

# Notes to the Financial Statements

For the year ended 31st December, 2004

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

## 2. Potential Impact Arising from the Recently Issued Accounting Standards

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new and revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as the "New HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these New HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has commenced considering the potential impact of these New HKFRSs. Based on management's preliminary assessment, the adoption of HKFRS 3 "Business Combinations" ("HKFRS 3") and HKAS 36 "Impairment of Assets" ("HKAS 36") in the annual period beginning on 1st January, 2005 would result in cessation of amortisation of goodwill to the income statement. Pursuant to HKFRS 3 and HKAS 36, goodwill is to be recognised as an asset and reviewed for impairment at least annually and any impairment is recognised immediately in the income statement while the Group's current policy is to amortise goodwill on a straight-line basis over its useful economic life. During the year ended 31st December, 2004, the amortisation of goodwill charged to the income statement amounted to approximately HK\$4,147,000.

Management is still considering the potential impact of other New HKFRSs but is not yet in a position to determine whether other New HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. Other New HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

## 3. Significant Accounting Policies

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments in securities and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out as follows:

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

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.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 3. Significant Accounting Policies *(continued)*

### Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

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

### Revenue recognition

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

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

### Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and amortisation 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, at the following rates per annum:

Leasehold improvements	Over the lease term
Motor vehicles	4 to 5 years
Furniture, fixtures and fittings	10 years
Computer and office equipment	3 to 6 <sup>2</sup> / <sub>3</sub> years

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 3. Significant Accounting Policies *(continued)*

### Intangible assets

Intangible assets are stated at cost less any impairment loss and amortised on a straight-line basis over their estimated useful lives.

### Impairment

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. Impairment losses are 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, such 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 any impairment loss is recognised as income immediately.

### Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the year. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit or loss for the year.

### Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

### 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 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.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the 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 negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 3. Significant Accounting Policies *(continued)*

### Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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 the income statement, 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

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

### Retirement benefits costs

Payments to defined contribution retirement benefits schemes are charged as an expense when they fall due.

## 4. Turnover

Turnover represents the net invoiced value of goods sold or services rendered, after allowances for returns and trade discounts.

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Provision of advertising agency services	<b>76,987</b>	66,501
Design, manufacture and marketing of electronic consumer products	—	45,889
	<b><u>76,987</u></b>	<u>112,390</u>

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 5. Segment Information

The Group is currently engaged in the provision of advertising agency services and accordingly, no analysis of business segment is presented for the year.

In prior years, the Group was also involved in the businesses of design, manufacture and marketing of electronic consumer products. This operation was discontinued on 30th June, 2003.

Segment information about these businesses for the year ended 31st December, 2003 is presented below:

### Business segments

#### Results

	<b>Continuing operation Provision of advertising agency services</b> HK\$'000	<b>Discontinued operation Design, manufacture and marketing of electronic consumer products</b> HK\$'000	<b>Consolidated</b> HK\$'000
Segment revenue			
Sales to external customers	<u>66,501</u>	<u>45,889</u>	<u>112,390</u>
Segment results	<u>35,393</u>	<u>5,229</u>	40,622
Unallocated revenue			6,466
Unallocated expenses			<u>(9,073)</u>
Profit from operating activities			38,015
Loss on disposal of subsidiaries			(1,820)
Released on reserves upon disposal of an associate			<u>6,566</u>
Profit before tax			42,761
Tax			<u>(5,627)</u>
Profit before minority interests			37,134
Minority interests			<u>(8,875)</u>
Net profit from ordinary activities attributable to shareholders			<u>28,259</u>

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 5. Segment Information *(continued)*

### Business segments *(continued)*

#### Balance sheet

	<b>Continuing operation Provision of advertising agency services</b> HK\$'000	<b>Discontinued operation Design, manufacture and marketing of electronic consumer products</b> HK\$'000	<b>Consolidated</b> HK\$'000
Segment assets	<u>130,760</u>	<u>–</u>	130,760
Unallocated corporate assets			<u>103,519</u>
Consolidated total assets			<u>234,279</u>
Segment liabilities	<u>16,761</u>	<u>–</u>	16,761
Unallocated corporate liabilities			<u>560</u>
Consolidated total liabilities			<u>17,321</u>

