Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

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 functional currency of the respective group entities is Renminbi ("RMB"), the currency of the primary economic environment in which the Group operates. For the purpose of the consolidated financial statements and conveniences of the financial statements users, the results and financial position of the Group are presented in Hong Kong dollars.

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 and financial position 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 the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating segments[2]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC) – INT 8	Scope of HKFRS 2[4]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[5]
HK(IFRIC) – INT 10	Interim financial reporting and impairment[6]
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions[7]
HK(IFRIC) – INT 12	Service concession arrangements[8]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 March 2006.
[4] Effective for annual periods beginning on or after 1 May 2006.
[5] Effective for annual periods beginning on or after 1 June 2006.
[6] Effective for annual periods beginning on or after 1 November 2006.
[7] Effective for annual periods beginning on or after 1 March 2007.
[8] Effective for annual periods beginning on or after 1 January 2008.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

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 Hong Kong Financial Reporting Standards issued by the HKICPA. 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 Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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 on acquisition of additional interests in a subsidiary is calculated as the difference between the consideration paid for the additional interests and the book value of the net assets of the subsidiary attributable to the additional interests acquired.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on acquisition prior to 1 January 2005

Goodwill arising on acquisition of a subsidiary for which the agreement date is before 1 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 of subsidiaries, the Group has discontinued amortisation from 1 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 (see the accounting policy below).

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of subsidiaries for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiaries at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of subsidiaries is presented separately in the consolidated balance sheet.

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 consolidated 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint ventures

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

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.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

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.

Sole agency rights

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

Gains or losses arising from derecognition of sole agency rights are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated 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 Consolidated Financial Statements

For the year ended 31 December 2006

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 consolidated 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated 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 profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

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 Company'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 Group (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.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in consolidated income statement in the period in which they are incurred.

Retirement benefits costs

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

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, derivative instrument 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.

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, other receivables, amount due from a jointly controlled entity, amounts due from related companies, pledged bank deposit and bank balances) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

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 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.

Financial liabilities

Financial liabilities other than convertible bond (see the accounting policy below), including bank borrowing, trade payables, other payables and accruals and amounts due to related companies, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Convertible bond

Convertible bond issued by the Company that contain liability, conversion option and other embedded derivatives components are classified separately into respective items on initial recognition. Conversion option will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, the liability, conversion option and other embedded derivative components are recognised at fair value.

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The conversion option and other embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability, conversion option and other embedded derivative components in proportion to the allocation of the proceeds. Transaction costs relating to the conversion option derivative is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

Warrant

Warrant issued by the Company that will be settled by other than the fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a derivative financial instrument. At the date of issue, the warrant is recognised at fair value. In subsequent periods, the warrant are measured at fair value with changes in fair value recognised in the profit or loss.

Derivative financial instruments

Derivatives (including embedded derivative which are early redemption discretionary option and conversion option) are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

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.

Financial liabilities are derecognised 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.

Equity-settled share-based payment transactions

Share options granted to employees

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

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options 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 accumulated profits.

With respect to the share options granted on or after 7 November 2002 and vested before 1 January 2005, the Group did not recognise the financial effect of these share options until they are exercised. Upon exercise of share option, it is accounted for as equity instrument of the Company (see accounting policy above).

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 31 December 2006, the carrying amount of goodwill is HK$125,216,000. Details of the recoverable amount calculation are disclosed in note 15.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Allowances for bad and doubtful debts

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows to determine the impairment loss. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

5. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade receivables, other receivables, amounts due from related companies, amount from a jointly controlled entity, derivative financial instruments, trade payables, other payables and accruals, amounts due to related companies, bank borrowing, pledged bank deposit, convertible bond 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 31 December 2006 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 debtor regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

5. FINANCIAL INSTRUMENTS *(continued)*

Market risk

Currency risk

Equity investments of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Fair value interest rate risk

The Group's fair value interest rate risk relates to the convertible bond issued by the Group in the current year (see note 26 for details of convertible bond) as well as the pledged bank deposit and bank borrowing.

