Notes to the Financial Statements

For the year ended 31st December, 2005

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 financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

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

2. Adoption of New and Revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the New HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the New HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented:

Business combinations

In the current year, the Group has applied HKFRS 3 "Business combinations" which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions was capitalised on the balance sheet and amortised over its estimated useful life. The Group has discontinued amortising such goodwill from 1st January, 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated.

In the current year, the Group has also applied HKAS 21 "The effects of changes in foreign exchange rates" which requires goodwill to be treated as assets and liabilities of the foreign operation and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at the historical rate of exchange at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1st January, 2005 is treated as a non-monetary foreign currency item of the Company. Therefore, no prior year adjustment has been made.

Notes to the Financial Statements

For the year ended 31st December, 2005

2. Adoption of New and Revised Hong Kong Financial Reporting Standards *(continued)*

Share-based payments

In the current year, the Group has applied HKFRS 2 "Share-based payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st January, 2005. In relation to share options granted before 1st January, 2005, the Group has chosen not to apply HKFRS 2 with respect to share options granted on or before 7th November, 2002 and vested before 1st January, 2005. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7th November, 2002 and had not yet vested on 1st January, 2005. Comparative figures have been restated.

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial instruments: Disclosure and Presentation" and HKAS 39 "Financial instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments are presented for the current and prior accounting periods. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

At 31st December, 2004, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "other securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "other securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in the profit or loss for the year in which gains or losses arise. Unrealised gains or losses of "other securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the year. From 1st January, 2005 onwards, the Group classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

2. Adoption of New and Revised Hong Kong Financial Reporting Standards *(continued)*

Financial instruments *(continued)*

Classification and measurement of financial assets and financial liabilities *(continued)*

On 1st January, 2005, the Group classified and measured its equity securities in accordance with the requirements of HKAS 39. The other securities as reported as at 31st December, 2004 amounting to HK$13,154,000 not held for trading purposes are classified as available-for-sale investments as at 1st January, 2005. The trading securities as reported as at 31st December, 2004 amounting to HK$13,080,000 were classified as investment held for trading as at 1st January, 2005.

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. However, there has had no material effect on how the results for the current accounting period are prepared and presented.

2A. Summary of the Effects of the Changes in Accounting Policies

The effects of the changes in accounting policies described above on the results for the current and prior years are as follows:

	2005	2004
	HK$'000	HK$'000
Decrease in amortisation of goodwill (included in other operating expenses)	**4,690**	–
Expenses in relation to share options granted to employees (included in administrative expenses)	**(142)**	(708)
Increase (decrease) in profit for the year	**4,548**	(708)

Notes to the Financial Statements

For the year ended 31st December, 2005

2A. Summary of the Effects of the Changes in Accounting Policies *(continued)*

The financial effects of the application of the New HKFRSs on 31st December, 2004 and 1st January, 2005 are summaried below:

	Accumulated profits HK$'000	Share option reserve HK$'000
As originally stated	78,464	–
Retrospective recognition of equity settled share-based payment	(708)	708
As restated	77,756	708

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

HKAS 1 (Amendment)	Capital disclosure [1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures [2]
HKAS 21 (Amendment)	Net investment in foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions [2]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts [2]
HKFRS 6	Exploration for and evaluation of mineral resources [2]
HKFRS 7	Financial instruments: Disclosures [1]
HK(IFRIC) - INT 4	Determining whether an arrangement contains a lease [2]
HK(IFRIC) - INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds [2]
HK(IFRIC) - INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment [3]
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]

1 Effective for annual periods beginning on or after 1st January, 2007.
2 Effective for annual periods beginning on or after 1st January, 2006.
3 Effective for annual periods beginning on or after 1st December, 2005.
4 Effective for annual periods beginning on or after 1st March, 2006.

The Group has not early applied the above new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company do not expect the application of these standards, amendments or interpretations will have material effect on the results of operations and financial position of the Group.

3. Significant Accounting Policies

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. 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 Companies Ordinance.

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.