#### Other information

	<b>Continuing operation Provision of advertising agency services</b> HK\$'000	<b>Unallocated</b> HK\$'000	<b>Discontinued operation Design, manufacturing and marketing of electronic consumer products</b> HK\$'000	<b>Consolidated</b> HK\$'000
Additions of property, plant and equipment and intangible assets	882	344	228	1,454
Allowances for bad and doubtful debts	2,721	–	–	2,721
Amortisation of intangible assets	1,970	–	–	1,970
Amortisation of goodwill	2,521	–	–	2,521
Depreciation and amortisation of property, plant and equipment	106	363	1,881	2,350
Gain on disposal of property, plant and equipment	<u>870</u>	<u>–</u>	<u>–</u>	<u>870</u>

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 5. Segment Information *(continued)*

### Geographical segments

The Group's operations are located in the PRC.

The following table provides an analysis of the Group's revenue by geographical markets:

	Continuing operation Provision of advertising agency services		Discontinued operation Design, manufacturing and marketing of electronic consumer products		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong and Far East	-	-	-	599	-	599
PRC	<b>76,987</b>	66,501	-	10	<b>76,987</b>	66,511
North America	-	-	-	37,777	-	37,777
Europe	-	-	-	7,503	-	7,503
	<u><b>76,987</b></u>	<u>66,501</u>	<u>-</u>	<u>45,889</u>	<u><b>76,987</b></u>	<u>112,390</u>

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and intangible assets by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Hong Kong and Far East	<b>46,248</b>	68,535	<b>9</b>	477
PRC	<b>221,920</b>	165,744	<b>38,683</b>	977
Others	<b>26,234</b>	-	-	-
	<u><b>294,402</b></u>	<u>234,279</u>	<u><b>38,692</b></u>	<u>1,454</u>

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 6. Profit from Operating Activities

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Profit from operating activities has been arrived at after charging (crediting):		
Auditors' remuneration	<b>430</b>	757
Bad debts written off	<b>627</b>	-
Staff costs (including directors' remuneration):		
Wages, salaries and other allowances	<b>6,604</b>	12,808
Contributions to retirement benefits schemes	<b>503</b>	355
	<b>7,107</b>	13,163
Depreciation of property, plant and equipment	<b>414</b>	2,350
Amortisation of goodwill*	<b>4,147</b>	2,521
Amortisation of intangible assets*	<b>2,225</b>	1,970
	<b>6,786</b>	6,841
Exchange losses, net	-	133
Operating leases payments in respect of rented premises	<b>1,985</b>	1,713
Unrealised holding gain on investments in securities	<b>(513)</b>	(2,914)
Gain on disposal of property, plant and equipment	-	(870)
Realised loss (gain) on investments in securities	<b>591</b>	(409)
Allowances for bad and doubtful debts	<b>1,240</b>	2,721
Dividend income from investments in listed securities	-	(48)
Interest income	<b>(4,840)</b>	(3,291)

\* The amortisation of goodwill and intangible assets for the year are included in "Other operating expenses" and "Cost of sales" on the face of the consolidated income statement respectively.



# Notes to the Financial Statements

For the year ended 31st December, 2004

## 7. Directors' Emoluments

	<b>THE GROUP</b>	
	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Fees:		
Executives	-	-
Non-executive	-	-
Independent non-executives	<b>111</b>	60
	<hr/>	<hr/>
	<b>111</b>	60
	<hr/>	<hr/>
Other emoluments:		
Executives		
Salaries, allowances and benefits in kind	<b>63</b>	248
Retirement benefits scheme contributions	<b>13</b>	17
	<hr/>	<hr/>
	<b>76</b>	265
	<hr/>	<hr/>
	<b>187</b>	325
	<hr/> <hr/>	<hr/> <hr/>

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

During the year, 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.