The Group manages its interest rate exposure based on the interest rate level and outlook as well as potential impact on the Group's financial position arising from volatility. The management will consider hedging significant interest rate exposure should the need arise.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates to bank balances carried at prevailing market rate. However, such exposure is minimal to the Group as the bank balances are all short-term in nature.

Equity price risk

The Group has equity investments in a Singapore listed company and a United States company with its shares traded on Over-The-Counter Bulletin Board as well as nil-paid warrants and conversion option component of convertible bond and are therefore exposed to equity security price risk. The management closely monitors the performance of the investees and will consider other risk management actions should the need arises.

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

- the fair value of derivative instruments, are estimated using option pricing model (for example, binomial method).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

6. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the net invoiced value of provision of advertising agency services, net of discounts and sales related taxes.

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. FINANCE COSTS

	2006	2005
	HK$'000	HK$'000
Interest on:		
Bank loan wholly repayable within five years	**105**	–
Effective interest expenses on convertible bond (Note 26)	**4,995**	–
	5,100	–

8. (LOSS) PROFIT BEFORE TAXATION

	2006	2005
	HK$'000	HK$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	**620**	500
Bad debts written off	**8,799**	2,540
Staff costs (including directors' remuneration):		
Wages, salaries and other allowances	**11,277**	8,497
Contributions to retirement benefits schemes	**1,262**	574
Share option benefits	**–**	142
	12,539	9,213
Depreciation of property, plant and equipment	**687**	740
Amortisation of sole agency rights*	**1,686**	2,551
	2,373	3,291
Operating leases payments in respect of rented premises	**2,602**	1,816
Loss on disposal of property, plant and equipment	**5**	22
Loss on disposal of investments held for trading	**–**	3
Bank interest income	**(3,069)**	(2,647)
Exchange loss (gain), net	**1,954**	(898)

* The amortisation of sole agency rights is included in "Cost of sales" on the face of the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

9. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the 9 (2005: 10) directors were as follows:

	Wang Boming HK$'000	Zhang Zhifang HK$'000	Dai Xiaojing HK$'000	Li Shijie HK$'000	Lau See Him Louis HK$'000	Fu Fengxiang HK$'000	Wang Xiangfei HK$'000	Ge Ming HK$'000	Ding Yu Cheng HK$'000	Total 2006 HK$'000
Fees	–	–	–	–	–	24	72	60	180	336
Other emoluments										
Salaries and other benefits	46	–	71	159	84	–	–	–	–	360
Contributions to retirement benefits schemes	35	–	37	38	3	–	–	–	–	113
Total emoluments	81	–	108	197	87	24	72	60	180	809

	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

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 Consolidated Financial Statements

For the year ended 31 December 2006

9. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

(continued)

Employees' emoluments

In 2006, the five highest paid individuals in the Group do not include any director of the Company. In 2005, one of the five highest paid individual was a director, whose emolument is included above. The emoluments of the five (2005: four) highest paid individuals were as follows:

	2006	2005
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,146**	2,059
Retirement benefits scheme contribution	**148**	47
Share option benefits	**–**	142
	2,294	2,248

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 relevant Group entity incurred a tax loss in Hong Kong.

The Group is subjected to the PRC enterprise income tax rate of 15% (2005: 15%), the preferential tax rate for enterprises established in Shenzhen and Hainan's Special Economic Zones. Taxes arising in other jurisdictions of the PRC are calculated at the rates of 33%.

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

	2006	2005
	HK$'000	HK$'000
(Loss) profit before taxation	**(20,055)**	49,790
Tax at PRC income tax rate of 15%	**(3,008)**	7,469
Effect of different income tax rates	**457**	705
Tax effect of tax losses not recognised	**3,813**	1,442
Tax effect of expenses not deductible for tax purposes	**5,374**	356
Tax effect of income not taxable for tax purposes	**(350)**	(17)
Others	**(20)**	328
Taxation for the year	**6,266**	10,283

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

10. TAXATION *(continued)*

At the balance sheet date, the Group had estimated unused tax losses of HK$57,730,000 (2005: HK$32,312,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated unused tax losses due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