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

Goodwill arising on acquisition of a subsidiary for which the agreement date is before 1st 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, the Group has discontinued amortisation from 1st 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.

Notes to the Financial Statements

For the year ended 31st December, 2005

3. Significant Accounting Policies *(continued)*

Goodwill *(continued)*

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the 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

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.

Revenue recognition

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.

3. Significant Accounting Policies *(continued)*

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.

Intangible assets

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

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the 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.

Notes to the Financial Statements

For the year ended 31st December, 2005

3. Significant Accounting Policies *(continued)*

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 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 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 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.

3. Significant Accounting Policies *(continued)*

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 Group'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 Company (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.

As mentioned in Note 2, goodwill and fair value adjustments arising on acquisitions of foreign operations prior to 1st January, 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

Retirement benefits costs

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are charged as expenses as they fall due.

Notes to the Financial Statements

For the year ended 31st December, 2005

3. Significant Accounting Policies *(continued)*

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 financial assets at fair value through profit or loss and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

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, loan receivable, other receivables, amount due from a jointly controlled entity and amounts due from related companies) 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.

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, 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.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade payables, other payables and accruals are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Notes to the Financial Statements

For the year ended 31st December, 2005

3. Significant Accounting Policies *(continued)*

Financial instruments *(continued)*

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.

For financial liabilities, they are removed from the Group's balance sheet (i.e. 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.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Equity-settled share-based payment transactions

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

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited 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 retained earning.

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 31st December, 2005, the carrying amount of goodwill is HK$60,387,000. Details of the recoverable amount calculation are disclosed in Note 14.

5. Financial Risk Management Objectives and Policies

The Group's major financial instruments include equity investments, loan receivable, trade receivables, other receivables, amounts due from related companies, amount from a jointly controlled entity, trade payables, other payables and accruals 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 31st December, 2005 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 counter-parties 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 debt and loan receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significant reduced.

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

Price risk

The Group's available-for-sale investments are measured at fair value at each balance sheet date. The Group has equity investments in a Singapore listed company and is therefore exposed to equity security price risk. The management closely monitors the performance of the investee and will consider other risk management actions should the need arises.

Currency risk

The Group's transactions are mainly denominated in the functional currency of respective group entities and is therefore not exposed to material foreign currency risk.

Notes to the Financial Statements

For the year ended 31st December, 2005

6. 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 PRC. Accordingly, no analysis by business and geographical segments is presented.

7. Profit Before Taxation

	2005 HK$'000	2004 HK$'000 (restated)
Profit before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	500	430
Bad debts written off	2,540	627
Staff costs (including directors' remuneration):		
Wages, salaries and other allowances	8,497	6,604
Contributions to retirement benefits schemes	574	503
Share option benefits	142	708
	9,213	7,815
Depreciation of property, plant and equipment	740	414
Amortisation of goodwill*	–	4,147
Amortisation of intangible assets*	2,551	2,225
	3,291	6,786
Operating leases payments in respect of rented premises	1,816	1,985
Loss on disposals of property, plant and equipment	22	–
Realised loss on investments in securities	–	591
Loss on disposals of investments held for trading	3	–
Allowances for bad and doubtful debts	–	1,240
Interest income	(2,647)	(4,840)
Exchange gain, net	(898)	–
Unrealised holding gain on trading securities	–	(513)

* 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.

8. Directors' Emoluments

The emoluments paid or payable to each of the 10 (2004: 11) directors were as follows:

	Wang Boming HK$'000	Zhang Zhifang HK$'000	Dai Xiaojing HK$'000	Li Shijie HK$'000	Yeh Shuen Ji HK$'000	Lau See Him, Louis HK$'000	Fu Fengxiang HK$'000	Wang Xiangfei HK$'000	Ge Ming HK$'000	Ding Yu Cheng HK$'000	Total 2005 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

