

# 旭業 JESSICA

JESSICA PUBLICATIONS LIMITED  
(Incorporated in the Cayman Islands with limited liability)

stock code: 8137



2 0 0 5   A N N U A L   R E P O R T

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

*The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors (the “Directors”) of Jessica Publications Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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## Corporate Information

### Board of Directors

#### **Executive Directors**

Mr. Ng Hung Sang (*Chairman*)  
Mr. Ng Yuk Fung, Peter (*Chief Executive Officer*)  
Ms. Foo Kit Tak  
Ms. Cheung Mei Yu

#### **Non-executive Director**

Ms. Ng Yuk Mui, Jessica

#### **Independent Non-executive Directors**

Mr. So Siu Ming, George  
Ms. Pong Oi Lan, Scarlett  
Mr. Cheng Yuk Wo

### Compliance Officer

Mr. Ng Yuk Fung, Peter

### Company Secretary & Qualified Accountant

Mr. Tong Chu Wai

### Authorised Representatives

Mr. Ng Yuk Fung, Peter  
Mr. Tong Chu Wai

### Audit Committee

Mr. So Siu Ming, George (*Committee Chairman*)  
Ms. Pong Oi Lan, Scarlett  
Mr. Cheng Yuk Wo

### Remuneration Committee

Ms. Pong Oi Lan, Scarlett (*Committee Chairman*)  
Mr. Cheng Yuk Wo  
Mr. So Siu Ming, George

### Auditors

Messrs. Grant Thornton

### Principal Banker

Liu Chong Hing Bank Limited  
24 Des Voeux Road Central  
Hong Kong

### Registered Office

Offshore Incorporations (Cayman) Limited  
Scotia Centre  
4th Floor, P.O. Box 2804  
George Town, Grand Cayman  
Cayman Islands

### Head Office and Principal Place of Business

Unit C, 3rd Floor  
Wah Shing Centre  
5 Fung Yip Street  
Chai Wan  
Hong Kong

### Share Registrar and Transfer Office

Standard Registrars Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

### Stock Code

8137

### Website for The Group's Magazine

[www.jessicahk.com](http://www.jessicahk.com)

# Chairman's Statement

I am pleased to report the activities of the Company and its subsidiaries (together "the Group") for the year ended 31 December 2005.

## Business Review and Strategy

In 2005, the Group recorded turnover of HK\$94.9 million, comprising HK\$63.9 million from Hong Kong operations, an increase of 13.7% when compared to that of 2004, and HK\$31 million from the People's Republic of China ("PRC") subsidiary that was acquired in March 2004. Profit for the year attributable to the equity holders of the Company was HK\$3.4 million, as compared with loss of HK\$0.5 million in 2004. The turn-around from loss to profit was due to the strong growth in advertising revenues in Hong Kong. The profit of the Hong Kong operation was HK\$6.5 million (2004: HK\$2.6 million) and the loss of the PRC operations was HK\$2.9 million (2004: HK\$2.1 million).

The Group enjoyed another year of growth in both advertising and circulation income due to the general improvement in Hong Kong's overall economic environment. As our portfolio of glossy women's magazine in Hong Kong, consisting of "旭茉 JESSICA", "旭茉 JESSICACODE" and "味道 LISA", continue to enjoy their overall dominant market position, our major focus this year was to streamline our PRC portfolio to pave the way for future growth.

In the first half, we put our new Carplus CN project on hold so as to focus on developing the localized brand power of "完全生活手冊 Paralife" in Shanghai as well as increasing the circulation of "捌週刊 8 Weekly" to increase its recognition as a nationwide medium. In the second half, we launched the PRC version of "旭茉 JESSICA" magazine to the Mainland nationwide with a focus on the major cities.

## Prospects

The Group's operations in Hong Kong are expected to improve with the increase in advertising spending, resulting from continued economic growth in Hong Kong. As market leader in each of their respective sectors, every magazine in our Hong Kong portfolio is expected to enjoy an increase in revenue for 2006.

The Group's PRC portfolio enjoys a healthy growth and is enjoying the booming PRC advertising environment. As such, we will consider future expansion plans in the PRC once our existing magazines begin to mature or make contribution to the Group.

Overall, the Group is expected to see strong profit growth in 2006, and is expected to bring satisfactory returns to shareholders.

## Chairman's Statement

### Appreciation

On behalf of the Board, I wish to express my gratitude to our readers, clients and shareholders for their continued support and all our staff members for their hard work and dedicated service.

### **Ng Hung Sang**

*Chairman*

Hong Kong

14 March 2006

# Management Discussion and Analysis

## Business Review

The Group made significant improvement both in revenue and result in 2005. For the year ended 31 December 2005, the Group's turnover increased by 16.6% to HK\$94.9 million, comprising HK\$63.9 million from Hong Kong operations and HK\$31 million from the PRC operations. Profit for the year attributable to the equity holders of the Company was HK\$3.4 million (2004: loss of HK\$0.5 million), which consisted of profit from Hong Kong operations of HK\$6.5 million and a loss of HK\$2.9 million from the PRC operations. Earnings per share was HK0.68 cent (2004: loss of HK0.09 cent).

Our Hong Kong operations achieved a turnover of HK\$63.9 million in the year of 2005, representing a 13.7% increase on that of the year of 2004 and profit increased by 150% to HK\$6.5 million.

The major contribution to the net result of 2005 comes from the significant growth in advertising revenues of our Hong Kong portfolio, recording a year-on-year growth of 19.4%, while our circulation position and cost structure remained largely unchanged.

Our PRC operations achieved a turnover of HK\$31 million in the year of 2005, representing a 22.7% increase on that of the year of 2004, but continues to be loss-making.

For PRC operations, the magazine “完全生活手冊 Paralife” has maintained its position as the second largest circulated lifestyle weekly in Shanghai, and the newly launched PRC version of “旭茉 JESSICA” and “捌周刊 8 Weekly” continue to be in their investment periods.

## Prospects

The management team is positive towards the year of 2006. With the improved economic environment, we have confidence in our portfolio of publishing titles as well as our strong capability in developing and establishing magazine brands. As our magazines begin to mature, we are confident to deliver increasing advertising and circulation revenues that contributes to the Group's result and shareholders' value.

### Hong Kong operations

Our focus this year will be to expand and sustain growth of our quality readership base through continued joint promotion programs, market-oriented special editions and mini-version launches of our titles. This will uphold our dominant market position giving much upside for corresponding growth to our Hong Kong portfolio's advertising revenues.

# Management Discussion and Analysis

## PRC operations

The Group's PRC portfolio enjoys a healthy growth and is enjoying the booming PRC advertising environment. As such, we will consider future expansion plans in the PRC once our existing magazines begin to mature or make contribution to the Group.

## Liquidity and Financial Resources

During the year ended 31 December 2005, the Group's operation was mainly financed by the internal financial resources of the Group.

As at 31 December 2005, the Group had net current assets of HK\$1 million (2004: net current liabilities of HK\$2.7 million). The current assets comprised of bank balances and cash of HK\$7.3 million together with trade and other receivables of HK\$22.7 million. The current liabilities comprised of trade and other payables, accrued expenses and receipts in advance of HK\$28.4 million and amount due to a related company of HK\$0.6 million.

As at 31 December 2005, the Group had a banking facility granted under corporate guarantee by the Company in respect of a revolving term loan of HK\$1 million, none of which had been utilized. The gearing ratio of the Group remained inapplicable as at 31 December 2005.

As at 31 December 2005, (i) the Group had no significant exposure to fluctuations in exchange rates and any related hedges; (ii) the Group had no charges on its assets; and (iii) the Group had no significant investment held.

The Board is of the opinion that the Group has sufficient working capital for its present requirements.

## Material Acquisitions

The Group did not make any material acquisitions and disposals of subsidiaries and affiliated companies and investment during the year.

## Significant Investment Plans

As at 31 December 2005, the Group did not have any significant investment plans.



# Management Discussion and Analysis

## Contingent Liabilities

The Company had provided a corporate guarantee to a bank to secure a banking facility of HK\$1,000,000 (2004: HK\$1,000,000) granted to a subsidiary, which remained unused as at 31 December 2005.

## Employees

As at 31 December 2005, the total number of employees of the Group was 158 (2004: 150). Employees' cost (including directors' emoluments) amounted to HK\$18.8 million for the year (2004: HK\$18.6 million).

The Group considers its employees as its most valuable assets. In addition to salary, other fringe benefits such as medical subsidies, life insurance, provident fund and subsidized training programmes are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on performance. Share options have also been granted to certain employees of the Group.

## Biographical Details of Directors and Senior Management

### Executive Directors

**Mr. Ng Hung Sang**, aged 56, is the Chairman of the Company. Mr. Ng is actively involved in the overall corporate policies, strategic planning and business development of the Group. Mr. Ng is also the Chairman of South China Holdings Limited (“South China Holdings”), South China Brokerage Company Limited (“South China Brokerage”), South China Industries Limited (“South China Industries”) and Wah Shing International Holdings Limited (“Wah Shing”) and the Co-Chairman of Capital Publications Limited (“Capital”). He holds a Master’s degree in marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. He has extensive experience in the media industry. Mr. Ng was appointed as a Director of the Company on 24 August 2001. He is the father of Ms. Ng Yuk Mui, Jessica and Mr. Ng Yuk Fung, Peter.

**Mr. Ng Yuk Fung, Peter**, aged 25, was appointed as an Executive Director, the Chief Executive Officer, the Compliance Officer and an Authorised Representative of the Company on 1 July 2005. Mr. Ng holds a Bachelor’s degree in law from King’s College London, University of London in the United Kingdom. He is also an Executive Director of South China Holdings, South China Industries, Wah Shing and Capital. He is a son of Mr. Ng Hung Sang and a brother of Ms. Ng Yuk Mui, Jessica.

**Ms. Foo Kit Tak**, aged 32, was appointed as a Director of the Company on 24 August 2001 and is responsible for the sales and marketing of the Group’s magazines. Prior to joining the Group, Ms. Foo had been involved in the Group’s magazines since April 2000.

**Ms. Cheung Mei Yu**, aged 38, was appointed as a Director of the Company on 1 October 2001. Ms. Cheung is the Associate Publisher of “旭茉JESSICA” magazine and is responsible for the management and direction of the editorial team of the Group’s magazine. Ms. Cheung joined the Group on 1 September 2001. She holds a Master’s degree in translation from The Chinese University of Hong Kong.

### Non-Executive Director

**Ms. Ng Yuk Mui, Jessica**, aged 27, was appointed as a Non-executive Director of the Group on 1 July 2005. She holds a Bachelor’s degree in law from King’s College London, University of London in the United Kingdom. Ms. Ng is an associate member of the Chartered Institute of Management Accountants and a member of the Chinese People’s Political Consultative Conference Tianjin Provincial Committee. Ms. Ng is also a Non-executive Director of South China Holdings, South China Industries and Capital. She is the daughter of Mr. Ng Hung Sang and the sister of Mr. Ng Yuk Fung, Peter.