## 8. Employees' Emoluments

The five highest paid individuals in the Group during the year did not include any director of the Company (2003: nil). The emoluments of the five (2003: five) highest paid individuals were as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Salaries, allowances and benefits in kind	<b>2,160</b>	2,208
Retirement benefits scheme contribution	<b>110</b>	61
	<hr/>	<hr/>
	<b>2,270</b>	2,269
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The aggregate emoluments of each of their emoluments were within the emoluments band ranging from nil to HK\$1,000,000 for both years.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 9. Tax

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

Taxes arising in other jurisdictions of the PRC are calculated at the rates of tax prevailing in the PRC.

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

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Profit before tax	<b><u>65,974</u></b>	<u>42,761</u>
Tax at PRC income tax rate of 15% (Note)	<b>9,896</b>	6,414
Effect of different income tax rates	<b>1,702</b>	194
Tax effect of deferred tax assets not recognised	<b>2,770</b>	-
Tax effect of expenses not deductible for tax purpose	<b>1,106</b>	994
Tax effect of income not taxable for tax purpose	<b>(6,511)</b>	(1,551)
Utilisation of deferred tax assets previously not recognised	<b>-</b>	(424)
Others	<b>(29)</b>	-
Tax charge for the year	<b><u>8,934</u></b>	<u>5,627</u>

Note: The Group is subjected to PRC enterprise income tax rate of 15% (2003: 15%), the preferential tax rate for enterprises established in Shenzhen and Hainan's Special Economic Zones.

At the balance sheet date, the Group had unused estimated tax losses of HK\$26,160,000 (2003: HK\$21,333,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 10. Earnings Per Share

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

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<u><b>53,105</b></u>	<u>28,259</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,547,130,625</b>	1,438,093,663
Effect of dilutive potential ordinary shares:		
– share options	<b>19,595,172</b>	2,351,044
– convertible notes	<u>–</u>	<u>842,665</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>1,566,725,797</b></u>	<u>1,441,287,372</u>

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 11. 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
<b>THE GROUP</b>					
COST					
At 1st January, 2004	315	411	30	716	1,472
Additions	7	292	2	351	652
<b>At 31st December, 2004</b>	<b>322</b>	<b>703</b>	<b>32</b>	<b>1,067</b>	<b>2,124</b>
ACCUMULATED DEPRECIATION					
At 1st January, 2004	9	17	1	98	125
Provided for the year	110	124	6	174	414
<b>At 31st December, 2004</b>	<b>119</b>	<b>141</b>	<b>7</b>	<b>272</b>	<b>539</b>
NET BOOK VALUES					
<b>At 31st December, 2004</b>	<b>203</b>	<b>562</b>	<b>25</b>	<b>795</b>	<b>1,585</b>
At 31st December, 2003	306	394	29	618	1,347
			Leasehold improvements HK\$'000	Furniture, fixtures and fittings HK\$'000	Total HK\$'000
<b>THE COMPANY</b>					
COST					
At 1st January, 2004			315	30	345
Additions			7	2	9
<b>At 31st December, 2004</b>			<b>322</b>	<b>32</b>	<b>354</b>
ACCUMULATED DEPRECIATION					
At 1st January, 2004			9	1	10
Provided for the year			110	6	116
<b>At 31st December, 2004</b>			<b>119</b>	<b>7</b>	<b>126</b>
NET BOOK VALUE					
<b>At 31st December, 2004</b>			<b>203</b>	<b>25</b>	<b>228</b>
At 31st December, 2003			306	29	335

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 12. Intangible Assets

	<b>THE GROUP</b> HK\$'000
COST	
At 1st January, 2004	32,310
Additions	8,490
Disposal of a subsidiary	(15,094)
	<hr/>
<b>At 31st December, 2004</b>	<b>25,706</b>
AMORTISATION	
At 1st January, 2004	2,254
Provided for the year	2,225
Eliminated on disposal of a subsidiary	(3,645)
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<b>At 31st December, 2004</b>	<b>834</b>
NET BOOK VALUES	
<b>At 31st December, 2004</b>	<b>24,872</b>
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At 31st December, 2003	<u>30,056</u>

Intangible assets represent the sole agency rights of advertising on certain newspapers and magazines which are amortised over periods ranging from 16 to 20 years.