	Wang Boming HK$'000	Zhang Zhifang HK$'000	Dai Xiaojing HK$'000	Li Shijie HK$'000	Yeh Shuen Ji HK$'000	Lau See Him, Louis HK$'000	Kam Anais HK$'000	Xu Xiaolu HK$'000	Fu Fengxiang HK$'000	Wang Xiangfei HK$'000	Ge Ming HK$'000	Total 2004 HK$'000
Fees	–	–	–	63	–	–	–	–	24	72	15	174
Other emoluments												
Salaries and other benefits	–	–	–	–	–	–	–	–	–	–	–	–
Contributions to retirement benefits schemes	–	–	–	13	–	–	–	–	–	–	–	13
Total emoluments	–	–	–	76	–	–	–	–	24	72	15	187

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

Notes to the Financial Statements

For the year ended 31st December, 2005

9. Employees' Emoluments

Of the five highest paid individuals in the Group, one (2004: nil) was director of the Company whose emoluments are included in note 8 above. The emoluments of the remaining four (2004: five) highest paid individuals were as follows:

	2005 HK$'000	2004 HK$'000 (restated)
Salaries, allowances and benefits in kind	2,059	2,160
Retirement benefits scheme contributions	47	110
Share option benefits	142	708
	2,248	2,978

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

	2005 HK$'000	2004 HK$'000 (restated)
Profit before tax	49,790	65,266
Tax at PRC income tax rate of 15% (Note)	7,469	9,790
Effect of different income tax rates	705	1,684
Tax effect of deferred tax assets not recognised	1,442	2,865
Tax effect of expenses not deductible for tax purposes	356	1,106
Tax effect of income not taxable for tax purposes	(17)	(6,511)
Others	328	–
Tax charge for the year	10,283	8,934

Note: The Group is subjected to the PRC enterprise income tax rate of 15% (2004: 15%), the preferential tax rate for enterprises established in Shenzhen and Hainan's Special Economic Zones.

10. Taxation *(continued)*

At the balance sheet date, the Group had unused estimated tax losses of HK$32,312,000 (2004: HK$26,160,000) 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.

11. Earnings Per Share

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

	2005 HK$'000	2004 HK$'000 (restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to equity holders of the parent)	**30,565**	52,397
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,549,823,929**	1,547,130,625
Effect of dilutive potential ordinary shares assumed on exercise of share options	**11,711,309**	19,595,172
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,561,535,238**	1,566,725,797

The following table summarise the impact on both basic and diluted earnings per share as a result of the application of New HKFRSs:

	Impact on basic earnings per share		**Impact on diluted earnings per share**	
	2005 HK cents	2004 HK cents	**2005 HK cents**	2004 HK cents
Figures before adjustments	**1.68**	3.43	**1.67**	3.39
Adjustments arising from changes in accounting policies (see Note 2A)	**0.29**	(0.04)	**0.29**	(0.05)
	1.97	3.39	**1.96**	3.34

Notes to the Financial Statements

For the year ended 31st December, 2005

12. 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 1st January, 2004	315	411	30	716	1,472
Additions	7	292	2	351	652
At 31st December, 2004	322	703	32	1,067	2,124
Exchange realignment	–	14	–	21	35
Additions	–	577	–	828	1,405
Disposals	–	–	–	(63)	(63)
At 31st December, 2005	**322**	**1,294**	**32**	**1,853**	**3,501**
ACCUMULATED DEPRECIATION					
At 1st January, 2004	9	17	1	98	125
Provided for the year	110	124	6	174	414
At 31st December, 2004	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 31st December, 2005	**322**	**351**	**32**	**541**	**1,246**
NET BOOK VALUES					
At 31st December, 2005	**–**	**943**	**–**	**1,312**	**2,255**
At 31st December, 2004	203	562	25	795	1,585

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

13. Intangible Assets

	HK$'000
COST	
At 1st January, 2004	32,310
Additions	8,490
Disposal of a subsidiary	(15,094)
At 31st December, 2004	25,706
Exchange adjustment	494
At 31st December, 2005	**26,200**
AMORTISATION	
At 1st January, 2004	2,254
Provided for the year	2,225
Eliminated on disposal of a subsidiary	(3,645)
At 31st December, 2004	834
Exchange adjustment	16
Provided for the year	1,686
At 31st December, 2005	**2,536**
NET BOOK VALUES	
At 31st December, 2005	**23,664**
At 31st December, 2004	24,872

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.