## Biographical Details of Directors and Senior Management

### Independent Non-Executive Directors

**Mr. So Siu Ming, George**, aged 47, obtained a Bachelor of Arts degree from the University of Toronto in Canada and a Master of Science degree from The Chinese University of Hong Kong. He is an associate member of the Canadian Institute of Chartered Accountants, the Society of Management Accountants of Canada and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. So has extensive experience in auditing, accounting and finance areas. He was appointed as an Independent Non-executive Director of the Company on 4 September 2001. He is also an Independent Non-executive Director of Wah Shing.

**Ms. Pong Oi Lan, Scarlett**, aged 46, is the Managing Director of Realchamp Asset Management Limited and Health Quotient HQ International Holdings Limited. She completed her executive program at Harvard Business School in the United States. She also obtained a graduate diploma in business administration at Monash University in Australia, and a Bachelor's degree in pharmaceutical sciences from the University of Saskatchewan in Canada. She is the Chairman of The League of Health Professionals of Hong Kong (LHP). She is the honorary adviser of the advisory board of Hong Kong Federation of Business Students and a member of the HKSAR Election Committee (1998 & 2000). She has been the president of The Practising Pharmacists Association of Hong Kong for over eight years. She is being appointed in a number of government boards and committees such as Innovation Technology Commission, SERAP Assessment Panel, Action Committee Against Narcotics, Committee on Trust Fund for Severe Acute Respiratory Syndrome, Hong Kong Air Cadet Corps and Member of Business and Professionals Federation of Hong Kong. She received an award of the Ten Outstanding Young Persons' Selection in 1998. Ms. Pong was appointed as an Independent Non-executive Director of the Company on 4 September 2001.

**Mr. Cheng Yuk Wo**, aged 45, worked at Coopers and Lybrand (now known as PricewaterhouseCoopers) in London and Swiss Bank Corporation (now known as UBS AG) in Toronto. He has held senior management positions in a number of Hong Kong listed companies and is a co-founder of a Hong Kong merchant banking firm. He is the proprietor of a certified public accountant practice in Hong Kong. He is currently an Independent Non-executive Director of Capital Strategic Investment Limited, Hong Kong Construction (Holdings) Limited, Chia Tai Enterprises International Limited, Liu Chong Hing Bank Limited, Capital and Zida Computer Technologies Limited, all being public companies listed in Hong Kong. He previously was an executive director of Styland Holdings Limited in Hong Kong in the last three years. Mr. Cheng holds a Master of Science (Economics) degree in Accounting and Finance and a Bachelor of Arts (Honours) degree in Accounting. Mr. Cheng was appointed as an Independent Non-executive Director of the Company on 17 September 2004.

## Biographical Details of Directors and Senior Management

### Senior Management

**Mr. Tong Chu Wai**, aged 34, was appointed as an Authorised Representative, the Qualified Accountant and the Company Secretary of the Company on 31 March 2005. Mr. Tong is an associate of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators and a fellow of the Association of Chartered Certified Accountants. He holds a Bachelor of Honours degree in Business Administration from The University of Hong Kong. He has extensive accounting and financial experience in accounting and taxation matters in Hong Kong and the PRC.

**Mr. Mo Tik Sang**, aged 41, is the General Manager of the Group and is responsible for strategic branding and business development for the Group's magazines. He graduated from Hong Kong Baptist University with a major in mass communication. Mr. Mo has been equipped with a wealth of integrated experience through his senior positions in the fields of advertising, mass media as well as consumer marketing.

# Directors' Report

The Directors of the Company have pleasure in presenting their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2005.

## Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 15 to the financial statements.

## Results and Appropriations

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 31 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2005 (2004: Nil).

## Financial Summary

A summary of the results of the Group for the last five financial years is set out on pages 76 to 77 of this annual report.

## Plant and Equipment

Details of the movements in plant and equipment of the Group during the year are set out in note 14 to the financial statements.

## Share Capital

Details of movements in the Company's share capital during the year are set out in note 22 to the financial statements.

# Directors' Report

## Directors

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

### **Executive Directors:**

Mr. Ng Hung Sang (*Chairman*)

Mr. Ng Yuk Fung, Peter (*Chief Executive Officer*) (appointed on 1 July 2005)

Ms. Foo Kit Tak

Ms. Cheung Mei Yu

### **Non-executive Director:**

Ms. Ng Yuk Mui, Jessica (redesignated from Executive Director to Non-executive Director on 1 July 2005)

### **Independent Non-executive Directors:**

Mr. So Siu Ming, George

Ms. Pong Oi Lan, Scarlett

Mr. Cheng Yuk Wo

In accordance with Articles 99 and 119 of the Articles of Association of the Company, Mr. Ng Yuk Fung, Peter holds office only until the forthcoming annual general meeting of the Company and, being eligible, will offer himself for re-election.

In accordance with Article 116 of the Articles of Association of the Company, Ms. Ng Yuk Mui, Jessica and Mr. So Siu Ming, George will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. All other remaining Directors continue in office.

## Directors' Service Contracts

Except Mr. Ng Yuk Fung, Peter, each of the Executive Directors entered into a service contract with the Company which shall continue thereafter unless and until terminated by either party serving to the other not less than three months' notice in writing.

Except Ms. Ng Yuk Mui, Jessica, the Non-executive Director, who had entered into a service contract with the Company which shall continue thereafter unless and until terminated by either party serving to the other not less than three months' notice in writing, the remaining Non-executive Directors are appointed for an initial term of two years commencing from his/her date of appointment and will thereafter be subject to retirement by rotation at the annual general meeting according to the Articles of Association of the Company.

## Directors' Report

Save for the aforesaid, none of the Directors has entered into any service contract or has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2005, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

Ordinary shares of HK\$0.001 each of the Company

Name of Director	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Mr. Ng Hung Sang	Beneficial owner	18,102,800	3.57%
	Corporate interest	318,132,403 <i>(Note)</i>	62.79%
Ms. Ng Yuk Mui, Jessica	Beneficial owner	440,000	0.09%

*Note:*

The 318,132,403 shares referred to above include 92,966,000 shares held by Parkfield Holdings Limited ("Parkfield"), 99,012,563 shares held by Fung Shing Group Limited ("Fung Shing"), 4,166,400 shares held by Ronastar Investments Limited ("Ronastar") and 121,987,440 shares held by Earntrade Investments Limited ("Earntrade"), which is owned as to 60%, 20% and 20% by Mr. Ng Hung Sang, Ms. Cheung Choi Ngor and Mr. Richard Howard Gorges, directors of South China Holdings, respectively. The 121,987,440 shares referred to above include the 59,325,840 shares held by Bannock Investment Limited ("Bannock") which is a wholly owned subsidiary of Earntrade. Each of Parkfield, Fung Shing and Ronastar is wholly owned by Mr. Ng Hung Sang.

All interests disclosed above represent long position in the Shares of the Company.

## Directors' Report

Save as disclosed above and the interests as disclosed under the section headed "SHARE OPTION SCHEME" below, none of the Directors or chief executives of the Company had, as at 31 December 2005, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

### Confirmation of Independence of Independent Non-Executive Directors

The Company received from each of the Independent Non-executive Directors, Mr. So Siu Ming, George, Ms. Pong Oi Lan, Scarlett and Mr. Cheng Yuk Wo an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company still considers all of the Independent Non-executive Directors to be independent.

### Share Option Scheme

The Company's existing share option scheme (the "Scheme") was adopted on 20 December 2001 and became effective on 8 January 2002. Particulars of the Scheme as required under the GEM Listing Rules are set out below:

#### (i) Summary of the Scheme

##### 1. Purpose of the Scheme

The purpose of the Scheme is to recognise and motivate the contribution of the Employees (as defined in subsection headed "Participants of the Scheme" below) and other person(s) who may make a contribution to the Group and to provide incentives and help the Company in retaining its existing Employees and recruiting additional Employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

##### 2. Participants of the Scheme

The Board of Directors of the Company or a duly authorised committee thereof (the "Board"), may, at its discretion, makes offers to any full time or part time employee (including any executive and non-executive director or proposed executive and non-executive director) of the Group (the "Employees"), adviser, consultant, contractor, client and supplier who have contributed to the Group (collectively the "Participants"), to take up options to subscribe for shares of HK\$0.001 each in the share capital of the Company ("Shares") in accordance with the provisions of the Scheme.



## Directors' Report

3. *Total number of Shares available for issue under the Scheme*

Pursuant to the letter issued by the Stock Exchange on 7 January 2002, the total number of Shares available for issue under options which may be granted under the Scheme is 50,647,987 Shares, being 10% of the issued share capital immediately following completion of the Placing.

As at 31 December 2005, an aggregate of 14,053,440 Shares were issuable pursuant to share options granted under the Scheme. For the year ended 31 December 2005, no options were exercised by the grantee pursuant to the Scheme.

As at 31 December 2005, the total number of Shares available for issue pursuant to the grant of further options under the Scheme was 36,434,707, representing approximately 7.19% of the issued share capital of the Company as at 14 March 2006.

4. *Maximum entitlement of each participant*

No Participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12 month period up to the date of grant to such Participant would exceed 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the GEM Listing Rules) abstaining from voting.

5. *Period within which the Shares must be taken up under an option*

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

6. *Minimum period, if any, for which an option must be held before it can be exercised*

At the time of granting an option, the Board may, at its discretion, specify the minimum period(s), if any, for which an option must be held before it can be exercised.

## Directors' Report

7. *Amount payable upon acceptance of the option and the period within which the payment must be made*  
HK\$1.00 shall be paid within 5 business days from the date of offer of the option.

8. *Basis of determining the exercise price of the option*

The exercise price for Shares under the Scheme shall be a price determined by the Board, but in any case will not be less than the higher of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading day;
- (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer; or
- (c) the nominal value of a Share.

9. *Remaining life of the Scheme*

Subject to early termination of the Scheme pursuant to the terms thereof, the Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Scheme becomes effective, i.e. 8 January 2002 and ending on 7 January 2012.

Details of the principal terms of the Scheme are summarised under the sub-section headed "SHARE OPTION SCHEME" in Appendix IV to the Prospectus of the Company dated 31 December 2001.