## 13. Goodwill

	<b>THE GROUP</b> HK\$'000
GROSS AMOUNT	
At 1st January, 2004	37,822
Additions	29,550
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<b>At 31st December, 2004</b>	<b>67,372</b>
AMORTISATION	
At 1st January, 2004	2,838
Provided for the year	4,147
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<b>At 31st December, 2004</b>	<b>6,985</b>
NET BOOK VALUES	
<b>At 31st December, 2004</b>	<b>60,387</b>
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At 31st December, 2003	<u>34,984</u>

Goodwill is amortised on a straight line basis over a period of 15 years.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 14. Interests in Subsidiaries

	<b>2004 HK\$'000</b>	2003 HK\$'000
Unlisted shares, at cost	<b>72,467</b>	72,467
Amounts due from subsidiaries	<b>83,159</b>	54,910
	<b>155,626</b>	127,377
Less: Allowance for amounts due from subsidiaries	<b>(12,402)</b>	(13,398)
	<b>143,224</b>	113,979

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repaid in the next twelve months. Accordingly, the amounts are classified as non-current assets.

Particulars of the Company's principal subsidiaries at 31st December, 2004 are as follows:

Name	Country of incorporation or registration/ operations	Proportion of nominal value of issued share capital/ registered capital held by the Company		Issued and fully paid ordinary share capital/ registered capital and form of business structure	Principal activities
		Directly %	Indirectly %		
Beijing Caixun Advertising Co., Ltd. ("Beijing Caixun")	PRC	–	78 (Note)	RMB6,000,000 Limited liability company	Advertising agent
Beijing Caixun Century Infotech Co., Ltd. ("Caixun Century")	PRC	–	60	RMB4,000,000 Limited liability company	Investment holding
Hainan Caixun Infomedia Co., Ltd. ("Hainan Caixun")	PRC	–	85.7 (Note)	RMB9,000,000 Limited liability company	Investment holding
Shenzhen Caixun Advertising Co., Ltd. ("Shenzhen Caixun")	PRC	–	78 (Note)	RMB1,000,000 Limited liability company	Advertising agent

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 14. Interests in Subsidiaries *(continued)*

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		
		%	%		
Shanghai Caixun Media Conference Exhibition Limited (formerly Shanghai Cai Guan Information Co., Ltd.)	PRC	100	–	RMB10,000,000 Limited liability company	Investment holding
Superfort Management Corp. ("Superfort") (Note)	British Virgin Islands/ Hong Kong	100	–	US\$100 Limited liability company	Investment holding

Note: The Company, through Superfort, indirectly holds a 70% equity interest in Hainan Caixun and a right to acquire an additional 15.7% equity interest in Hainan Caixun. Pursuant to various agreements in place and an agreement entered into between Superfort and the Chinese party of Hainan Caixun dated 12th July, 2002 which granted Superfort the right to acquire an additional 15.7% equity interest in Hainan Caixun from the Chinese party of Hainan Caixun, the Group is entitled to 85.7% of Hainan Caixun's results and assets and 60% of Beijing Caixun and Shenzhen Caixun's respective results and assets. In addition, the Company, through Superfort, indirectly holds a 60% equity interest in Caixun Century which holds a 30% equity interest in Beijing Caixun and Shenzhen Caixun respectively and thus, the Group is entitled to 18% of Beijing Caixun and Shenzhen Caixun's respective results and assets. Accordingly, the Group has a 78% attributable equity interests in Beijing Caixun and Shenzhen Caixun through its interests in Hainan Caixun and Caixun Century.