11. DIVIDEND

	2006 **HK$'000**	2005 HK$'000
Proposed final – nil per ordinary share (2005: HK$0.004)	–	6,207
Dividends recognised as distribution during the year	**6,207**	15,492

12. (LOSS) EARNINGS PER SHARE

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

	2006 **HK$'000**	2005 HK$'000
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((loss) profit for the year attributable to equity holders of the parent)	**(29,001)**	30,565
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,552,386,395**	1,549,823,929
Effect of dilutive potential ordinary shares assumed exercise of share options	–	11,711,309
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,552,386,395**	1,561,535,238

For the year ended 31 December 2006, the computation of diluted loss per share does not assume the exercise of share options, conversion of the convertible bond or exercise of warrants since their exercise or conversion would result in a decrease in loss per share.

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13. 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 1 January 2005	322	703	32	1,067	2,124
Exchange realignment	–	14	–	21	35
Additions	–	577	–	828	1,405
Disposals	–	–	–	(63)	(63)
At 31 December 2005	322	1,294	32	1,853	3,501
Exchange realignment	–	52	–	109	161
Additions	–	164	–	1,225	1,389
Disposals	–	–	–	(33)	(33)
At 31 December 2006	**322**	**1,510**	**32**	**3,154**	**5,018**
ACCUMULATED DEPRECIATION					
At 1 January 2005	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 31 December 2005	322	351	32	541	1,246
Exchange realignment	–	21	–	34	55
Provided for the year	–	246	–	441	687
Eliminated on disposals	–	–	–	(28)	(28)
At 31 December 2006	**322**	**618**	**32**	**988**	**1,960**
CARRYING VALUES					
At 31 December 2006	**–**	**892**	**–**	**2,166**	**3,058**
At 31 December 2005	–	943	–	1,312	2,255

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For the year ended 31 December 2006

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

14. SOLE AGENCY RIGHTS

	HK$'000
COST	
At 1 January 2005	25,706
Exchange adjustment	494
At 31 December 2005	26,200
Exchange adjustment	939
At 31 December 2006	**27,139**
ACCUMULATED AMORTISATION	
At 1 January 2005	834
Exchange adjustment	16
Provided for the year	1,686
At 31 December 2005	2,536
Exchange adjustment	91
Provided for the year	1,746
At 31 December 2006	**4,373**
CARRYING VALUES	
At 31 December 2006	**22,766**
At 31 December 2005	23,664

Sole agency rights of advertising on certain newspapers and magazines are amortised over periods ranging from 16 to 20 years.

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15. GOODWILL

	HK$'000
At 1 January 2005 and 31 December 2005	60,387
Arising on acquisitions of additional interests in subsidiaries (Note 27)	64,829
At 31 December 2006	**125,216**

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, and discount rate of 15%. Cash flows for further fifteen years are extrapolated at zero growth rate. Key assumptions for the value in use calculations are the budgeted growth rate and budgeted gross margin, which are determined based on past performance, management's expectations for the market development and market growth forecasts.

16. INTEREST IN A JOINTLY CONTROLLED ENTITY

As at 31 December 2006, the Group had 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.

Amount due from a jointly controlled entity is unsecured, interest-free and is repayable on demand. The directors of the Company consider the carrying amount approximates its fair value.

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

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For the year ended 31 December 2006

16. INTEREST IN A JOINTLY CONTROLLED ENTITY *(continued)*

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

	2006	2005
	HK$'000	HK$'000
Total assets	**11,350**	11,542
Total liabilities	**(11,934)**	(11,700)
Net liabilities	**(584)**	(158)
Revenue	**–**	–
Loss for the year	**(426)**	(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:

	2006	2005
	HK$'000	HK$'000
Unrecognised share of loss of jointly controlled entity for the year	**213**	79
Accumulated unrecognised share of loss of jointly controlled entity	**292**	79

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For the year ended 31 December 2006

17. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2006 **HK$'000**	2005 HK$'000
Fair values:		
Equity securities listed in Singapore ("Singapore-AFS")	**8,860**	10,370
Equity securities traded on Over-The-Counter Bulletin Board in the United States ("US-AFS")	**4,145**	–
	13,005	10,370
Carrying amounts analysed for reporting purposes as:		
Current assets	**13,005**	5,185
Non-current assets (Note)	**–**	5,185
	13,005	10,370

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 30 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 30 December 2004. All the available-for-sale investments were classified as current assets at 31 December 2006 as such restriction had expired.