# Directors' Report

## (ii) Details of options granted

Particulars and movements during the year of the outstanding share options granted under the Scheme were as follows:-

Name or category of participant	Number of share options					Outstanding as at 31.12.2005	Date of grant of share options <i>(Note a)</i>	Exercise period of share options	Exercise price per share option <i>HK\$</i>	Price immediately preceding the grant date of share options <i>(Note b)</i> <i>HK\$</i>	Price immediately preceding the exercise date of share options <i>(Note c)</i> <i>HK\$</i>
	Outstanding as at 01.01.2005	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year						
<b>Directors</b>											
Ms. Foo Kit Tak	1,600,000	-	-	-	-	1,600,000	15/04/2002	15/04/2003 - 07/01/2012	0.69	0.68	N/A
	1,600,000	-	-	-	-	1,600,000	02/09/2002	02/09/2003 - 07/01/2012	0.31	0.30	N/A
Ms. Cheung Mei Yu	1,600,000	-	-	-	-	1,600,000	15/04/2002	15/04/2003 - 07/01/2012	0.69	0.68	N/A
	1,600,000	-	-	-	-	1,600,000	02/09/2002	02/09/2003 - 07/01/2012	0.31	0.30	N/A
Sub-total	<u>6,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,400,000</u>					
<b>Employees</b>											
In aggregate	1,760,000	-	-	(320,000)	-	1,440,000	15/04/2002	15/04/2003 - 07/01/2012	0.69	0.68	N/A
	2,560,000	-	-	(320,000)	-	2,240,000	02/09/2002	02/09/2003 - 07/01/2012	0.31	0.30	N/A
Sub-total	<u>4,320,000</u>	<u>-</u>	<u>-</u>	<u>(640,000)</u>	<u>-</u>	<u>3,680,000</u>					
<b>Others</b>											
In aggregate	3,440,000	-	-	(320,000)	-	3,120,000	15/04/2002	15/04/2003 - 07/01/2012	0.69	0.68	N/A
	1,013,440	-	-	(160,000)	-	853,440	02/09/2002	02/09/2003 - 07/01/2012	0.31	0.30	N/A
Sub-total	<u>4,453,440</u>	<u>-</u>	<u>-</u>	<u>(480,000)</u>	<u>-</u>	<u>3,973,440</u>					
Total	<u>15,173,440</u>	<u>-</u>	<u>-</u>	<u>(1,120,000)</u>	<u>-</u>	<u>14,053,440</u>					

# Directors' Report

*Notes:*

- (a) All share options granted are subject to a vesting period and becoming exercisable in whole or in part in the following manner:

<b>From the date of grant of share options</b>	<b>Exercisable percentage</b>
Within 12 months	Nil
13th – 24th months	33 <sup>1</sup> / <sub>3</sub> %
25th – 36th months	33 <sup>1</sup> / <sub>3</sub> %
37th – 48th months	33 <sup>1</sup> / <sub>3</sub> %

- (b) The price of the Shares disclosed as immediately preceding the grant date of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options.
- (c) The weighted average closing price of the Shares immediately before the date on which the options were exercised.
- (d) As no share options were granted during the year ended 31 December 2005, no consideration in respect of share options was received and the disclosure of value of options granted during the year is also not applicable.

## Convertible Securities, Options, Warrants or Similar Rights

Save as disclosed under the section headed "SHARE OPTION SCHEME" above, during the year ended 31 December 2005, neither the Company nor any of its subsidiaries issued or granted any convertible securities, options, warrants or similar rights and there was no exercise of any conversion or subscription rights under any convertible securities, options, warrants or similar rights issued or granted at any time by the Company or any of its subsidiaries.

## Directors' Right to Acquire Shares or Debentures

Save as disclosed under the section headed "SHARE OPTION SCHEME" 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, and none of the Directors or the chief executive, or any of their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

## Directors' Report

### Directors' Interests in Contacts of Significance

Save as disclosed under the section headed "CONNECTED TRANSACTIONS" below, 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 the end of the year or at any time during the year.

### Management Contracts

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or subsisted during the year.

### Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares and Underlying Shares

As at 31 December 2005, the following persons, other than the Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:-

Ordinary shares of HK\$0.001 each of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Parkfield	Beneficial owner	92,966,000 <i>(Note a)</i>	18.35%
Fung Shing	Beneficial owner	99,012,563 <i>(Note a)</i>	19.54%
Earntrade	Beneficial owner	62,661,600 <i>(Note b)</i>	12.37%
	Corporate interest	59,325,840 <i>(Note b)</i>	11.71%
Bannock	Beneficial owner	59,325,840 <i>(Note b)</i>	11.71%

# Directors' Report

*Notes:*

- (a) Each of Parkfield and Fung Shing is wholly owned by Mr. Ng Hung Sang, the Chairman of the Company.
- (b) Eartrade, which is owned as to 60%, 20% and 20% by Mr. Ng Hung Sang, Ms. Cheung Choi Ngor and Mr. Richard Howard Gorges, directors of South China Holdings, respectively, is the holding company of Bannock. Thus, Eartrade is deemed to be interested in the 59,325,840 shares of the Company held by Bannock.
- (c) All interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, as at 31 December 2005, the Company had not been notified by any other persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## Management Shareholders

So far as the Directors are aware, other than those disclosed under the sections headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and "SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES" above, there is no other person who is directly or indirectly interested in 5% or more of the share capital of the Company then issued and who is able, as a practical matter, to direct or influence the management of the Company.

## Connected Transactions

During the year ended 31 December 2005, there were no other transactions to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

## Directors' Report

### Directors' Interests in Competing Business

Mr. Ng Hung Sang, the Chairman and management shareholder of the Company, is also the Chairman of South China Holdings and Co-Chairman of Capital. Mr. Ng Hung Sang, personally and through Parkfield, Fung Shing and Ronastar, has interest in South China Holdings and Capital. Mr. Ng Hung Sang together with Ms. Cheung Choi Ngor and Mr. Richard Howard Gorges, management shareholders of the Company, have beneficial interests in Eartrade, which directly and indirectly through Bannock holds shares in South China Holdings and Capital. Ms. Cheung Choi Ngor, who is an ex-director of Capital Publishing Limited, a wholly owned subsidiary of Capital and Mr. Richard Howard Gorges, are also directors of various members of South China Holdings. As Capital and certain members of South China Media Limited, a subsidiary of South China Holdings, are principally engaged in magazine publication, Mr. Ng Hung Sang, Ms. Cheung Choi Ngor and Mr. Richard Howard Gorges are regarded as interested in competing business of the Group. Mr. Ng Yuk Fung, Peter, an Executive Director and Chief Executive Officer of the Company, is also an Executive Director of South China Holdings and Capital. They are therefore regarded as interested in competing business of the Group.

Ms. Ng Yuk Mui, Jessica, a Non-executive Director of the Company, is also a Non-executive Director of South China Holdings and Capital. She is not regarded to have any businesses competing with the business of the Group since she is not involved in the day-to-day running of the businesses of the Group.

Save as disclosed above, none of the Directors or the management shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete or had any conflicts of interest with the business of the Group for the year ended 31 December 2005.

### Controlling Shareholders' Interests in Contracts

Other than the contracts as disclosed under the section headed "DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE", there was no contract of significance between the Company or its subsidiaries and a controlling shareholder or any of its subsidiaries subsisting during or at the end of the year. Furthermore, there was no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

### 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 the existing shareholders.

## Retirement Benefits Scheme

Details of the Group's retirement benefits scheme are set out in note 29 to the financial statements.

## Customers and Suppliers

During the year ended 31 December 2005, the five largest customers of the Group accounted for less than 30% of the Group's total turnover and the five largest suppliers of the Group accounted for 59% of the Group's total purchases. In addition, the largest supplier accounted for 26% of the Group's total purchases.

None of the Directors, their associates, or shareholders (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest suppliers and customers as at 31 December 2005.

## Audit Committee

The Company had established an audit committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting and internal control procedures of the Group. The audit committee comprises three members, Mr. So Siu Ming, George (Committee Chairman), Ms. Pong Oi Lan, Scarlett and Mr. Cheng Yuk Wo, who are Independent Non-executive Directors of the Company.

During the year, the audit committee held five meetings to review and comment on the Company's 2004 annual report, 2005 half-yearly report and quarterly reports as well as the Company's internal control procedures.

The Group's audited results for the year ended 31 December 2005 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

## Purchase, Sale or Redemption of The Company's Listed Securities

During the year ended 31 December 2005, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.



## Directors' Report

### Auditors

Messrs. Deloitte Touche Tohmatsu, who acted as auditors of the Company since November 2002, had resigned on 15 December 2005 and Messrs. Grant Thornton were appointed as auditors of the Company on 17 December 2005 to fill the casual vacancy.

A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of Messrs. Grant Thornton as auditors of the Company.

On behalf of the Board

**Ng Hung Sang**

*Chairman*

Hong Kong

14 March 2006

# Corporate Governance Report

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasizes accountability and transparency and are adopted in the best interests of the Company and its shareholders.

## Code on Corporate Governance Practices

The Company has complied with the Code on Corporate Governance Practices (the “CG Code”) of the GEM Listing Rules through the adoption of relevant practices and procedures during the year ended 31 December 2005 with the exception that the Non-executive Directors are not appointed for a specific term, the Articles of Association of the Company does not provide that every director, including those appointed for a specific term, will rotate at least once every three years and that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In view of good corporate governance practices, all Non-executive Directors have agreed to comply with the GEM Listing Rules and that their term of appointment will be limited accordingly. Furthermore, every director of the Company, including those appointed for a specific term, voluntarily retires from his office by rotation at least once every three years notwithstanding that he is not required to do so by the Articles of Association.

## Board Composition and Board Practices

The Board of Directors (the “Board”) of the Company is composed of 8 Directors, including the Chairman, the Chief Executive Officer who are Executive Directors, 2 additional Executive Directors, 3 Independent Non-executive Directors and 1 Non-executive Director, more than one-third of the Board is Independent Non-executive Directors and all of them have appropriate professional qualifications, or accounting or related financial management expertise. Their biographies and relevant relationships amongst them are set out in the Biographical Details of Directors and Senior Management Section on pages 8 to 10 of this Annual Report.

Review will be made regularly on the Board to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Group. Also, a balanced composition of Executive Directors and Non-executive Directors is maintained to ensure independence and effective management. The Company has satisfied the GEM Listing Rules in having one of the Independent Non-executive Directors, who also possesses appropriate accounting qualifications and expertise, to chair the Audit Committee.

## Corporate Governance Report

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

A formal written procedure and policy have been adopted by the Board for the appointment of new directors. When selecting potential candidates for directors, skills, experience, expertise, his devotion of time and conflicts of interests are key factors for consideration. No Nomination Committee has been set up, and hence, the nomination and selection process are performed by the Board. The Board meets at least once a year in discussing whether the composition, size, structure of the Board is adequate. The Board meets once with a majority of Directors present. According to the Articles of Association of the Company, one-third, and not exceeding one-third of Directors are subject to re-election. Non-executive Directors are not appointed for a specific term. These deviate from the CG Code in which it states that all Non-executive Directors must be appointed for a specific term and all Directors must rotate at least once every three years. Despite the non-provision of the clause in the Articles of Association of the Company, all Non-executive Directors have agreed to limit their term to comply with the CG Code. Moreover, every director of the Company, including those appointed for a specific term, voluntarily retires from his office by rotation at least once every three years notwithstanding that he is not required to do so by the Articles of Association. The Director, Mr. Ng Yuk Fung, Peter, appointed in 2005 will be subject to re-election in the forthcoming annual general meeting.

The roles of the Chairman and the Chief Executive Officer are exercised by separate individuals with a view to reinforce their independence and accountability. Key and important decisions shall be fully discussed at the board meetings. All Directors have been fully consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the Company Secretary. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and receive adequate and reliable information in a timely manner.

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the executive committee, comprising all of the Executive Directors. They report periodically to the Board their work and business decisions.

