

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

2. REVENUE AND SEGMENT INFORMATION

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

3. PROFIT BEFORE TAX

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

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

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

4. INCOME TAX EXPENSES

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

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

5. DIVIDENDS

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

6. EARNINGS PER SHARE

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

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

7. GOODWILL

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

8. TRADE RECEIVABLES

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

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

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

9. TRADE PAYABLES

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

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

10. SHARE CAPITAL

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

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

11. CONVERTIBLE BOND

Pursuant to an agreement dated 20 April 2006, the Company issued a convertible bond (“CB”) amounting to US\$10 million (equivalent to HK\$78 million) and a nil-paid warrant (“Nil-paid warrant”) to an independent third party, Templeton Strategic Emerging Markets Fund II, LDC, represented by Templantation Asset Management Limited, on 19 May 2006. The CB carried coupon interest at the rate of 2% per annum on the outstanding principal amount of the CB and will be mature at the fifth year after the issuance of the CB. The Nil-paid warrant carried the right to subscribe for up to 79,947,009 shares of the Company. Details of the transaction is set out in the Company’s announcement dated 25 April 2006.

The net proceeds received from the issue of CB and Nil-paid warrant contain the following components that are required to be separately accounted for in accordance with HKAS 32 and HKAS 39:

- (i) Liability component for the CB represents the present value of the contractually determined stream of future cash flows discounted at the rate of interest at that time by the market to instruments of comparable credit status taken into account the business risk of the Company as well as premium added for raising fund in a short period of time, but without the conversion option. The effective interest rate of the liability component is 12% per annum.
- (ii) Embedded conversion option of the CB to be accounted for as a separate financial liability represents the fair value of the option to convert the liability into equity of the Company but the conversion will be settled other than by the exchange of a fixed number of the Company’s own equity.
- (iii) Embedded redemption discretionary option represents the Company’s option to early redeem all or part of the CB.
- (iv) Nil-paid warrant represents the right to subscribe the Company’s own equity.

12. SHARE OPTIONS

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

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

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

13. EVENT AFTER THE BALANCE SHEET DATE

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

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

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