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

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

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 15. Investments in Securities

	Trading securities		Other securities		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>THE GROUP</b>						
Equity securities						
Listed in Hong Kong	-	3,988	-	-	-	3,988
Listed in an other jurisdiction outside Hong Kong (Note)	-	-	13,154	-	13,154	-
	-	3,988	13,154	-	13,154	3,988
Quoted mutual funds	13,080	12,567	-	-	13,080	12,567
	13,080	16,555	13,154	-	26,234	16,555
Market value	13,080	16,555	13,154	-	26,234	16,555
Carrying amount analysed for reporting purposes as:						
Current	13,080	16,555	-	-	13,080	16,555
Non-current	-	-	13,154	-	13,154	-
	13,080	16,555	13,154	-	26,234	16,555
<b>THE COMPANY</b>						
Quoted mutual funds	13,080	12,567	-	-	13,080	12,567
Equity securities listed in other jurisdiction outside Hong Kong (Note)	-	-	13,154	-	13,154	-
	13,080	12,567	13,154	-	26,234	12,567
Market value	13,080	12,567	13,154	-	26,234	12,567
Carrying amount analysed for reporting purposes as:						
Current	13,080	12,567	-	-	13,080	12,567
Non-current	-	-	13,154	-	13,154	-
	13,080	12,567	13,154	-	26,234	12,567

Note: Pursuant to the sale and purchase agreement dated 7th November, 2004 entered into between the Company, The Observer Star Global Publishing Holding Ltd. and Sun Business Network Ltd. (formerly Panpac Media Group Limited), 50% of other securities with a carrying value of approximately HK\$6,577,000 will not be realised or transferred by the Group for a period of twelve months commencing from 31st December, 2004 and the remaining 50% of such securities will not be realised or transferred by the Group for a period of twenty four months commencing from 31st December, 2004 save with the prior written consent of the investee company.



# Notes to the Financial Statements

For the year ended 31st December, 2004

## 16. Trade Receivables

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

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

	<b>2004</b>		2003	
	<b>HK\$'000</b>	<b>%</b>	HK\$'000	%
Within three months	<b>15,427</b>	<b>44</b>	11,069	48
Four to six months	<b>6,189</b>	<b>18</b>	5,561	24
Seven months to one year	<b>9,648</b>	<b>27</b>	3,740	16
Over one year	<b>3,961</b>	<b>11</b>	2,721	12
	<b>35,225</b>	<b>100</b>	23,091	100
Less: Allowances for bad and doubtful debts	<b>(3,961)</b>		(2,721)	
Total after allowances for bad and doubtful debts	<b>31,264</b>		20,370	

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 17. Amounts Due from and to Related Companies

	Notes	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Amounts due from related companies	(i)	<b>5,968</b>	6,651
Loan to China Securities Market Research and Development Center ("CSMRDC")	(ii)	<b>9,744</b>	—
		<b>15,712</b>	6,651
Amounts due to related companies		<b>—</b>	1,234

Notes:

- (i) The related companies are under common directorship of the Company. The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.
- (ii) Mr. Wang Boming, a director of the Company, is a senior executive of CSMRDC. The amount is unsecured, bears interest at 4.04% per annum and was originally matured on 31st December, 2004. On 31st December, 2004, the Company and CSMRDC entered into a supplemental agreement, pursuant to which the Company and CSMRDC agreed to extend the maturity date from 31st December, 2004 to 31st December, 2005.

## 18. Trade Payables

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

	<b>2004</b> <b>HK\$'000</b>		2003 HK\$'000	
	<b>%</b>			<b>%</b>
Within two months	—	—	1,855	100
Five months to one year	<b>6</b>	<b>15</b>	—	—
Over one year	<b>35</b>	<b>85</b>	—	—
	<b>41</b>	<b>100</b>	1,855	100