# Corporate Governance Report

The Board meets regularly and held four meetings in 2005

	<b>Attendance</b>
<b>Executive Directors</b>	
Ng Hung Sang ( <i>Chairman</i> )	2/4
Ng Yuk Fung, Peter ( <i>Chief Executive Officer</i> ) (appointed on 1 July 2005)	2/2*
Foo Kit Tak	0/4
Cheung Mei Yu	0/4
<b>Non-executive Director</b>	
Ng Yuk Mui, Jessica (redesignated from Executive Director to Non-executive Director on 1 July 2005)	3/4
<b>Independent Non-executive Directors</b>	
So Siu Ming, George	3/4
Pong Oi Lan, Scarlett	3/4
Cheng Yuk Wo	4/4

\* Only two board meetings were held after the appointment of Mr. Ng Yuk Fung, Peter as an Executive Director, so his actual attendance rate in board meeting was 100%.

Notice of at least fourteen days are given to the Directors for regular meetings, while Board papers are sent to the Directors not less than three days before the intended date of a board or board committee meeting. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Articles of Association of the Company. The Company Secretary ensures that the procedure and all applicable rules and regulations are strictly and fully complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any reasonable time on reasonable notice by any Directors.

Director shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors.

## Model Code for Securities Transactions

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules for Directors. In addition, the Board has established similar guidelines for relevant employees who are likely in possession of unpublished price sensitive information in relation to the Group or its securities.

# Corporate Governance Report

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transaction throughout the year ended 31 December 2005.

## Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Auditors' Report on pages 29 to 30 of this Annual Report.

## Auditors' Remuneration

For the year ended 31 December 2005, the Auditors of the Company received approximately HK\$250,000 for audit service. No non-audit service was provided by the Auditors in 2005.

## Remuneration Committee

The Remuneration Committee was set up on 23 March 2005 and comprises all the Independent Non-executive Directors. The Committee members are Ms. Pong Oi Lan, Scarlett (Chairman of the Committee), Mr. So Siu Ming, George and Mr. Cheng Yuk Wo. The Committee met once in 2005 and was attended by all Committee members. The policy for the remuneration of Executive Directors and the Senior Management was reviewed by the Committee, after consultation with the Chief Executive Officer. Remuneration, including basic salary, performance bonus, of the Executive Directors and Senior Management is based on skills, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability, as well as industry practice. Granting share options is considered as one of the means for giving long term benefits to and retaining staff.

Remuneration, comprising directors' fees, of Non-executive Directors is subject to annual assessment for shareholders' approval at the annual general meeting. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

# Corporate Governance Report

## Audit Committee

The Audit Committee comprises all three Independent Non-executive Directors, Mr. So Siu Ming, George (Chairman of the Committee), Ms. Pong Oi Lan, Scarlett and Mr. Cheng Yuk Wo. The Audit Committee met five times in 2005 with an attendance rate of 100%. The principal duties of the Audit Committee include the review of the Group's audit plan and process with the Auditors, participation in the discussion of change of Auditors and review of their independence, review of the Group's financial statements in accordance with its terms of reference, which is substantially the same as the CG Code.

The Committee is satisfied with the findings of their review of the audit fees, process and has recommended to the Board the re-appointment of Auditors in 2006 at the forthcoming annual general meeting.

The Group's annual report for the year ended 31 December 2005 has been reviewed by the Audit Committee.

# Auditors' Report

## Grant Thornton 均富會計師行

**To the members of Jessica Publications Limited**  
*(incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements on pages 31 to 75 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

# Auditors' Report

## Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Grant Thornton

*Certified Public Accountants*

Hong Kong

14 March 2006



# Consolidated Income Statement

For the year ended 31 December 2005

	<i>Notes</i>	<b>2005</b> <b>HK\$'000</b>	(Restated) 2004 HK\$'000
Revenue	5	<b>94,855</b>	81,389
Direct operating expenses		<b>(65,542)</b>	(58,209)
Other operating income	6	<b>195</b>	67
Selling and distribution costs		<b>(18,967)</b>	(17,603)
Administrative expenses		<b>(6,735)</b>	(7,336)
Other operating expenses		<b>(376)</b>	(1,041)
<b>Profit/(Loss) before income tax</b>	<b>8</b>	<b>3,430</b>	(2,733)
Income tax expense	9	-	-
<b>Profit/(Loss) for the year</b>	<b>10</b>	<b><u>3,430</u></b>	<b><u>(2,733)</u></b>
<b>Attributable to:</b>			
Equity holders of the Company		<b>3,430</b>	(478)
Minority interests		-	(2,255)
<b>Profit/(Loss) for the year</b>		<b><u>3,430</u></b>	<b><u>(2,733)</u></b>
<b>Earnings/(Loss) per share for profit/(loss) attributable to the equity holders of the Company during the year</b>			
- Basic	11	<b>HK0.68 cent</b>	HK(0.09) cent
- Diluted		<b>N/A</b>	N/A

# Consolidated Balance Sheet

As at 31 December 2005

	<i>Notes</i>	<b>2005 HK\$'000</b>	(Restated) 2004 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Plant and equipment	14	1,544	1,735
Goodwill	16	3,933	3,933
Other intangible asset	17	19	19
		<u>5,496</u>	<u>5,687</u>
<b>Current assets</b>			
Trade receivables	18	20,041	16,325
Other receivables		2,638	3,554
Amount due from a related company	30 (b)	-	423
Cash and cash equivalents	19	7,316	3,992
		<u>29,995</u>	<u>24,294</u>
<b>Current liabilities</b>			
Trade payables	20	20,937	20,068
Other payables, accrued expenses and receipts in advance		7,487	6,899
Amount due to a related company	30 (b)	560	-
		<u>28,984</u>	<u>26,967</u>
<b>Net current assets/(liabilities)</b>		<u>1,011</u>	<u>(2,673)</u>
<b>Total assets less current liabilities</b>		<u>6,507</u>	<u>3,014</u>
<b>Non-current liabilities</b>			
Amount due to a minority shareholder of a subsidiary	21	2,241	2,199
		<u>4,266</u>	<u>815</u>

# Consolidated Balance Sheet

As at 31 December 2005

	<i>Notes</i>	<b>2005</b> <b>HK\$'000</b>	(Restated) 2004 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	22	507	507
Reserves		6,457	3,006
		<u>6,964</u>	3,513
<b>Minority interests</b>		<u>(2,698)</u>	(2,698)
<b>Total equity</b>		<u><u>4,266</u></u>	<u><u>815</u></u>

**Ng Yuk Mui, Jessica**  
*Director*

**Ng Yuk Fung, Peter**  
*Director*

# Balance Sheet

As at 31 December 2005

	<i>Notes</i>	<b>2005 HK\$'000</b>	(Restated) 2004 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Interest in subsidiaries	15	<u>510</u>	<u>510</u>
<b>Current assets</b>			
Amount due from a subsidiary	15	<b>3,782</b>	3,240
Other receivables		<b>24</b>	–
Cash and cash equivalents	19	<u>18</u>	<u>189</u>
		<b>3,824</b>	3,429
<b>Current liabilities</b>			
Other payables and accrued expenses		<u>201</u>	<u>160</u>
<b>Net current assets</b>		<u><b>3,623</b></u>	<u>3,269</u>
<b>Total assets less current liabilities</b>		<u><b>4,133</b></u>	<u>3,779</u>
<b>EQUITY</b>			
Share capital	22	<b>507</b>	507
Reserve	24	<u><b>3,626</b></u>	<u>3,272</u>
<b>Total equity</b>		<u><b>4,133</b></u>	<u>3,779</u>

Ng Yuk Mui, Jessica  
*Director*

Ng Yuk Fung, Peter  
*Director*

# Consolidated Cash Flow Statement

For the year ended 31 December 2005

	<i>Notes</i>	2005 HK\$'000	(Restated) 2004 HK\$'000
<b>Cash flows from operating activities</b>			
Profit/(Loss) before income tax		3,430	(2,733)
Adjustments for:			
Interest income		(42)	(3)
Equity settled share based payment expenses		129	565
Depreciation		539	374
		<hr/>	<hr/>
Operating profit/(loss) before working capital changes		4,056	(1,797)
Increase in trade and other receivables		(2,800)	(6,915)
Decrease/(Increase) in amount due from a related company		423	(346)
Increase in trade payables		869	10,394
Increase/(Decrease) in other payables, accrued expenses and receipts in advance		588	(1,268)
Increase in amount due to a related company		560	-
Decrease in amount due to a minority shareholder of a subsidiary		-	(3,363)
		<hr/>	<hr/>
Net cash from/(used in) operating activities		3,696	(3,295)
<b>Cash flows from investing activities</b>			
Interest received		42	3
Purchases of plant and equipment		(332)	(830)
Acquisition of a subsidiary	31	-	(67)
		<hr/>	<hr/>
Net cash used in investing activities		(290)	(894)
<b>Cash flows from financing activity</b>			
Capital injection by a minority shareholder of a subsidiary		-	2,350
		<hr/>	<hr/>
Net cash from financing activity		-	2,350
		<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>		3,406	(1,839)
<b>Cash and cash equivalents at 1 January</b>		3,992	5,813
<b>Effect of foreign exchange rate changes</b>		(82)	18
		<hr/>	<hr/>
<b>Cash and cash equivalents at 31 December</b>	19	<u>7,316</u>	<u>3,992</u>

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2005

	Equity attributable to equity holders of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Employee compensation reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Minority interests HK\$'000	
At 1 January 2004, as previously reported	507	9,218	(510)	-	-	(5,807)	-	3,408
Effect of initial adoption of HKFRS2	-	-	-	3,657	-	(3,657)	-	-
At 1 January 2004, as restated	507	9,218	(510)	3,657	-	(9,464)	-	3,408
Currency translation	-	-	-	-	18	-	-	18
Net result recognised directly in equity	-	-	-	-	18	-	-	18
Loss for the year	-	-	-	-	-	(478)	(2,255)	(2,733)
<b>Total recognised income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>(478)</b>	<b>(2,255)</b>	<b>(2,715)</b>
Capital contribution from minority shareholder of a subsidiary	-	-	-	-	-	-	(443)	(443)
Employee share-based compensation	-	-	-	432	-	133	-	565
<b>At 31 December 2004</b>	<b>507</b>	<b>9,218</b>	<b>(510)</b>	<b>4,089</b>	<b>18</b>	<b>(9,809)</b>	<b>(2,698)</b>	<b>815</b>
At 31 December 2004, as previously reported as equity	507	9,218	(510)	-	18	(5,720)	-	3,513
At 31 December 2004, as previously separately reported as minority interests	-	-	-	-	-	-	(2,698)	(2,698)
Effect of initial adoption of HKFRS2	-	-	-	4,089	-	(4,089)	-	-
At 31 December 2004 and 1 January 2005, as restated	507	9,218	(510)	4,089	18	(9,809)	(2,698)	815
Currency translation	-	-	-	-	(108)	-	-	(108)
Net result recognised directly in equity	-	-	-	-	(108)	-	-	(108)
Profit for the year	-	-	-	-	-	3,430	-	3,430
<b>Total recognised income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(108)</b>	<b>3,430</b>	<b>-</b>	<b>3,322</b>
Employee share-based compensation	-	-	-	(152)	-	281	-	129
<b>At 31 December 2005</b>	<b>507</b>	<b>9,218</b>	<b>(510)</b>	<b>3,937</b>	<b>(90)</b>	<b>(6,098)</b>	<b>(2,698)</b>	<b>4,266</b>

# Notes to the Financial Statements

For the year ended 31 December 2005

## 1. General Information

The Company was incorporated in the Cayman Islands on 29 June 2001 as an exempted company with limited liability under the Companies Law (2001 Revision) of the Cayman Islands.