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

At the balance sheet date, the directors have considered the recoverable amounts and recognised an impairment loss of HK$21,149,000. Subsequent to the initial recognition of US-AFS in May 2006 (see note 19 for details), the market price of the US-AFS had significantly reduced as a result of the termination of an investment project of the investee company. Accordingly, an impairment loss of HK$16,855,000 has been recognised in the consolidated income statement. In addition, the directors considered the prolong decrease in market price of the Singapore-AFS, an impairment loss of HK$4,294,000 was recognised.

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18. DERIVATIVE FINANCIAL INSTRUMENTS

	2006	2005
	HK$'000	HK$'000
Derivative financial asset:		
Redemption discretionary option (Note 26)	**1,069**	–
Derivative financial liabilities:		
Conversion option (Note 26)	**3,226**	–
Nil-paid warrants (Note 26)	**12,990**	–
	16,216	–

The amounts are stated at fair values. The fair values are determined by an independent valuer, Vigers Appraisal & Consulting Limited, registered professional surveyor, on market value basis.

The fair value of redemption discretionary option was calculated using the Black's model. The inputs into the model were as follows:

Bond price	68.6%
Exercise price	100%
Volatility of bond price	12%
Coupon rate	1.44%

The fair value of conversion option and nil-paid warrants were calculated using the binomial model. The inputs into the model were as follows:

Stock price	HK$0.39
Volatility	57%
Dividend	2%
Option life	4.38 years
Risk-free rate	3.66%

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19. LOAN RECEIVABLE

At 31 December 2005, the amount represented partial consideration receivable from the purchaser (the "Purchaser") with respect to the disposal of a subsidiary in 2004.

Pursuant to the supplemental deed dated 12 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. ("Sun Business") on 7 November 2004, the amount was repayable on or before 31 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.

On 11 April 2006, Observer Star Global, Sun Business and the Company entered into the second supplemental deed, pursuant to which Observer Star Global had transferred to the Company 708,502 shares of Sun New Media Inc., a company incorporated in Minnesota, United States (its common stock are traded on Over-The-Counter Bulletin Board in the United States) with fair value (determined based on the quoted price at the settlement date) of approximately HK$21,000,000, on 29 May 2006 for satisfying in full the loan receivable in accordance to settlement terms as mentioned in (ii) above, resulting in a gain of HK$2,000,000.

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20. TRADE AND OTHER RECEIVABLES

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

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

	2006		2005	
	HK$'000	%	HK$'000	%
Within three months	20,314	66	21,116	70
Four to six months	6,939	22	6,242	21
Seven months to one year	3,607	12	2,756	9
	30,860	100	30,114	100

The directors of the Company are in the opinion that the carrying amounts of trade and other receivables approximate their fair values.

21. PLEDGED BANK DEPOSIT AND BANK BALANCES

Bank balances carry interest at market rates which range from 1.80% to 4.49% (2005: 1.71% to 2.07%) per annum. The pledged deposit carries fixed interest rate of 4.9% per annum.

Pledged bank deposit represents deposit pledged to a bank to secure short-term banking facilities granted to the Company's subsidiary and will be released upon the settlement of relevant bank borrowing.

22. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Note	2006 HK'000	2005 HK'000
Amounts due from related companies	(i)	2,520	889
Amounts due to related companies	(i)	1,116	–

Notes:

(i) The related companies are companies which key management of the Company have significant interests. The amounts are unsecured, non-interest bearing and have no fixed terms of repayment. The maximum amount due from related companies outstanding during the year was HK$2,576,000 (2005: HK$5,968,000).