Notes to the Financial Statements

For the year ended 31st December, 2005

14. Goodwill

	HK$'000
GROSS AMOUNT	
At 1st January, 2004	37,822
Additions	29,550
At 31st December, 2004 and 31st December, 2005	67,372
Elimination of accumulated amortisation upon application of HKFRS 3	(6,985)
	60,387
AMORTISATION	
At 1st January, 2004	2,838
Provided for the year	4,147
At 31st December, 2004 and 31st December, 2005	6,985
Elimination of accumulated amortisation upon application of HKFRS 3	(6,985)
	–
NET BOOK VALUES	
At 31st December, 2005 and 31st December, 2004	60,387

For the year ended 31st December, 2004 goodwill is amortised on a straight line basis over a period of 15 years.

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, discount rate of 15% and growth rate of 5%. This growth rate is based on the market growth forecasts. Another key assumption for the value in use calculations is the budgeted gross margin, which is determined based on past performance and management's expectations for the market development.

15. Interest in a Jointly Controlled Entity

As at 31st December, 2005, the Group has a 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.

The amount due from a jointly controlled entity is unsecured, interest-free and repayable on demand.

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

15. Interest in a Jointly Controlled Entity *(continued)*

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

	2005 HK$'000
Total assets	11,542
Total liabilities	(11,700)
Net liabilities	(158)
Revenue	–
Loss for the year	(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:

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

16. Available-for-sale Investments

Available-for-sale investments as at 31st December, 2005 comprise:

	HK$'000
Equity securities listed in Singapore	10,370
Carrying amount analysed for reporting purposes as:	
Current assets	5,185
Non-current assets	5,185
	10,370

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

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 30th 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 30th December, 2004.

Notes to the Financial Statements

For the year ended 31st December, 2005

17. Investments in Securities

Investments in securities as at 31st December, 2004 are set out below. Upon the application of HKAS 39 on 1st January, 2005, investment in securities were reclassified to appropriate categories under HKAS 39 (see Note 2 for details).

	Trading securities	Other securities	Total
	HK$'000	HK$'000	HK$'000
Quoted mutual funds	13,080	–	13,080
Equity securities listed in other jurisdiction outside Hong Kong (Note)	–	13,154	13,154
	13,080	13,154	26,234
Market value	13,080	13,154	26,234
Carrying amount analysed for reporting purposes as:			
Current	13,080	–	13,080
Non-current	–	13,154	13,154
	13,080	13,154	26,234

Note: Amount was reclassified to available-for-sale investments.

18. Loan Receivable

The amount represents partial consideration receivable from the purchaser with respect to the disposal of a subsidiary in 2004. The amount was included in other receivables and prepayments in 2004.

Pursuant to the supplemental deed dated 12th September, 2005 ("Supplementary Deed") to the sale and purchase agreement entered into between the Company, Observer Star Global Publishing Holding Ltd. ("Observer Star Global") and Sun Business Network Ltd. (formerly known as Panpac Media Group Limited) ("Panpac Media Group") on 7th November, 2004, the amount is repayable on or before 31st 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.

19. 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:

	2005		2004	
	HK$'000	%	HK$'000	%
Within three months	21,116	62	15,427	44
Four to six months	6,242	18	6,189	18
Seven months to one year	2,756	8	9,648	27
Over one year	4,049	12	3,961	11
	34,163	100	35,225	100
Less: Allowances for bad and doubtful debts	(4,049)		(3,961)	
Total after allowances for bad and doubtful debts	30,114		31,264	

The directors of the Group are in opinion that the carrying amount of trade receivables approximate their fair value.

20. Other Financial Assets and Financial Liabilities

Other receivables and prepayments

The directors of the Group are in the opinion that the carrying amount of other receivables approximate their fair value.

