present, Mr Wang Boming, being the Chairman and an Executive Director of the Company, is assuming the role of the CEO of the Company and is responsible for the strategic planning and corporate policy of the Group.

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

CODE PROVISION A.4.1

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

The term of office for non-executive directors are the same as for all directors (i.e. no specific term and subject to retirement from office by rotation and be eligible for re-election in accordance with the provisions of the Company's Articles of Association). At each annual general meeting, one-third of the directors for the time being or, if their number is not a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every director shall be subject to retirement by rotation at least one every three years.

REMUNERATION COMMITTEE

The Committee comprises of two independent non-executive directors, namely Mr. Ge Ming, being the Chairman of the Committee and Mr. Ding Yu Cheng.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors. The Committee is chaired by Mr. Fu Fengxiang and comprising two other members, namely Mr. Ge Ming and Mr. Wang Xiangfei. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company for the six months ended 30 June 2006.

MEMBERS OF THE BOARD OF DIRECTORS

As at the date hereof, the members of the Board are as follows:

Executive Directors:

Mr. Wang Boming (*Chairman*)
 Mr. Zhang Zhifang
 Mr. Dai Xiaojing
 Mr. Li Shijie
 Mr. Lau See Him Louis

Independent Non-Executive Directors:

Mr. Fu Fengxiang
 Mr. Wang Xiangfei
 Mr. Ge Ming
 Mr. Ding Yu Cheng

By Order of the Board
Wang Boming
Chairman

Hong Kong, 21 September 2006