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 19. Share Capital

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st January, 2003, 31st December, 2003, 1st January, 2004 and 31st December, 2004	<u>3,000,000</u>	<u>300,000</u>
Issued and fully paid:		
At 1st January, 2003	1,386,975	138,697
Placement of shares	140,000	14,000
Conversion of convertible notes	18,000	1,800
Exercise of share options	<u>800</u>	<u>80</u>
At 31st December, 2003 and 1st January, 2004	1,545,775	154,577
Exercise of share options (Note)	<u>2,100</u>	<u>210</u>
At 31st December, 2004	<u>1,547,875</u>	<u>154,787</u>

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 1,750,000 and 350,000 share options were exercised at the subscription price of HK\$0.21 per share and HK\$0.36 per share respectively, resulting in the issue of 2,100,000 shares of HK\$0.10 each for a total cash consideration of approximately HK\$493,000.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 20. Reserves

	<b>Share premium</b> HK\$'000	<b>Accumulated (losses) profit</b> HK\$'000	<b>Total</b> HK\$'000
<b>THE COMPANY</b>			
At 1st January, 2003	320,089	(323,095)	(3,006)
Issue of shares upon conversion of convertible notes	1,800	–	1,800
Placement of shares	22,400	–	22,400
Issue of shares upon exercise of share options	88	–	88
Share issue expenses	(1,342)	–	(1,342)
Net profit for the year	–	1,887	1,887
	<hr/>	<hr/>	<hr/>
At 31st December, 2003 and 1st January, 2004	343,035	(321,208)	21,827
Issue of shares upon exercise of share options	283	–	283
Reduction of share premium transferred to accumulated losses	(324,473)	324,473	–
Net profit for the year	–	37,672	37,672
	<hr/>	<hr/>	<hr/>
At 31st December, 2004	<u>18,845</u>	<u>40,937</u>	<u>59,782</u>

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 21. Disposals of Subsidiaries

The net assets of the disposed subsidiaries at the date of disposal were as follows:

	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
NET ASSETS DISPOSED OF		
Property, plant and equipment	-	23,403
Intangible assets	<b>11,449</b>	-
Inventories	-	11,004
Trade receivables	-	6,989
Other receivables and prepayments	-	475
Bank balances and cash	<b>1</b>	3,630
Trade and bills payables	-	(10,761)
Amounts due to group companies	-	(313,471)
Payables and accruals	-	(13,620)
Minority interests	-	(300)
	<b>11,450</b>	(292,651)
Waiver of amounts due from group companies	-	313,471
	<b>11,450</b>	20,820
Gain (loss) on disposal	<b>30,704</b>	(1,820)
	<b>42,154</b>	19,000
Total consideration	<b>42,154</b>	19,000
Satisfied by:		
Cash	<b>944</b>	19,000
Investments in securities	<b>13,154</b>	-
Amount payable by purchaser included in other receivables and prepayments	<b>28,056</b>	-
	<b>42,154</b>	19,000
Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:		
Cash consideration	<b>944</b>	19,000
Bank balances and cash disposed of	<b>(1)</b>	(3,630)
	<b>943</b>	15,370

The subsidiary disposed of during the year did not make a significant contribution to the Group's turnover and profit before tax.

The subsidiaries disposed of during the year ended 31st December, 2003 contributed approximately HK\$45,889,000 to the Group's turnover and HK\$5,229,000 to the Group's profit before tax.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 22. Acquisitions of Subsidiaries

On 24th November, 2003, the Company entered into a conditional agreement to purchase a 60% interest in the registered capital of Caixun Century which in turn holds a 30% interest in each of Beijing Caixun and Shenzhen Caixun for a cash consideration of approximately HK\$36,723,000. This transaction was completed in March 2004 and has been accounted for by the acquisition method of accounting.

	<b>2004 HK\$'000</b>
NET ASSETS ACQUIRED	
Minority interest in subsidiaries	<b>5,251</b>
Bank balances and cash	<b>1,946</b>
Payables and accruals	<b>(24)</b>
	<hr/>
Goodwill on acquisition	<b>7,173</b>
	<b>29,550</b>
	<hr/>
Total consideration	<b>36,723</b>
	<hr/> <hr/>
Satisfied by:	
Cash	<b>36,723</b>
	<hr/> <hr/>
Analysis of the net outflow of cash and cash equivalents in respect of the acquisitions of subsidiaries:	
Cash consideration	<b>36,723</b>
Bank balances and cash acquired	<b>(1,946)</b>
	<hr/> <hr/>
	<b>34,777</b>
	<hr/> <hr/>

The subsidiary acquired during the year did not make a significant contribution to the Group's turnover and profit before tax.