Bank balances and cash

The amount comprise cash held by the Group and short-term bank deposits at market interest rates with an original maturity of three months or less. The carrying amounts of these assets at the balance sheet date approximate their fair values.

Other payables and accruals

Included in other payables and accruals is an amount of HK$2.2 million related to the accrued expenses for exclusive franchising charges. (see note 27(b))

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

Notes to the Financial Statements

For the year ended 31st December, 2005

21. Amounts due from Related Companies

	NOTES	2005 HK$'000	2004 HK$'000
Amounts due from related companies	(i)	889	5,968
Loan to China Securities Market Research and Development Center ("CSMRDC")	(ii)	–	9,744
		889	15,712

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. The maximum amount outstanding during the year was HK$488,000 (2004: HK$706,000).

(ii) Mr. Wang Boming, a director of the Company, is a senior executive of CSMRDC. The amount was unsecured, bear interest at 4.04% per annum and was originally due 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. The amount was fully settled in 2005.

22. Trade Payables

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

	2005 HK$'000	%	2004 HK$'000	%
Within two months	1,899	69	–	–
Five months to one year	834	30	6	15
Over one year	41	1	35	85
	2,774	100	41	100

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

23. Share Capital

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st January, 2004, 31st December, 2004, 1st January, 2005 and 31st December, 2005	3,000,000	300,000
Issued and fully paid:		
At 1st January, 2004	1,545,775	154,577
Exercise of share options	2,100	210
At 31st December, 2004 and 1st January, 2005	1,547,875	154,787
Exercise of share options	2,950	295
At 31st December, 2005	1,550,825	155,082

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 2,950,000 share options were exercised at the subscription price of HK$0.21 per share resulting in the issue of 2,950,000 shares of HK$0.10 each for a total cash consideration of approximately HK$620,000.

Notes to the Financial Statements

For the year ended 31st December, 2005

24. Disposals of Subsidiaries

During the year ended 31st December, 2004, the net assets of the disposed subsidiaries at the date of disposal were as follows:

	HK$'000
NET ASSETS DISPOSED OF	
Intangible assets	11,449
Bank balances and cash	1
	11,450
Gain on disposal	30,704
Total consideration	42,154
Satisfied by:	
Cash	944
Investments in securities	13,154
Amount payable by purchaser included in other receivables and prepayments	28,056
	42,154
Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:	
Cash consideration	944
Bank balances and cash disposed of	(1)
	943

The subsidiary disposed of during the year ended 31st December, 2004 did not make a significant contribution to the Group's turnover and profit before tax.

During the year ended 31st December, 2005, the Group received HK$9,056,000 of the considerations. The outstanding considerations of HK$19,000,000 was included loan receivable as set out in note 18.

25. Acquisitions of Subsidiaries

On 24th November, 2003, the Company entered into a conditional agreement to purchase a 60% interest in the registered capital of Beijing Caixun Century Infotech Co., Ltd. ("BCCI") which in turn held 30% interest in each of Beijing Caixun Advertising Co., Ltd. ("Beijing Caixun") and Shenzhen Caixun Advertising Co., Ltd. ("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.

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

The subsidiary acquired during the year ended 31st December, 2004 did not make a significant contribution to the Group's turnover and profit before tax.

26. Major Non-cash Transactions

During the year ended 31st December, 2004, 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, 2005

27. 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:

	2005 HK$'000	2004 HK$'000
Within one year	1,348	544
In the second to fifth year inclusive	1,007	357
	2,355	901

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, being an independent third party, the Group at 31st December, 2005 had commitments to make a total payment of approximately RMB15,000,000 (2004: RMB15,750,000) (equivalent to approximately HK$14,423,000 (2004: HK$14,858,000)) over the period up to 2016 for the exclusive franchising charges of the magazine publication company.

In addition, pursuant to an agreement dated 22nd April, 2004 entered into between the Group and a magazine publication company, being an independent third party, the Group at 31st December, 2005 had commitments to make a total payment of approximately RMB1,860,000 (2004: RMB2,010,000) (equivalent to approximately HK$1,788,000 (2004: HK$1,896,000)) over the period up to 2013 for the exclusive franchising charges of the magazine publication company.

