

Directors' Report

The directors have pleasure in presenting their annual report and the audited consolidated financial statements for the year ended 31 December 2006.

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

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 25.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 66.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL AND CONVERTIBLE BOND

Details of movements in the Company's share capital and convertible bond are set out in notes 25 and 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2006, the Company had no reserves available for distribution to shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2006, the aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 31% and 63% respectively of the Group's total cost of sales for the year. The aggregate sales attributable to the Group's five largest customers 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.

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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

Independent non-executive directors:

Mr. Fu Fengxiang
 Mr. Wang Xiangfei
 Mr. Ding Yu Cheng
 Mr. Zhang Ke (appointed on 7 February 2007)
 Mr. Ge Ming (resigned on 7 February 2007)

In accordance with articles 101, 119 and 120 of the Company's articles of association, Messrs. Li Shijie, Fu Fengxiang, Wang Xiangfei and Zhang Ke 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 OF SIGNIFICANCE

Other than those disclosed in note 32 to the consolidated 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 31 December 2006 or at any time during the year.

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DIRECTORS' INTERESTS IN SECURITIES

At 31 December 2006, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange 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 1.1.2006 and 31.12.2006	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 31 December 2006, none of the directors, chief executives 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 30 to the consolidated 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.

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SUBSTANTIAL SHAREHOLDERS

At 31 December 2006, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of the relevant interests 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	677,843,824	43.63%
Carlet Investments Ltd. (Note 1)	Beneficial owner	172,644,210	11.11%
China Assets (Holding) Limited	Person having a security interest in shares	339,746,836	21.87%
Arisaig Greater China Fund Limited (Note 2)	Beneficial owner	155,406,000	10.00%
Arisaig Partners (Mauritius) Limited (Note 2)	Fund manager	155,406,000	10.00%
Cooper Lindsay William Ernst (Note 3)	Held by controlled corporation	155,406,000	10.00%
Madeleine Ltd. (Note 3)	Held by controlled corporation	155,406,000	10.00%
Arisaig Partners (Holdings) Ltd. (Note 2)	Held by controlled corporation	155,406,000	10.00%
Arisaig Partners (BVI) Limited (Note 2)	Held by controlled corporation	155,406,000	10.00%
Templeton Asset Management Limited (Note 4)	Investment manager	79,947,009	5.15%

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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., 505,199,614 shares which represents approximately 32.52% of the issued share capital of the Company, were directly owned by United Home Limited.
- (2) The 155,406,000 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) Ltd. 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 155,406,000 shares as mentioned in note (2) above through 33.33% interests in Arisaig Partners (Holdings) Ltd. held by Madeleine Ltd.. Madeleine Ltd. is beneficially owned by Cooper Lindsay William Ernst.
- (4) This referred to the nil-paid warrant issued to Templeton Strategic Emerging Markets Fund II, LDC, represented by its investment manager, Templeton Asset Management Limited, exercisable to subscribe for 79,947,009 shares of the Company.

Short positions

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 31 December 2006.

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 "Listing Rules"). 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 30 to the consolidated financial statements.

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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. ("Shanghai SEEC "). Shanghai SEEC is owned as to 59% by Shenyang Lianya Industrial Development Corporation ("Shenyang Lianya"). Shenyang Lianya is owned equally by 50 of its staff, including three of the Directors, namely Messrs. Wang Boming, Zhang Zhifang and Dai Xiaojing. Since Mr. Wang Boming controls the management of Shenyang Lianya which in turn controls Shanghai SEEC, Shanghai SEEC becomes an associate of Mr. Wang Boming under Rule 1.01 of the Listing Rules and hence a connected person of the Company under the Listing Rules.
- (ii) During the year, the Group acquired 14.3% interest in registered capital of Hainan Caixun Informedia Co., Ltd. which in turn holds a 70% interest in each of Shenzhen Caixun Advertising Co., Ltd. ("Shenzhen Caixun") and Beijing Caixun Advertising Co., Ltd. ("Beijing Caixun"); and 40% interest in the registered capital of Beijing Caixun Century InfoTech Co., Ltd. ("Caixun Century") which in turn holds a 30% interest in each of Shenzhen Caixun and Beijing Caixun at a total consideration of approximately HK\$92.1 million from Shanghai SEEC. This transaction was set out in the Company's announcement dated 25 May 2006.
- (iii) On 6 September 2006, Beijing Caixun and Shenzhen Caixun entered into the registered capital transfer agreement with Shanghai SEEC and Beijing Lianzheng Information & Technology Company Limited pursuant to which Beijing Caixun and Shenzhen Caixun agreed to acquire 80% and 20% interest of the registered capital in Beijing Jingzheng Ronglian Advertising Company Limited from Shanghai SEEC and Beijing Liancheng Investment Consultant Company Limited at an aggregate consideration of RMB2,000,000 (approximately HK\$1,942,000). Details of the transaction was set out in the Company's circular dated 15 September 2006.
- (iv) On 17 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, 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 was set out in the Company's announcement dated 17 August 2004.

The independent non-executive directors reviewed the continued connected transaction set out 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.

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On 16 April 2007, each of Beijing Caixun, Beijing SEEC Book and Press Distribution Co., Ltd ("Beijing SEEC") and Shenzhen Caixun entered into a lease agreement with Shanghai SEEC whereby each of Beijing Caixun, Beijing SEEC and Shenzhen Caixun agreed to lease certain premises owned by Shanghai SEEC for a term of 1 year commencing from 1 April 2007 for office purposes. As Shanghai SEEC is considered a connected person under the Listing Rules, the entering into of these lease agreements constituted a continuing connected transaction for the Company under the Listing Rules. Details of the transactions have been set out in the announcement of the Company dated 16 April 2007 and will also be included in the next annual report and accounts of the Company in accordance with the Listing Rules.

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 31 December 2006.

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.

POST BALANCE SHEET EVENTS

Details of the significant events occurring after the balance sheet date are set out in note 34 to the consolidated 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, 23 April 2007