## 23. Major Non-cash Transactions

During the year, the Group disposed of its entire interest in a subsidiary at a consideration of HK\$42,154,000 which was satisfied by investments in securities of approximately HK\$13,154,000 and cash consideration of HK\$29,000,000 of which approximately HK\$944,000 was received as at 31st December, 2004.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 24. Commitments

### (a) Operating lease commitments

#### As lessee

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

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	544	1,540	321	174
In the second to fifth year inclusive	357	690	241	562
	<u>901</u>	<u>2,230</u>	<u>562</u>	<u>736</u>

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 5th November, 2001 entered into between the Group and a magazine publication company, an independent third party, the Group at 31st December, 2004 had commitments to make a total payment of approximately RMB18 million (2003: RMB16 million) (equivalent to approximately HK\$17 million (2003: HK\$15 million)) over the period from 2004 to 2016 for the sole advertising agency right of the magazine publication company. The payment ranges from RMB600,000 (equivalent to approximately HK\$565,000) per annum until year 2005 to a maximum of RMB1,500,000 (equivalent to approximately HK\$1,414,000) per annum from 2011 onwards.

In addition, pursuant to an agreement dated 22nd April, 2004 entered into between the Group and a magazine publication company, an independent third party, the Group at 31st December, 2004 had commitments to make a total payment of approximately RMB2,010,000 (2003: nil) (equivalent to approximately HK\$1,896,000 (2003: nil)) over the period from 2004 to 2013 for the sole advertising agency right of the magazine publication company.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 25. Share Option Schemes

On 26th August, 2002, the share option scheme of the Company adopted on 3rd December, 1992 (the "Old Scheme") ceased to operate and a new share option scheme was adopted on 26th August, 2002 (the "New Scheme").

The Company operates the New Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations and to enable the Group to recruit high calibre employees and attract resources that are valuable to the Group. Eligible participants of the New 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 New Scheme became effective on 26th 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 New Scheme is an amount equivalent, upon their exercise, to 10% of the Company's shares in issue at any time. At 31st December, 2004, the number of shares issuable under share options granted under the New Scheme was 38,850,000, which represented approximately 2.51% 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 New 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 New Scheme at any time within 10 years from the date of grant of the options.

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

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



# Notes to the Financial Statements

For the year ended 31st December, 2004

## 25. Share Option Schemes *(continued)*

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

Grantee	Date of grant	Exercise price HK\$	Exercisable period	Number of share options								
				Outstanding at 1.1.2003	Granted during the year	Exercised during the year (note iii)	Cancelled during the year	Outstanding at 31.12.2003 and 1.1.2004	Granted during the year	Exercised during the year (note iii)	Outstanding at 31.12.2004	
Executive director:												
Li Shijie	25.7.2003	0.210	25.7.2004 to 24.7.2009	-	6,900,000	-	-	6,900,000	-	-	6,900,000	
Other employees in aggregate	31.8.1999	0.225	31.8.2000 to 30.8.2004	4,400,000	-	-	(4,400,000)	-	-	-	-	
	9.5.2000	0.316	15.5.2001 to 8.5.2005	800,000	-	-	(800,000)	-	-	-	-	
	22.1.2001	0.128	29.1.2001 to 21.1.2006	2,884,000	-	-	(2,884,000)	-	-	-	-	
	25.7.2003	0.210	25.7.2003 to 24.7.2008	-	1,800,000	(800,000)	-	1,000,000	-	(1,000,000)	-	
	25.7.2003	0.210	25.7.2004 to 24.7.2009	-	29,200,000	-	-	29,200,000	-	(750,000)	28,450,000	
	22.10.2003	0.350	22.10.2003 to 21.7.2008	-	1,000,000	-	-	1,000,000	-	-	1,000,000	
	2.1.2004	0.360 (note i)	2.1.2004 to 1.1.2009	-	-	-	-	-	350,000	(350,000)	-	
	25.2.2004	0.566 (note ii)	25.2.2005 to 24.2.2010	-	-	-	-	-	2,500,000	-	2,500,000	
				<u>8,084,000</u>	<u>38,900,000</u>	<u>(800,000)</u>	<u>(8,084,000)</u>	<u>38,100,000</u>	<u>2,850,000</u>	<u>(2,100,000)</u>	<u>38,850,000</u>	