28. Share Option Schemes

Equity-settled share option scheme:

The Company operates a share option scheme (the "Share Option Scheme") adopted on 26th 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 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 Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the Company's shares in issue at any time. At 31st December, 2005, the number of shares issuable under share options granted under the Share Option Scheme was 35,900,000, which represented approximately 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 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.

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For the year ended 31st December, 2005

28. 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 1.1.2004	Granted during the year	Exercised during the year (note 1)	Outstanding at 31.12.2004	Exercised during the year (note 1)	Outstanding at 31.12.2005
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	0.210	25.7.2003 to 24.7.2008	1,000,000	–	(1,000,000)	–	–	–
	25.7.2003	0.210	25.7.2004 to 24.7.2009	29,200,000	–	(750,000)	28,450,000	(2,950,000)	25,500,000
	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	2.1.2004 to 1.1.2009	–	350,000	(350,000)	–	–	–
	25.2.2004 (note 2)	0.566	25.2.2005 to 24.2.2010	–	2,500,000	–	2,500,000	–	2,500,000
				38,100,000	2,850,000	(2,100,000)	38,850,000	(2,950,000)	35,900,000

Notes:

(1) The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$0.336 (2004: HK$0.414).

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

Total consideration received during the year ended 31st December, 2004 from directors and employees for taking up the options granted amounted to HK$30.

During the year ended 31st December, 2004, options were granted on 25th February, 2004. The estimated fair values of the options granted on that date was HK$850,000.

The fair value was calculated using the binominal model. The inputs into the model were as follows:

Weighted average share price	HK$0.46
Expected volatility	75.7%
Expected life	5 years
Risk-free rate	2.6%
Expected dividend yield	0%

28. Share Option Schemes *(continued)*

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

The Company recognised the total expense of HK$142,000 for the year ended 31st December, 2005 (2004: HK$708,000) in relation to share options granted by the Company.

29. 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.

30. Related Party Transactions

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

	Notes	2005 HK$'000	2004 HK$'000
Office rental expenses paid to Shanghai SEEC Investment and Development Co., Ltd. ("SEEC Development")	(i) & (ii)	**992**	987
Advertising agency fee from Homeway Information Co., Ltd. ("Homeway")	(i)	**1,263**	958
Interest income from CSMRDC	(iii)	**426**	448

Notes to the Financial Statements

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30. Related Party Transactions *(continued)*

Notes:

(i) SEEC Development 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 3 years. The rental is charged at approximately RMB86,000 (equivalent to approximately HK$82,000) per month with effect from 1st January, 2005.

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

In addition, compensation of key management personnel represents directors' remuneration as set out in note 8. The directors' remuneration is determined by the Board having regard to the performance, responsibilities and experiences of individuals and market trends.

31. 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 Directly %	Indirectly %	Issued and fully paid ordinary share capital/ registered capital and form of business structure	Principal activities
Beijing Caixun	PRC	–	78 (Note)	RMB6,000,000 Limited liability company	Advertising agent
BCCI	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

31. Particulars of the Principal Subsidiaries of the Company *(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 %		
Shenzhen Caixun	PRC	–	78 (Note)	RMB1,000,000 Limited liability company	Advertising agent
Shanghai Caixun Media Conference Exhibition Limited (formerly known as Shanghai Cai Guan Information Co., Ltd.)	PRC	100	–	RMB10,000,000 Limited liability company	Investment holding
Superfort Management Corp. ("Superfort")	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 BCCI 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 BCCI.

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.

32. Subsequent Events

On 11th April, 2006, Observer Star Global, Panpac Media Group and the Company entered into the second supplemental deed, pursuant to which Observer Star Global would transfer 708,502 shares of Sun New Media Inc., a company incorporated in Minnesota, US and its common stock are traded on Over-The-Counter Bulletin Board in the US, on or before 29th May, 2006 for satisfying in full the loan receivable of HK$19,000,000 together with HK$2,000,000 payable as set out in supplemental deed dated 12th September, 2005.