The Company acts as an investment holding company. Details of principal activities of its principal subsidiaries are set out in note 15 to the financial statements.

The financial statements on pages 31 to 75 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The financial statements for the year ended 31 December 2005 were approved by the board of the directors on 14 March 2006.

## 2. Adoption of New/Revised HKFRSs

From 1 January 2005, the Group has adopted the new/revised standards and interpretations of HKFRSs, which are relevant to its operations. This includes the following new, revised and renamed standards:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment

# Notes to the Financial Statements

For the year ended 31 December 2005

## 2. Adoption of New/Revised HKFRSs *(Continued)*

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and accordingly the 2004 financial statements and their presentation have been amended in accordance with HKAS 8. Due to the change in accounting policies, the 2004 comparatives contained in these financial statements differ from those published in the financial statements for the year ended 31 December 2004.

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect to presentation, recognition and measurement of accounts are described in the following notes:

### 2.1 Adoption of HKAS 1

The application of HKAS 1 led to an update of the presentation of financial statements. Minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to equity holders of the Company is now presented as an allocation of the net result of the year.

### 2.2 Adoption of HKFRS 2

Prior to the adoption of HKFRS 2 on 1 January 2005, equity-settled share-based payment transactions were treated as changes in the entity's equity only upon execution. HKFRS 2 requires all goods and services received in the course of share-based payment transactions to be measured at fair value and recognised in the financial statements with a corresponding credit to equity, unless the transaction is settled in cash. When applied to employee share-based compensation, this leads to the recognition of share options which have been granted and are expected to vest as an expense in the income statement.

The Group applies this HKFRS 2 retrospectively to share options granted before 7 November 2002 as the Group has disclosed publicly the fair value of these equity instruments determined at the measurement date.

### 2.3 Adoption of HKAS 39

In accordance with the transitional provisions of HKAS 39, it does not permit the recognition, derecognition and measurement of financial assets and liabilities in accordance with the standard on a retrospective basis. Accordingly, any adjustment to the previous carrying amount is recognised in the opening balance of retained earnings on 1 January 2005 and the comparative figures have not been restated.



# Notes to the Financial Statements

For the year ended 31 December 2005

## 2. Adoption of New/Revised HKFRSs (Continued)

### 2.4 Other standards adopted

The adoption of HKAS 7, 8, 10, 16, 17, 21, 24, 27, 32, 33 and 37 did not result in significant change to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any changes to the amounts or disclosures in these financial statements and the 2004 financial statements.

### 2.5 The effect on adoption of HKFRS 2 on consolidated income statement is summarised below:

	2005 HK\$'000	2004 HK\$'000
Increase in staff costs	(129)	(565)
Total decrease/increase in profit/(loss) for the year	<u>(129)</u>	<u>(565)</u>
Decrease/Increase in earnings/(loss) per share		
– Basic	HK(0.03) cent	HK(0.11) cent
– Diluted	<u>N/A</u>	<u>N/A</u>

### 2.6 The effect on adoption of HKFRS 2 on consolidated balance sheet is summarised below:

	2005 HK\$'000	2004 HK\$'000
Increase/(Decrease) in equity:		
At 1 January		
Employee compensation reserve	4,089	3,657
Accumulated losses	(4,089)	(3,657)
At 31 December		
Employee compensation reserve	3,937	4,089
Accumulated losses	<u>(3,937)</u>	<u>(4,089)</u>

# Notes to the Financial Statements

For the year ended 31 December 2005

## 2. Adoption of New/Revised HKFRSs *(Continued)*

### 2.7 New standards or interpretations that have been issued but are not yet effective

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the adoption of these standards or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures <sup>2</sup>
HKAS 21 (Amendment)	Net Investment in a Foreign Operation <sup>2</sup>
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions <sup>2</sup>
HKAS 39 (Amendment)	The Fair Value Option <sup>2</sup>
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts <sup>2</sup>
HKFRS 6	Exploration for and Evaluation of Mineral Resources <sup>2</sup>
HKFRS 7	Financial Instruments – Disclosures <sup>1</sup>
HK(IFRIC) – Int 4	Determining whether an Arrangement contains A Lease <sup>2</sup>
HK(IFRIC) – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds <sup>2</sup>
HK(IFRIC) – Int 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment <sup>3</sup>
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>4</sup>

1 Effective for annual periods beginning on or after 1 January 2007

2 Effective for annual periods beginning on or after 1 January 2006

3 Effective for annual periods beginning on or after 1 December 2005

4 Effective for annual periods beginning on or after 1 March 2006

# Notes to the Financial Statements

For the year ended 31 December 2005

## 3. Summary of Principal Accounting Policies

### 3.1 Basis of preparation

The principle accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared on the historical cost basis.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

### 3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

### 3.3 Subsidiaries

Subsidiaries are all entities over which the Company has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

In the Company's balance sheet, subsidiaries are carried at cost less impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

### 3.4 Foreign currency translation

The consolidated financial statements are presented in Hong Kong Dollars (HK\$), which is also the functional currency of the Company.

# Notes to the Financial Statements

For the year ended 31 December 2005

## 3. Summary of Principal Accounting Policies *(Continued)*

### 3.4 Foreign currency translation *(Continued)*

In the consolidated financial statements, all separate financial statements of subsidiaries, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rate at the balance sheet date. Income and expenses have been converted into the Group's presentation currency at the average rates over the reporting period. Any differences arising from this procedure have been charged/(credited) to the currency translation reserve in equity.

### 3.5 Income and expense recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

- Sales of magazines are recognised when the magazines are delivered and title has passed, with advance subscription fee received from subscribers recorded as receipt in advance.
- Advertising income is recognised on the date of the relevant publication issue or on time basis by reference to the period in which the advertisement is published.
- Promotion and marketing income is recognised when the services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.
- Interest income is recognised on a time-proportion basis using the effective interest method.

Operating expenses are charged to the income statement when incurred.

# Notes to the Financial Statements

For the year ended 31 December 2005

## 3. Summary of Principal Accounting Policies *(Continued)*

### 3.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

### 3.7 Other intangible asset

Other intangible asset represents trademark which is accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives of ten years.

### 3.8 Plant and equipment

Plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

The gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the period in which they are incurred.

Depreciation on plant and equipment is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives at 20% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

# Notes to the Financial Statements

For the year ended 31 December 2005

## 3. Summary of Principal Accounting Policies *(Continued)*

### 3.9 Impairment of assets

The goodwill, other intangible asset, plant and equipment and interests in subsidiaries are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that include goodwill and other intangible assets that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, a previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss has been recognised.

### 3.10 Leases

Operating lease payments are recognised as an expense on a straight-line basis. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

# Notes to the Financial Statements

For the year ended 31 December 2005

## 3. Summary of Principal Accounting Policies *(Continued)*

### 3.11 Financial assets

The Group's financial assets include cash and cash equivalents, trade receivables, other receivables and amount due from a related company.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in income statement.

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

### 3.12 Accounting for income taxes

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the tax periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, in accordance with the rules set out in HKAS 12, no deferred taxes are recognised in conjunction with goodwill. This applies also to temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

# Notes to the Financial Statements

For the year ended 31 December 2005

## 3. Summary of Principal Accounting Policies *(Continued)*

### 3.12 Accounting for income taxes *(Continued)*

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement.

### 3.13 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

### 3.14 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from equity (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.

### 3.15 Pension obligations and employee benefits

Pensions to employees are provided through a defined contribution plan. For details of the retirement benefits scheme, please refer to note 29 to the financial statements.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.



# Notes to the Financial Statements

For the year ended 31 December 2005

## 3. Summary of Principal Accounting Policies *(Continued)*

### 3.16 Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in the income statement with a corresponding credit to equity compensation reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share option are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in equity will be transferred to retained earnings.

# Notes to the Financial Statements

For the year ended 31 December 2005

## 3. Summary of Principal Accounting Policies *(Continued)*

### 3.17 Related parties

Parties are considered to be related to the Group if:

- (i) directly, or indirectly through one or more intermediaries, the party:
  - controls, is controlled by, or is under common control with, the Group;
  - has an interest in the Group that gives it significant influence over the Group;
  - has joint control over the Group;
- (ii) the party is an associate;
- (iii) the party is a joint-controlled entity;
- (iv) the party is a member of the key management personnel of the Group or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

### 3.18 Financial liabilities

The Group's financial liabilities include trade payables, other payables and accrued expenses, amount due to a related company and amount due to a minority shareholder of a subsidiary. They are included in balance sheet line items.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument.

# Notes to the Financial Statements

For the year ended 31 December 2005

## 3. Summary of Principal Accounting Policies *(Continued)*

### 3.18 Financial liabilities *(Continued)*

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

### 3.19 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments be presented as the primary reporting format. No further business segment information is presented as the Group's operation relates solely to the magazine publishing and advertising activities.

Segment assets consist of goodwill, other intangible asset, plant and equipment, trade receivables, other receivables, amount due from a related company and cash and cash equivalents. Segment liabilities comprise trade payables, other payables, accrued expenses, receipts in advance, amount due to a related company and amount due to a minority shareholder of a subsidiary.

Capital expenditure comprises additions to plant and equipment, including additions resulting from acquisitions through purchases of subsidiaries.

## 4. Critical Accounting Estimates and Judgements

Estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.9. The recoverable amounts of cash-generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates. More details are given in note 16 to the financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2005

## 4. Critical Accounting Estimates and Judgements *(Continued)*

### (ii) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassess the impairment of receivables at the balance sheet date.

### (iii) Valuation of share options granted

The fair value of share option granted was calculated using the Black-Scholes valuation model based on the Group's management's significant inputs into calculation included an estimated life of share options granted to be ten years based on exercise restrictions and behavioural consideration, the volatility of share price, weighted average share prices and exercise price of the share options granted. Furthermore, the calculation assumes nil future dividends.

## 5. Revenue

Revenue, which is also the Group's turnover, represents turnover which comprises the net amounts received and receivable for magazines sold by the Group to outside customers, less returns and allowances, advertising income and promotion and marketing income for the year, and is analysed as follows:

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Sales of magazines	<b>22,739</b>	20,051
Advertising income	<b>58,619</b>	48,582
Promotion and marketing income	<b>13,497</b>	12,756
	<hr/>	<hr/>
Revenue/Turnover	<b><u>94,855</u></b>	<u>81,389</u>

# Notes to the Financial Statements

For the year ended 31 December 2005

## 6. Other Operating Income

	2005 HK\$'000	2004 HK\$'000
Bank interest income	42	3
Sundry income	153	64
	195	67

## 7. Segment Information

### Geographical segments

The location of customers is the basis on which the Group reports its primary segment information. The following tables present revenue and certain assets and liabilities and expenditure information for the Group's geographical segments for the years ended 31 December 2005 and 2004.