Notes:

- (i) The closing price of the Company's shares immediately before the date of grant was HK\$0.355.
- (ii) The closing price of the Company's shares immediately before the date of grant was HK\$0.620.
- (iii) The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$0.414 (2003: HK\$0.270).

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 25. Share Option Schemes *(continued)*

Total consideration received during the year from directors and employees for taking up the options granted amounted to HK\$30 (2003: HK\$870).

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

## 26. 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. There is no forfeited contributions for both years.

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.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## 27. Related Party Transactions

(a) The Group had the following related party transactions during the year:

		<b>THE GROUP</b>	
		<b>2004</b>	2003
		<b>HK\$'000</b>	HK\$'000
	Notes		
Office rental expenses paid to Shanghai SEEC Investment and Development Co., Ltd. ("SEEC Development")	(i) & (ii)	<b>987</b>	987
Advertising agency fee from Homeway Information Co., Ltd. ("Homeway")	(i) & (iii)	<b>958</b>	3,779
Interest income from CSMRDC	(iv)	<b>448</b>	-
Consultancy fee paid to Beijing SEEC Investment and Development Co., Ltd. ("Beijing SEEC")	(i) & (v)	<b>-</b>	962
		<u><b>-</b></u>	<u>962</u>

Notes:

- (i) SEEC Development, Beijing SEEC and Homeway are related to the Group since they are under common directorship of the Group.
- (ii) Pursuant to a rental agreement and a supplementary agreement entered into between the Group and SEEC Development, SEEC Development agreed to grant to the Group the right to use SEEC Development's office premises for a term of 4 years and 9 months. The rental is charged at approximately RMB87,000 (equivalent to approximately HK\$82,000) per month with effect from 1st January, 2003.
- (iii) Pursuant to an agreement dated 21st December, 2001 entered into between the Group and Homeway, the Group became an advertising agent of Homeway and received advertising agency fee from Homeway. The amount was charged in accordance with the terms set out in the agreement.
- (iv) Interest income is charged by reference to the principal outstanding and at 4.04% per annum as set out in relevant loan agreement.
- (v) Pursuant to an agreement entered into between the Group and Beijing SEEC, Beijing SEEC agreed to provide consultancy service to the Group. The consultancy fee was charged at RMB85,000 (equivalent to approximately HK\$80,000) per month for the year ended 31st December, 2003.

# Notes to the Financial Statements

For the year ended 31st December, 2004

## **27. Related Party Transactions** *(continued)*

- (b) As disclosed in the published 2001 and 2002 annual reports, on 31st December, 2001, the Group entered into an agreement with Bermuda Trust (Cook Islands) Limited ("Bermuda Trust"), the trustee of The Qiao Xing Trust, pursuant to which the Group has conditionally agreed to sell, and Bermuda Trust has conditionally agreed to purchase, the Group's entire interest in Wu Holdings Limited, the then associate of the Group, for a consideration of approximately HK\$40 million. As Mr. Wu Ruilin, the then executive director of the Company, is the protector and one of the discretionary objects of The Qiao Xing Trust, Bermuda Trust is an associate of Mr. Wu Ruilin.

On 9th April, 2003, the conditions as specified in the agreement were fulfilled and the said transaction was completed.