

# Directors' Report

The directors have pleasure in presenting their annual report and the audited financial statements for the year ended 31st December, 2005.

## Principal Activities

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

## Results and Appropriations

The results of the Group for the year ended 31st December, 2005 are set out in the consolidated income statement on page 22.

The directors recommend the payment of a final dividend of HK\$0.004 per share to shareholders on registered of members on 12th May, 2006, amounting to approximately HK\$6,207,000.

## Summary of Financial Information

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years is set out on page 60.

## Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

## Share Capital

Details of movements in the Company's share capital are set out in note 23 to the financial statements.

## Distributable Reserves

At 31st December, 2005, the amount of the Company's reserves available for distribution to shareholders was approximately HK\$18,332,000.

## Major Customers and Suppliers

For the year ended 31st December, 2005, the aggregate purchases attributable to the Group's largest supplier and five largest supplier taken together accounted for 37% and 49% respectively of the Group's total cost of sales for the year. The aggregate sales attributable to the Group's five largest customer taken together were less than 30% of the Group's total revenue for the year.

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

## Directors

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

### Executive directors:

Mr. Wang Boming  
Mr. Zhang Zhifang  
Mr. Dai Xiaojing  
Mr. Li Shijie  
Mr. Lau See Him Louis  
Mr. Yeh Shuen Ji (resigned on 25th November, 2005)

### Independent non-executive directors:

Mr. Fu Fengxiang  
Mr. Wang Xiangfei  
Mr. Ge Ming  
Mr. Ding Yu Cheng (appointed on 21st June, 2005)

In accordance with articles 119 and 120 of the Company's articles of association, Messrs. Wang Boming, Zhang Zhifang, Dai Xiaojing and Ding Yu Cheng shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

## Directors' Service Contracts

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

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

## Directors' Interests in Contracts

Other than those disclosed in note 30 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at 31st December, 2005 or at any time during the year.

# Directors' Report

## Directors' Interests in Securities

At 31st December, 2005, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

### Rights to acquire shares

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

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

Name of Director	Capacity	Date of grant	Exercise price HK\$	Exercisable period	Number of share options outstanding at 1.1.2005 and 31.12.2005	Number of underlying shares
Li Shijie	Beneficial owner	25.7.2003	0.21	25.7.2004 to 24.7.2009	6,900,000	6,900,000

Save as disclosed above, as at 31st December, 2005, 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.

## Share Option Schemes

Particulars of the Company's share option schemes and details of movements in the Company's share options during the year to subscribe for shares of HK\$0.10 each in the Company granted under the share option schemes are set out in note 28 to the financial statements.

## Arrangements to Purchase Shares or Debentures

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

## Substantial Shareholders

At 31st December, 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of the relevant interests and short positions in the issued share capital of the Company:

### Long positions

Name	Capacity	Number of shares beneficially held	Percentage of holding
United Home Limited (Note 1)	Beneficial owner and controlled corporation	338,096,988	21.80%
Carlet Investments Ltd. (Note 1)	Beneficial owner	172,644,210	11.13%
China Assets (Holding) Limited	Person having a security interest in shares	339,746,836	21.91%
Arisaig Greater China Fund Limited (Note 2)	Beneficial owner	133,846,000	8.63%
Arisaig Partners (Mauritius) Limited (Note 2)	Investment manager	133,846,000	8.63%
Cooper Lindsay William Ernst (Note 3)	Held by controlled corporation	133,846,000	8.63%
Madeleine Ltd. (Note 3)	Held by controlled corporation	133,846,000	8.63%
Arisaig Partners (Holdings) Ltd. (Note 2)	Held by controlled corporation	133,846,000	8.63%
Arisaig Partners (BVI) Limited (Note 2)	Held by controlled corporation	133,846,000	8.63%

#### Notes:

- (1) The 172,644,210 shares held by Carlet Investments Ltd. were indirectly owned by United Home Limited by virtue of its 100% ownership of Carlet Investments Ltd. In addition to the 172,644,210 shares held by Carlet Investments Ltd., 165,452,778 shares which represents approximately 10.67% of the issued share capital of the Company, were directly owned by United Home Limited.
- (2) The 133,846,000 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 133,846,000 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.

# Directors' Report

## Short positions

Name	Capacity	Number of shares beneficially held (Note)	Percentage of holding
United Home Limited	Beneficial owner	339,746,836	21.91%

Note: These shares were pledged to a non financial institution in Hong Kong by United Home Limited.

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 31st December, 2005.

## Appointment of Independent Non-executive Directors

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

## Emolument Policy

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

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 28 to the financial statements.

## Connected Transactions

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

- (i) During the year, the Group paid rental of approximately HK\$992,000 to Shanghai SEEC Investment and Development Co., Ltd. ("SEEC Development"). SEEC Development is a substantial shareholder of Hainan Caixun Infomedia Co., Ltd. ("Hainan Caixun"), an indirect non wholly-owned subsidiary of the Company and is considered as a connected party.
- (ii) On 17th August, 2004, Shanghai Caixun Media Conference Exhibition Limited ("Shanghai Caixun Media"), a direct wholly-owned subsidiary of the Company entered into a loan agreement with Shenzhen Caixun Advertising Co., Ltd. ("Shenzhen Caixun"), a non wholly-owned subsidiary of the Company (the "Loan Agreement") pursuant to which Shanghai Caixun Media agreed to lend RMB9 million (equivalent to approximately HK\$8,654,000) to Shenzhen Caixun at a rate of interest of 5.04% per annum repayable on demand with 30 days prior written notice. Details of the transaction is set out in the Company's announcement dated 17th August, 2004. At the balance sheet date, the loan balance is RMB9 million (equivalent to approximately HK\$8,654,000).

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

## Pre-emptive Rights

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

## Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31st December, 2005.

## Purchase, Sale and Redemption of Listed Securities

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

## Donations

During the year, the Group made charitable donations amounting to approximately HK\$143,000.

# Directors' Report

## Subsequent Events

Details of significant events occurring after the balance sheet date are set out in note 32 to the financial statements.

## Auditors

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

On behalf of the Board

**Wang Boming**

*Director*

Hong Kong, 19th April, 2006