(ii) The directors of the Company are in the opinion that the carrying amounts approximate their fair values.

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23. OTHER FINANCIAL LIABILITIES

Trade payables

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

	2006		2005	
	HK$'000	**%**	HK$'000	%
Within three months	**5,589**	**100**	1,899	69
Four months to one year	**–**	**–**	834	30
Over one year	**–**	**–**	41	1
	5,589	**100**	2,774	100

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

Other payables and accruals

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

24. BANK BORROWING

	2006	2005
	HK$'000	HK$'000
Secured bank loan repayable within one year	**7,968**	–

The bank loan bears fixed interest at 5.02% per annum.

The bank loan is secured by a bank deposit of HK$39,000,000 (2005: nil).

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25. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2005, 31 December 2005, 1 January 2006 and 31 December 2006	3,000,000	300,000
Issued and fully paid:		
At 1 January 2005	1,547,875	154,787
Exercise of share options	2,950	295
At 31 December 2005 and 1 January 2006	1,550,825	155,082
Exercise of share options (Note)	2,900	290
At 31 December 2006	1,553,725	155,372

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 2,900,000 share options were exercised at the subscription price of HK$0.21 per share resulting in the issue of 2,900,000 shares of HK$0.10 each for a total cash consideration of approximately HK$609,000.

26. 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 Templeton 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 mature at the fifth year after the issuance of the CB. Interest is payable annually in arrears on 19 May in each year with the first payment commencing on 19 May 2007.

The Company may, at any time after 19 November 2008, having given not less than 30 days' notice and not more than 60 days' notice to the bondholders, redeem all or some of the CB at a redemption price equal to the sum of (i) the principal amount of the CB and (ii) the redemption premium of the CB as specified in the CB agreement.

Conversion price of the CB is the higher of (i) HK$0.422 per share and (ii) an amount equalling 90% of the volume weighted average price of the Company's share for the 30 trading days preceding 19 November 2008. The CB holder has the right to convert all or some of the CB into the Company's shares at any time during the period from 19 November 2008 up to the close of business on 4 May 2011.

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26. CONVERTIBLE BOND *(continued)*

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem CB at 138.51% of its principal amount plus accrued interest on 8 May 2011.

The Nil-paid warrant, which was granted for no consideration, carries the right to subscribe for up to 79,947,009 shares of the Company at an exercise price of HK$0.422 per share during the period from 19 May 2006 to 18 May 2011.

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 Hong Kong Accounting Standard 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 19 May 2006 by the market to instruments of comparable credit status taken into account the business risk of the Company as well as the large amount of the CB, but without the conversion option. The effective interest rate of the liability component is 12% per annum.

(ii) 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) Redemption discretionary option represents the Company's option to early redeem all or part of the CB. The Company is allowed to redeem the CB at any time after 19 November 2008 at a redemption price as specified above.

(iv) Nil-paid warrant represents the right to subscribe the Company's own equity.

The movement of different components of the CB during the year is set out below:

	Liability		**Nil-paid warrant**		**Conversion option**		**Redemption discretionary option**		**Total**	
	US$'000	equivalent as HK$'000 (Note)	US$'000	equivalent as HK$'000	US$'000	equivalent as HK$'000	US$'000	equivalent as HK$'000	US$'000	equivalent as HK$'000
At 1 January 2006	–	–	–	–	–	–	–	–	–	–
Issued during the year	8,581	66,927	1,170	9,129	424	3,309	(175)	(1,365)	10,000	78,000
Interest charged	640	4,995	–	–	–	–	–	–	640	4,995
(Gain) loss arising on changes of fair value	–	–	495	3,861	(11)	(83)	38	296	522	4,074
At 31 December 2006	**9,221**	**71,922**	**1,665**	**12,990**	**413**	**3,226**	**(137)**	**(1,069)**	**11,162**	**87,069**

Note: The amounts of approximately HK$70,952,000 and HK$970,000 are included in convertible bond and other payables and accruals, respectively.

The fair value of the liability component of CB at the balance sheet date is approximately HK$70,885,000.