### Year ended 31 December 2005

	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Revenue	63,911	30,944	94,855
Segment results	6,484	(2,873)	3,611
Other operating income			195
Other operating expenses			(376)
Profit before income tax			3,430
Income tax expense			-
Profit for the year			3,430
Segment assets	22,622	12,869	35,491
Segment liabilities	(18,733)	(12,492)	(31,225)
Other information:			
Impairment of receivables	666	(290)	376
Depreciation	283	256	539
Capital expenditure	229	103	332

# Notes to the Financial Statements

For the year ended 31 December 2005

## 7. Segment Information *(Continued)*

### Geographical segments *(Continued)*

Year ended 31 December 2004 (Restated)

	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Revenue	<u>56,175</u>	<u>25,214</u>	<u>81,389</u>
Segment results	<u>2,588</u>	<u>(4,347)</u>	(1,759)
Other operating income			67
Other operating expenses			<u>(1,041)</u>
Loss before income tax			(2,733)
Income tax expense			<u>-</u>
Loss for the year			<u><u>(2,733)</u></u>
Segment assets	<u>16,298</u>	<u>13,683</u>	29,981
Segment liabilities	<u>(17,907)</u>	<u>(11,259)</u>	(29,166)
Other information:			
Impairment of receivables	376	665	1,041
Depreciation	231	143	374
Capital expenditure	<u>318</u>	<u>1,045</u>	<u>1,363</u>

# Notes to the Financial Statements

For the year ended 31 December 2005

## 8. Profit/(Loss) Before Income Tax

	2005 HK\$'000	(Restated) 2004 HK\$'000
Profit/(Loss) before income tax is arrived at after charging:		
Minimum lease payments paid under operating leases in respect of rental premises	844	896
Staff costs including directors' emoluments ( <i>Note 12</i> )	18,762	18,555
Auditors' remuneration:		
– Provision for current year	250	300
– Under provision for prior year	20	–
Impairment of receivables	376	1,041
Depreciation	539	374
	<u>          </u>	<u>          </u>

## 9. Income Tax Expense

No Hong Kong profits tax has been provided as the Group had no estimated assessable profit arising in or derived from Hong Kong during the year (2004: Nil). Taxation on profits assessable elsewhere have been calculated on the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during both years.

Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	2005 HK\$'000	(Restated) 2004 HK\$'000
Profit/(Loss) before income tax	<u>3,430</u>	<u>(2,733)</u>
Tax at the applicable tax rates	218	(1,005)
Tax effect of non-deductible expenses	60	65
Tax effect of non-taxable revenue	(7)	–
Tax effect of prior year's tax losses utilised this year	(1,149)	(1,160)
Tax effect of unrecognised tax losses	767	2,100
Tax effect on temporary difference not recognised	123	–
Others	(12)	–
	<u>          </u>	<u>          </u>
Income tax expense	<u>          </u>	<u>          </u>

# Notes to the Financial Statements

For the year ended 31 December 2005

## 10. Profit/(Loss) for the Year

Of the profit for the year of HK\$3,430,000 (2004: loss of HK\$2,733,000 (Restated)), a profit of HK\$225,000 (2004: loss of HK\$5,869,000 (Restated)) has been dealt with in the financial statements of the Company.

## 11. Earnings/(Loss) per Share

The calculation of the basic earnings/(loss) per share is based on the profit attributable to equity holders of the Company of HK\$3,430,000 (2004: loss of HK\$478,000 (Restated)) and on 506,639,716 (2004: 506,639,716) shares in issue.

For the year ended 31 December 2005, no diluted earnings per share has been presented because the exercise price of the Company's share options was higher than the average market price per share for that year.

No diluted loss per share for the year ended 31 December 2004 has been presented because the exercise of the Company's share options will reduce loss per share.

## 12. Employee Benefit Expense (including directors' emoluments)

	<b>2005</b>	(Restated) 2004
	<b>HK\$'000</b>	HK\$'000
Wages and salaries	<b>18,093</b>	17,434
Share-based payment	<b>129</b>	565
Pension costs – defined contribution plans <i>(note 29)</i>	<b>540</b>	556
	<b>18,762</b>	18,555

Included in staff costs are key management personnel compensation and comprises the following categories:

	<b>2005</b>	(Restated) 2004
	<b>HK\$'000</b>	HK\$'000
Basic salaries and housing allowance	<b>3,441</b>	3,369
Share-based payment	<b>58</b>	332
Pension cost – defined contribution plans	<b>94</b>	104
	<b>3,593</b>	3,805



# Notes to the Financial Statements

For the year ended 31 December 2005

## 13. Directors' Remuneration and Senior Management's Emolument

### (a) Directors' emoluments

The emoluments paid or payable to the directors were as follows :

	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefit scheme contribution HK\$'000	Equity- settled share-based payment expenses HK\$000	Total HK\$000
<b>Year ended 31 December 2005</b>					
<b>Executive directors</b>					
Ng Hung Sang	-	-	-	-	-
Ng Yuk Fung Peter <i>(note i)</i>	5	-	-	-	5
Foo Kit Tak	-	208	12	22	242
Cheung Mei Yu	-	520	26	22	568
<b>Non-executive director</b>					
Ng Yuk Mui Jessica <i>(note ii)</i>	5	161	8	-	174
<b>Independent non-executive directors</b>					
So Siu Ming George	50	-	-	-	50
Pong Oi Lan Scarlett	50	-	-	-	50
Cheng Yuk Wo	40	-	-	-	40
	<u>150</u>	<u>889</u>	<u>46</u>	<u>44</u>	<u>1,129</u>

# Notes to the Financial Statements

For the year ended 31 December 2005

## 13. Directors' Remuneration and Senior Management's Emolument (Continued)

### (a) Directors' emoluments (Continued)

	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefit scheme contribution HK\$'000	Equity- settled share-based payment expenses HK\$000	Total HK\$000
Year ended 31 December 2004					
<b>Executive directors</b>					
Ng Hung Sang	-	-	-	-	-
Ng Yuk Mui Jessica	-	453	12	-	465
Foo Kit Tak	-	156	12	123	291
Cheung Mei Yu	-	475	29	123	627
<b>Independent non-executive directors</b>					
So Siu Ming George	50	-	-	-	50
Pong Oi Lan Scarlett	50	-	-	-	50
Cheng Yuk Wo	12	-	-	-	12
	<u>112</u>	<u>1,084</u>	<u>53</u>	<u>246</u>	<u>1,495</u>

#### Notes:

- (i) Mr Ng Yuk Fung Peter was newly appointed during the year.
- (ii) Ms Ng Yuk Mui Jessica was re-designated from executive director to non-executive director on 1 July 2005.
- (iii) There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

# Notes to the Financial Statements

For the year ended 31 December 2005

## 13. Directors' Remuneration and Senior Management's Emolument (Continued)

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2004: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2004: four) individuals during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	2,552	2,285
Contributions to pensions schemes	48	51
	<u>2,600</u>	<u>2,336</u>

The emoluments fell within the following band:

	Number of individuals	
	2005	2004
Emolument band HK\$Nil – HK\$1,000,000	<u>4</u>	<u>4</u>

During the year ended 31 December 2005, no amount was paid by the Group to the directors or the four (2004: four) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

# Notes to the Financial Statements

For the year ended 31 December 2005

## 14. Plant and Equipment

### GROUP

	Leasehold improvements HK\$'000	Furniture and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 January 2004				
Cost	479	507	-	986
Accumulated depreciation	(135)	(105)	-	(240)
Net book amount	<u>344</u>	<u>402</u>	<u>-</u>	<u>746</u>
Year ended 31 December 2004				
Opening net book amount	344	402	-	746
Additions	299	531	-	830
Acquisition of a subsidiary	-	533	-	533
Depreciation	(101)	(273)	-	(374)
Closing net book amount	<u>542</u>	<u>1,193</u>	<u>-</u>	<u>1,735</u>
At 31 December 2004				
Cost	778	1,571	-	2,349
Accumulated depreciation	(236)	(378)	-	(614)
Net book amount	<u>542</u>	<u>1,193</u>	<u>-</u>	<u>1,735</u>
Year ended 31 December 2005				
Opening net book amount	542	1,193	-	1,735
Additions	7	239	86	332
Depreciation	(156)	(368)	(15)	(539)
Exchange realignment	5	10	1	16
Closing net book amount	<u>398</u>	<u>1,074</u>	<u>72</u>	<u>1,544</u>
At 31 December 2005				
Cost	790	1,820	87	2,697
Accumulated depreciation	(392)	(746)	(15)	(1,153)
Net book amount	<u>398</u>	<u>1,074</u>	<u>72</u>	<u>1,544</u>

# Notes to the Financial Statements

For the year ended 31 December 2005

## 15. Interest in Subsidiaries/Amount Due from a Subsidiary

### COMPANY

	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	510	510
Amount due from a subsidiary	8,782	8,240
Less: Impairment losses recognised	(5,000)	(5,000)
	3,782	3,240

During the year, the directors reviewed the carrying value of the amount due from a subsidiary with reference to the business operated by the subsidiary. No impairment loss (2004: HK\$5,000,000) has been identified and recognised in the Company's income statement.

Particulars of the principal subsidiaries at 31 December 2005 are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly	Indirectly	
Beforward Trading Limited	British Virgin Islands, limited liability company	2 ordinary shares of US\$1 each	-	100%	Investment holding
Cathy Success Limited	British Virgin Islands, limited liability company	1 ordinary share of US\$1 each	-	100%	Publication of "旭茉 JESSICA" PRC version magazine
Grandpress Limited	Hong Kong, limited liability company	2 ordinary shares of HK\$1 each	-	100%	Investment holding
Great Ready Assets Limited	British Virgin Islands, limited liability company	2 ordinary shares of US\$1 each	100%	-	Investment holding

# Notes to the Financial Statements

For the year ended 31 December 2005

## 15. Interest in Subsidiaries/Amount Due from a Subsidiary (Continued)

### COMPANY(Continued)

Name of subsidiary	Place of incorporation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by Company		Principal activities
			Directly	Indirectly	
Jessica Publications (BVI) Limited	British Virgin Islands, limited liability company	2 ordinary shares of US\$1 each	-	100%	Investment holding
Jessica (BVI) Limited	British Virgin Islands, limited liability company	2 ordinary shares of US\$1 each	-	100%	Investment holding
Jessicacode Limited	Hong Kong, limited liability company	2 ordinary shares of HK\$1 each	-	100%	Publication of “旭茉 JESSICACODE” magazine
Jessica Management Limited	Hong Kong, limited liability company	2 ordinary shares of HK\$1 each	-	100%	Provision of employee and personnel services and holding of a lease agreement
Jessica Limited	Hong Kong, limited liability company	2 ordinary shares of HK\$1 each	-	100%	Publication of “旭茉 JESSICA” magazine
Shanghai South China & Boyang Culture Media Co. Ltd. (“BCM”)	PRC, sino-foreign joint venture	RMB1,000,000	-	55%	Distribution and selling of advertising space in Chinese language publications
Superb Taste Company Limited	Hong Kong, limited liability company	2 ordinary shares of HK\$1 each	-	100%	Publication of “味道 LISA” magazine

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

# Notes to the Financial Statements

For the year ended 31 December 2005

## 16. Goodwill

### GROUP

	2005 HK\$'000	2004 HK\$'000
At 1 January		
Gross carrying amount	3,933	-
Accumulated impairment losses	-	-
	<u>          </u>	<u>          </u>
Carrying amount	<u>3,933</u>	<u>          </u>
	<u>          </u>	<u>          </u>
Carrying amount at 1 January	3,933	-
Goodwill arising from acquisition of subsidiaries	-	3,933
	<u>          </u>	<u>          </u>
Carrying amount at 31 December	<u>3,933</u>	<u>3,933</u>
	<u>          </u>	<u>          </u>
At 31 December		
Gross carrying amount	3,933	3,933
Accumulated impairment losses	-	-
	<u>          </u>	<u>          </u>
Carrying amount	<u>3,933</u>	<u>3,933</u>
	<u>          </u>	<u>          </u>

Goodwill acquired through business combinations has been allocated to the magazine publishing and advertising space in PRC cash-generating units for impairment testing.

The recoverable amount for the cash-generating unit given above was determined based on value-in-use calculations, covering a detailed one-year budget plan, followed by an extrapolation of expected cash flows at the growth rate stated below. The growth rate reflects the long-term average growth rate for the cash-generating units.

# Notes to the Financial Statements

For the year ended 31 December 2005

## 16. Goodwill (Continued)

The key assumptions used for value-in-use calculations:

	2005	2004
Growth rate	4%	4%
Discount rate	13.4%	12.5%

The Group management's key assumptions for the Group have been determined based on past performance and their expectations for market development. The weighted average growth rate used is consistent with the forecasts included in industry reports. The discount rate used is pre-tax and reflects specific risks relating to the relevant segments.

Apart from the considerations described above in determining the value in use of the cash-generating units, the Group's managements are not currently aware of any other probable changes that would necessitate changes in their key estimates.

## 17. Other Intangible Asset

### GROUP

<b>Trademark</b>	2005 HK\$'000	2004 HK\$'000
At 1 January		
Gross carrying amount	19	–
Accumulated impairment losses	–	–
Carrying amount	<u>19</u>	<u>–</u>
Carrying amount at 1 January	19	–
Acquisition of subsidiaries	–	19
Carrying amount at 31 December	<u>19</u>	<u>19</u>
At 31 December		
Gross carrying amount	19	19
Accumulated impairment losses	–	–
Carrying amount	<u>19</u>	<u>19</u>



# Notes to the Financial Statements

For the year ended 31 December 2005

## 18. Trade Receivables

### GROUP

	2005 HK\$'000	2004 HK\$'000
Trade receivables	21,834	17,742
Less: Impairment of receivables	(1,793)	(1,417)
Trade receivables – net	<u>20,041</u>	<u>16,325</u>

The Group allows a credit period from 30 days to 120 days to its trade customers. The following is an aged analysis of net trade receivables at the balance sheet date:

	2005 HK\$'000	2004 HK\$'000
0 – 30 days	8,949	5,958
31 – 60 days	3,614	3,905
61 – 90 days	714	783
91 to 180 days	5,495	5,068
Over 180 days	1,269	611
	<u>20,041</u>	<u>16,325</u>

## 19. Cash and Cash Equivalents

Cash and cash equivalents include the following components:

	2005 HK\$'000	2004 HK\$'000
<b>GROUP</b>		
Cash at bank and in hand	<u>7,316</u>	<u>3,992</u>
<b>COMPANY</b>		
Cash at bank and in hand	<u>18</u>	<u>189</u>

Included in cash at bank and in hand of the Group is HK\$1,625,000 (2004: HK\$566,000) of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency.

# Notes to the Financial Statements

For the year ended 31 December 2005

## 20. Trade Payables

### GROUP

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Trade payables	<u><b>20,937</b></u>	<u>20,068</u>

The following is an aged analysis of trade payables at the balance sheet date:

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
0 – 30 days	<b>5,360</b>	4,894
31 – 60 days	<b>5,358</b>	3,117
61 – 90 days	<b>2,241</b>	3,653
91 – 180 days	<b>3,387</b>	7,430
Over 180 days	<b>4,591</b>	974
	<u><b>20,937</b></u>	<u>20,068</u>

## 21. Amount due to a Minority Shareholder of a Subsidiary

The amount is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors, the loans will not be required to be repaid within the next twelve months and accordingly, the amount is shown as non-current.

## 22. Share Capital

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Authorised:		
1,000,000,000,000 (2004: 1,000,000,000,000) ordinary shares of HK\$0.001 each	<u><b>1,000,000</b></u>	<u>1,000,000</u>
Issued and fully paid:		
506,639,716 (2004: 506,639,716) ordinary shares of HK\$0.001 each	<u><b>507</b></u>	<u>507</u>

# Notes to the Financial Statements

For the year ended 31 December 2005

## 23. Share-based Employee Compensation

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 20 December 2001 and became effective on 8 January 2002 for the primary purpose of providing incentives to directors and eligible employees and will be expired on 7 January 2012. Under the Scheme, the board of directors of the Company may offer to any director or employee of the Company, or any of its subsidiaries, options to subscribe for shares in the Company.

At 31 December 2005, the number of shares in respect of which options were granted under the Scheme was 14,053,440 (2004: 15,173,440), representing 2.8% (2004: 3.0%) of the shares of the Company in issue at that date. As at 31 December 2005, the total number of shares available for issue under the Scheme was 36,434,707, representing approximately 7.19% of the issued share capital of the Company as at 31 December 2005 and the date of this Annual Report. Without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, and the aggregate number of shares in respect of which options may be granted to any individual in any year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

The consideration payable on the grant of an option is HK\$1 per option. Options may be exercised at any time for a period of ten years commencing on the first anniversary of the date of grant. The exercise price of the option shares would be at a price equal to the higher of: (i) the closing price of the shares of the Company on the Stock Exchange's daily quotation sheet on the date of offer of the option; (ii) average of the closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the options; and (iii) the nominal value of a share.

# Notes to the Financial Statements

For the year ended 31 December 2005

## 23. Share-based Employee Compensation *(Continued)*

The following table discloses movements in the Scheme:

### During the year ended 31 December 2005

Name or category of participant	Share option type	Number of share options		
		Outstanding at 1 January 2005	Lapsed during the year	Outstanding at 31 December 2005
<b>Executive director</b>				
Ms. Foo Kit Tak	2002 (a)	1,600,000	-	1,600,000
	2002 (b)	1,600,000	-	1,600,000
Ms. Cheung Mei Yu	2002 (a)	1,600,000	-	1,600,000
	2002 (b)	1,600,000	-	1,600,000
Sub-total		<u>6,400,000</u>	<u>-</u>	<u>6,400,000</u>
<b>Employees</b>				
In aggregate	2002 (a)	1,760,000	(320,000)	1,440,000
	2002 (b)	2,560,000	(320,000)	2,240,000
Sub-total		<u>4,320,000</u>	<u>(640,000)</u>	<u>3,680,000</u>
<b>Others</b>				
In aggregate	2002 (a)	3,440,000	(320,000)	3,120,000
	2002 (b)	1,013,440	(160,000)	853,440
Sub-total		<u>4,453,440</u>	<u>(480,000)</u>	<u>3,973,440</u>
<b>Total</b>		<u><u>15,173,440</u></u>	<u><u>(1,120,000)</u></u>	<u><u>14,053,440</u></u>

# Notes to the Financial Statements

For the year ended 31 December 2005

## 23. Share-based Employee Compensation (Continued)

During the year ended 31 December 2004

Name or category of participant	Share option type	Number of share options		
		Outstanding at 1 January 2004	Lapsed during the year	Outstanding at 31 December 2004
<b>Executive director</b>				
Ms. Foo Kit Tak	2002 (a)	1,600,000	–	1,600,000
	2002 (b)	1,600,000	–	1,600,000
Ms. Cheung Mei Yu	2002 (a)	1,600,000	–	1,600,000
	2002 (b)	1,600,000	–	1,600,000
Sub-total		6,400,000	–	6,400,000
<b>Employees</b>				
In aggregate	2002 (a)	1,920,000	(160,000)	1,760,000
	2002 (b)	3,200,000	(640,000)	2,560,000
Sub-total		5,120,000	(800,000)	4,320,000
<b>Others</b>				
In aggregate	2002 (a)	3,760,000	(320,000)	3,440,000
	2002 (b)	1,280,160	(266,720)	1,013,440
Sub-total		5,040,160	(586,720)	4,453,440
Total		16,560,160	(1,386,720)	15,173,440

Details of the share options are as follows:

Share option type	Date of grant	Exercisable period	Exercise price
2002 (a)	15 April 2002	15 April 2003 to 7 January 2012	HK\$0.69
2002 (b)	2 September 2002	2 September 2003 to 7 January 2012	HK\$0.31

# Notes to the Financial Statements

For the year ended 31 December 2005

## 23. Share-based Employee Compensation *(Continued)*

All share options granted are subject to a vesting period and becoming exercisable in whole or in part in the following manner:

<b>From the date of grant of share options</b>	<b>Exercisable percentage</b>
Within 12 months	Nil
13th – 24th month	33 $\frac{1}{3}$ %
25th – 36th month	33 $\frac{1}{3}$ %
37th – 48th month	33 $\frac{1}{3}$ %

No share options were granted during the year and therefore no consideration in respect of the share options was received.

The fair values of options granted under the relevant Scheme on 15 April 2002 and 2 September 2002, measured at the date of grant, were approximately HK\$5,024,000 and HK\$2,123,000 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	15 April 2002	2 September 2002
Expected volatility	29%	56%
Expected life (in years)	9.7	9.4
Risk-free interest rate	5%	5%
Expected dividend yield	Nil	Nil

In total, HK\$129,000 of employee compensation expense has been included in the consolidated income statement for the year ended 31 December 2005 (2004: HK\$565,000, after restatement) with a corresponding credit in equity.

## 24. Reserves

### GROUP

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 36 of the financial statements.

The capital reserve of the Group represents the difference between the nominal value of the Company's share issued and the net asset value of a subsidiary acquired as part of the group reorganisation.