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27. ACQUISITIONS OF ADDITIONAL INTEREST IN CONTROLLED ENTITIES AND ASSETS

(i) Acquisition of additional interest in controlled entities

On 25 May 2006, the Company entered into a conditional agreement with Shanghai SEEC Investment and Development Co., Ltd. ("Shanghai SEEC"), a minority shareholder of certain subsidiaries of the Company for the acquisition of the 14.3% interest in the registered capital of Hainan Caixun Informedia Co., Ltd. ("Hainan Caixun"); and 40% interest in the registered capital of Beijing Caixun Century Infotech Co., Ltd. ("BCCI") for a cash consideration of approximately HK$92,066,000. Both Hainan Caixun and BCCI are non wholly owned subsidiaries of the Company before completion of conditional agreement. Hainan Caixun and BCCI collectively hold 100% equity interests of Beijing Caixun Advertising Co., Ltd. ("Beijing Caixun") and Shenzhen Caixun Advertising Co., Ltd. ("Shenzhen Caixun"). Upon completion, Hainan Caixun, BCCI, Beijing Caixun and Shenzhen Caixun became wholly owned subsidiaries of the Company and resulted in goodwill arising of approximately HK$64,829,000. The goodwill arising on acquisition is attributable to anticipated profitability of the business. This transaction was completed on 30 June 2006.

(ii) Acquisition of asset

On 6 September 2006, Beijing Caixun and Shenzhen Caixun entered into an agreement (the "Transfer Agreement") with Shanghai SEEC 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$1,942,000).

Under the Transfer Agreement, the Company in effect purchased the bare shelf of Jingzheng Ronglian Advertising with its paid-up registered capital and its cash balances of RMB2,000,000 (approximately HK$1,942,000). Apart from this, the Company will not purchase any other assets and liabilities of Jingzheng Ronglian Advertising. This transaction was set out in the Company's circular dated 15 September 2006.

Acquisition of asset did not have cash flow impact to the Group.

28. NON-CASH TRANSACTION

During the year, the Purchaser settled its outstanding balance of HK$19,000,000 by transferring to the Company equity securities with fair value of approximately HK$21,000,000. The Group has recognised the difference between the fair value of equity securities and the fair value of loan receivable of HK$2,000,000 as other income. Further details of the settlement from Purchaser are set out in note 19.

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29. 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:

	2006 HK$'000	2005 HK$'000
Within one year	**2,311**	1,348
In the second to fifth year inclusive	**1,858**	1,007
	4,169	2,355

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 22 April 2004 entered into between the Group and a magazine publication company, being an independent third party, the Group at 31 December 2006 had commitments to make a total payment of approximately RMB1,474,000 (2005: RMB1,860,000) (equivalent to approximately HK$1,468,000 (2005: HK$1,788,000)) over the period up to 2011 for the exclusive franchising charges of the magazine publication company.

Pursuant to an agreement dated 5 November 2001 entered into between the Group and a magazine publication company, being an independent third party, the Group at 31 December 2006 had commitments to make a total payment of approximately RMB6,088,000 (2005: RMB15,000,000) (equivalent to approximately HK$6,063,000 (2005: HK$14,423,000)) over the period up to 2018 for the exclusive franchising charges of the magazine publication company.

Pursuant to an agreement dated 14 January 2005 entered into between the Company and a magazine publication company, being an independent third party, the Company at 31 December 2006 had commitments to make a total payment of approximately US$163,000 (2005: nil) (equivalent to approximately HK$1,268,000 (2005: nil)) over the period up to 2008 for the exclusive franchising charges of the magazine publication company.

Pursuant to an agreement dated 27 March 2006 entered into between the Company and a magazine publication company, being an independent third party, the Company at 31 December 2006 had commitments to make a total payment of approximately US$1,123,000 (equivalent to approximately HK$8,759,000) over the period up to 2010 for the exclusive franchising charges of the magazine publication company.

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30. SHARE OPTION SCHEMES

Equity-settled share option scheme:

The Company operates a share option scheme (the "Share Option Scheme") adopted on 26 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 26 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 31 December 2006, the number of shares issuable under share options granted under the Share Option Scheme was 33,000,000 (2005: 35,900,000), which represented approximately 2.12% (2005: 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 from the vested date to the tenth anniversary from the grant date of the option.

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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30. 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:

				Number of share options				
Grantee	**Date of grant**	**Exercise price**	**Exercisable period**	**Outstanding at 1.1.2005**	**Exercised during the year**	**Outstanding at 31.12.2005**	**Exercised during the year**	**Outstanding at 31.12.2006**
		HK$			(Note 1)		(Note 1)	
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 (Note 2)	0.210	25.7.2004 to 24.7.2009	28,450,000	(2,950,000)	25,500,000	(2,900,000)	22,600,000
	22.10.2003 (Note 3)	0.350	22.10.2003 to 21.7.2008	1,000,000	–	1,000,000	–	1,000,000
	25.2.2004 (Note 2)	0.566	25.2.2005 to 24.2.2010	2,500,000	–	2,500,000	–	2,500,000
				38,850,000	(2,950,000)	35,900,000	(2,900,000)	33,000,000

Notes:

(1) The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK$0.338 (2005: HK$0.336).

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

(3) The option granted on 22 October 2003 was vested on the date of grant.

The Company recognised the total expense of nil for the year ended 31 December 2006 (2005: HK$142,000) in relation to share options granted by the Company.

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31. 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.

32. RELATED PARTY TRANSACTIONS

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

		THE GROUP	
	Notes	**2006 HK$'000**	2005 HK$'000
Office rental expenses paid to Shanghai SEEC	(i) & (ii)	**992**	992
Advertising agency fee from Homeway Information Co., Ltd. ("Homeway")	(i)	**–**	1,263
Interest income from CSMRDC	(iii)	**245**	426

Notes:

(i) Shanghai SEEC and Homeway are related to the Group since the Company's key management personnel has significant interest in these entities.

(ii) Pursuant to a rental agreement and a supplementary agreement entered into between the Group and Shanghai SEEC, Shanghai SEEC agreed to grant to the Group the right to use Shanghai SEEC's office premises for a term of 3 years. The rental is charged at approximately RMB86,000 (2005: RMB86,000) (equivalent to approximately HK$82,000 (2005: HK$82,000) per month with effect from 1 January 2005.

(iii) Interest income is charged by reference to the principal outstanding and at 4.04% (2005: 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 9. The directors' remuneration is determined by the Board having regard to the performance, responsibilities and experiences of individuals and market trends.

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33. 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	–	100	RMB5,000,000 Limited liability company	Advertising agent
BCCI	PRC	–	100	RMB4,000,000 Limited liability company	Investment holding
Jingzheng Ronglian Advertising	PRC	–	100	RMB2,000,000 Limited liability company	Advertising agent
Beijing SEEC Book and Press Distribution Co., Ltd.	PRC	–	100	RMB5,000,000 Limited liability company	Book and press distributor
Hainan Caixun	PRC	–	100	RMB9,000,000 Limited liability company	Investment holding
Shenzhen Caixun	PRC	–	100	RMB1,000,000 Limited liability company	Advertising agent
Shanghai Caixun Media Conference Exhibition Limited	PRC	100	–	HK$10,000,000 Limited liability company	Investment holding
Superfort Management Corp.	British Virgin Islands/ Hong Kong	100	–	US$100 Limited company	Investment holding

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

34. POST BALANCE SHEET EVENTS

Under the Share Option Scheme, 38,200,000 share options were granted on 7 February 2007 to the eligible participants at an exercise price of HK$0.33 per share. The estimated fair value of the share options granted was approximately HK$6,200,000, which was calculated using the binominal model. The options will be vested on 7 February 2010.

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. The monthly rentals payable by Beijing Caixun, Beijing SEEC and Shenzhen Caixun under the said lease agreements are approximately RMB15,000 (equivalent to approximately HK$15,000), RMB8,000 (equivalent to approximately HK$8,000), and RMB161,000 (equivalent to approximately HK$161,000) respectively.