# Notes to the Financial Statements

For the year ended 31 December 2005

## 24. Reserves (Continued)

### COMPANY

	Share premium HK\$'000	Employee compensation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2004, as previously reported	9,218	-	(642)	8,576
Effect of initial adoption of HKFRS 2	<u>-</u>	<u>3,657</u>	<u>(3,657)</u>	<u>-</u>
At 1 January 2004, as restated	9,218	3,657	(4,299)	8,576
Loss for the year	-	-	(5,869)	(5,869)
Employee share-based compensation	<u>-</u>	<u>432</u>	<u>133</u>	<u>565</u>
At 31 December 2004	<u>9,218</u>	<u>4,089</u>	<u>(10,035)</u>	<u>3,272</u>
At 31 December 2004, as previously reported	9,218	-	(5,946)	3,272
Effect of initial adoption of HKFRS 2	<u>-</u>	<u>4,089</u>	<u>(4,089)</u>	<u>-</u>
At 31 December 2004 and 1 January 2005, as restated	9,218	4,089	(10,035)	3,272
Profit for the year	-	-	225	225
Employee share-based compensation	<u>-</u>	<u>(152)</u>	<u>281</u>	<u>129</u>
<b>At 31 December 2005</b>	<b><u>9,218</u></b>	<b><u>3,937</u></b>	<b><u>(9,529)</u></b>	<b><u>3,626</u></b>

# Notes to the Financial Statements

For the year ended 31 December 2005

## 25. Deferred Tax

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

The following are the major deferred taxation assets and liabilities recognised by the Group and movements thereon during the current and prior reporting years.

	<b>Accelerated tax depreciation</b> HK\$'000	<b>Tax losses</b> HK\$'000	<b>Total</b> HK\$'000
At 1 January 2004	62	(62)	-
Charge/(Credit) to income statement	18	(18)	-
At 31 December 2004 and 1 January 2005	80	(80)	-
(Credit)/Charge to income statement	(7)	7	-
<b>At 31 December 2005</b>	<b>73</b>	<b>(73)</b>	<b>-</b>

No deferred tax has been provided in the financial statements of the Company as there are no temporary differences.

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2005, the Group has unused tax losses of HK\$8,029,000 (2004: HK\$15,677,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$417,000 (2004: HK\$457,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$7,612,000 (2004: HK\$15,220,000) due to the unpredictability of future profit streams. This tax loss has no expiry date.



# Notes to the Financial Statements

For the year ended 31 December 2005

## 26. Operating Lease Commitments

### GROUP

At 31 December 2005, the total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	2005 HK\$'000	2004 HK\$'000
Within one year	283	119
In the second to fifth year inclusive	141	-
	424	119

The Group leases a number of rented premises under operating leases. The leases run for an initial period of one to two years. None of the leases include contingent rentals.

### COMPANY

The Company does not have any significant operating lease commitments as at 31 December 2005 and 2004.

## 27. Capital Commitments

The Group and the Company do not have any significant capital commitments as at 31 December 2005 and 2004.

## 28. Contingent Liabilities

### GROUP

As at 31 December 2005, the Group had no significant contingent liabilities.

### COMPANY

As at 31 December 2005, the Company had provided a corporate guarantee to a bank to secure a banking facility of HK\$1,000,000 (2004: HK\$1,000,000) granted to a subsidiary, which remained unused as at 31 December 2005.

# Notes to the Financial Statements

For the year ended 31 December 2005

## 29. Retirement Benefits Scheme

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The retirement benefits cost charged to income statement represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

For members of the MPF Scheme, the Group contributes 5% of the relevant payroll costs to the Scheme, which contribution is matched by the employee. Both the employers' and employees' contributions are subject to maximum of monthly earnings of HK\$20,000 per employee.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employee's basic salary. The employees are entitled to receive their entire contributions and the accrued interest thereon, and 100% of the employer's contributions and the accrued interest thereon upon retirement or leaving the employer after completing 10 years of service or at a reduced scale of between 30% to 90% after completing 3 to 9 years of service.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. The amount of forfeited contributions utilised in this manner during the year was HK\$67,000 (2004: HK\$102,000). There was no significant amount of forfeited contributions available to reduce future contribution payable by the Group as at 31 December 2005 and 2004.

Employees located in the PRC are covered by the retirement and pension schemes defined by local practice and regulations and which are essentially defined contribution schemes.

The calculation of contributions for the PRC eligible staff is based on certain percentage of the applicable payroll costs.

# Notes to the Financial Statements

For the year ended 31 December 2005

## 30. Related Party Transactions

Except as disclosed elsewhere in these financial statements, during the year, the Group had significant transactions with companies controlled by, or affiliated with, South China Holdings Limited (collectively referred to as the South China Group). A director of the Company, Mr. Ng Hung Sang, Robert, is a substantial shareholder and a director of South China Holdings Limited.

(a) Details of these transactions are as follows:

	2005 HK\$'000	2004 HK\$'000
(i) Purchase of services		
- Phototaking service fees	-	488
- Administrative service fees	-	984
- Marketing service fees	-	17
- Management fees	720	-
(ii) Operating lease expenses	260	237
(iii) Colour separation and photo processing fees	733	874

(b) As disclosed in the consolidated balance sheet, the Group had outstanding payable to a related company of HK\$560,000 (2004: receivable of HK\$423,000), as at 31 December 2005. The balances are unsecured interest-free and repayable on demand.

(c) The Group had entered into a mutual agreement with the South China Group that the South China Group has a right to use the title "Jessica" on publication of various magazines at a nominal value.

The above transactions were conducted in accordance with the terms mutually agreed between the Group and South China Group.

# Notes to the Financial Statements

For the year ended 31 December 2005

## 31. Acquisition of a Subsidiary

On 30 March 2004, the Group acquired 55% of the equity interest of BCM for consideration of HK\$519,000. The acquisition has been accounted for by the acquisition method of accounting.

The amount of goodwill arising as a result of the acquisition was HK\$3,933,000.

	<b>Carrying amounts</b>	<b>Fair value adjustments</b>	<b>Fair values</b>
	HK\$'000	HK\$'000	HK\$'000
Net assets acquired:			
Plant and equipment	533	–	533
Trademark	19	–	19
Goodwill	5,732	(5,732)	–
Trade and other receivables	2,875	–	2,875
Bank balances and cash	1	–	1
Other payables and accrued charges	(4,073)	–	(4,073)
Amount due to a minority shareholder of a subsidiary	(5,562)	–	(5,562)
Minority interest	214	2,579	2,793
	<u>(261)</u>	<u>(3,153)</u>	<u>(3,414)</u>
Goodwill			<u>3,933</u>
Total consideration			<u><u>519</u></u>
Satisfied by:			
Cash			68
Deposit paid in prior year			<u>451</u>
			<u><u>519</u></u>
Net cash outflow arising on acquisition:			
Cash consideration paid			68
Bank balances and cash acquired			<u>(1)</u>
Net outflow of cash and cash equivalents in respect of the purchase of a subsidiary			<u><u>67</u></u>

# Notes to the Financial Statements

For the year ended 31 December 2005

## 31. Acquisition of a Subsidiary *(Continued)*

The subsidiary acquired during the year ended 31 December 2004 contributed HK\$25,214,000 to the Group's turnover, and loss of HK\$5,001,000 to the Group's loss from operations in that year.

## 32. Risk Management Objectives and Policies

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate strategies to manage the Group's exposure to market risk. The Group's exposure to market risk is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purpose.

The Group's financial assets include cash and cash equivalents, trade receivables, other receivables and amount due from a related company. The Group's financial liabilities include trade payables, other payables and accrued expenses, amount due to a related company and amount due to a minority shareholder of a subsidiary.

### 32.1 Credit risk

All the Group's cash and cash equivalents are deposited with major banks located in Hong Kong and the PRC.

The carrying amounts of trade receivables included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. No other financial assets carrying a significant exposure to credit risk. The Group has no significant concentration of credit risk.

### 32.2 Foreign currency risk

The Group has certain investments in operations in Mainland China, whose net assets are denominated in Chinese Renminbi. Chinese Renminbi is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China.

### 32.3 Cash flow and interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

### 32.4 Fair value

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values because of the immediate or short-term maturity of these financial instruments. The fair value of non-current liabilities was not disclosed because the carrying value is not materially different from the fair value.

## Financial Summary

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated upon the adoption of the new and revised HKFRS and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statement.

### Financial Results

	Year ended 31 December				2005 HK\$'000
	2001 HK\$'000 <i>(Note i&amp;ii)</i>	(Restated) 2002 HK\$'000 <i>(Note ii)</i>	(Restated) 2003 HK\$'000 <i>(Note ii)</i>	(Restated) 2004 HK\$'000	
Revenue	20,034	27,599	41,287	81,389	<b>94,855</b>
Direct operating expenses	(15,966)	(19,099)	(28,457)	(58,209)	<b>(65,542)</b>
Other operating income	437	165	164	67	<b>195</b>
Selling and distribution costs	(5,000)	(6,057)	(10,180)	(17,603)	<b>(18,967)</b>
Administrative expenses	(4,746)	(7,127)	(5,421)	(7,336)	<b>(6,735)</b>
Other operating expenses	(418)	-	(203)	(1,041)	<b>(376)</b>
Profit/(Loss) from operations	(5,659)	(4,519)	(2,810)	(2,733)	<b>3,430</b>
Wavier of amounts due to related companies	7,611	-	-	-	-
Profit/(Loss) before income tax	1,952	(4,519)	(2,810)	(2,733)	<b>3,430</b>
Income tax (expense)/credit	(117)	117	-	-	-
Profit/(Loss) for the year	<u>1,835</u>	<u>(4,402)</u>	<u>(2,810)</u>	<u>(2,733)</u>	<u><b>3,430</b></u>
Attributable to:					
Equity holders of the Company	1,835	(4,402)	(2,810)	(478)	<b>3,430</b>
Minority interests	-	-	-	(2,255)	-
Profit/(Loss) for the year	<u>1,835</u>	<u>(4,402)</u>	<u>(2,810)</u>	<u>(2,733)</u>	<u><b>3,430</b></u>

# Financial Summary

## Assets, Liabilities and Minority Interests

	As at 31 December				
	2001 HK\$'000 <i>(Note iii)</i>	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000	2005 HK\$'000
Total assets	7,355	14,148	17,176	29,981	<b>35,491</b>
Total liabilities	(9,720)	(9,275)	(13,768)	(29,166)	<b>(31,225)</b>
Minority interests	—	—	—	2,698	<b>2,698</b>
Equity attributable to the Company's equity holders	<u>(2,365)</u>	<u>4,873</u>	<u>3,408</u>	<u>3,513</u>	<u><b>6,964</b></u>

### Notes:

- (i) The results for the year ended 31 December 2001 have been prepared on a combined basis as if the group structure immediately after the group reorganisation in September 2001 had been in existence throughout the year.
- (ii) In previous years certain direct operating costs were classified as selling and distribution costs. The directors consider that these expenses were directly related to the turnover of the Group and it is more informative to the readers after reclassifying these expenses to direct operating expenses. The amounts reclassified from selling and distribution costs to direct operating expenses for the three years ended 31 December 2001, 2002 and 2003 are HK\$355,000, HK\$431,000 and HK\$1,197,000 respectively.
- (iii) The Company was incorporated in Cayman Islands on 29 June 2001 and became the holding company of the Group as a result of the group reorganisation which took place on 10 September 2001. Accordingly, the balance sheet for the Group that have been prepared are those set out above.