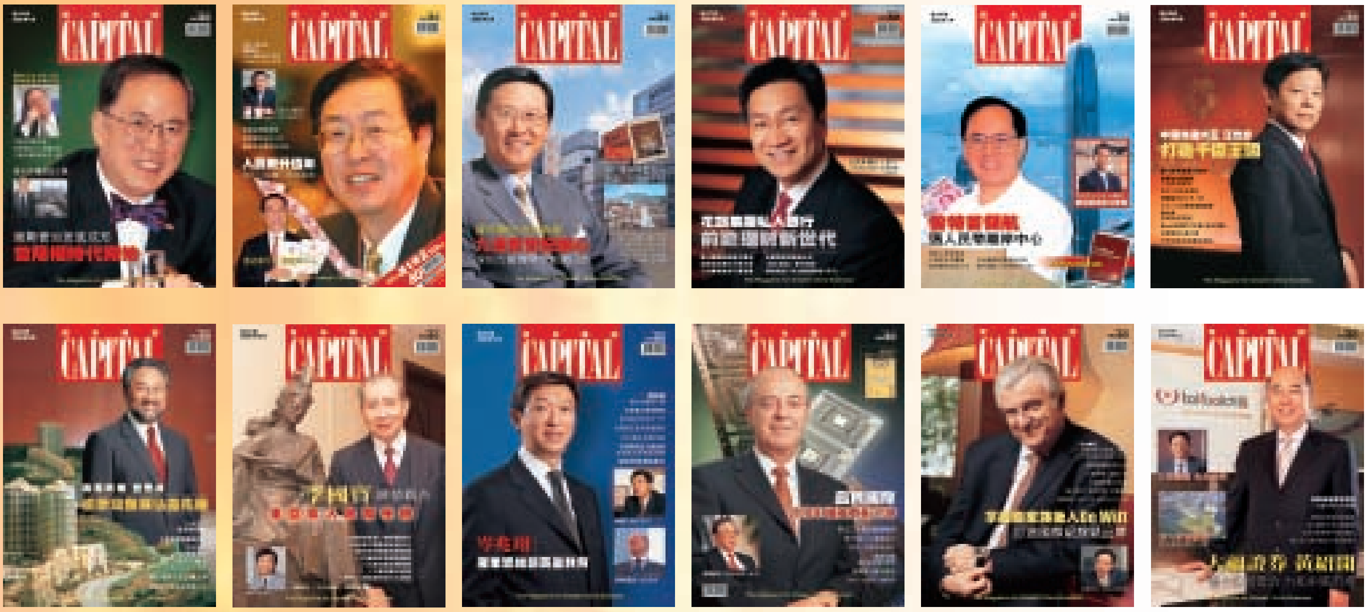
資本雜誌

CAPITAL

CAPITAL PUBLICATIONS LIMITED
資本出版有限公司

(Incorporated in the Cayman Islands with limited liability)

stock code: 8155



ANNUAL REPORT 2005

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 Capital Publications Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on the Growth Enterprise Market 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.

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Ng Hung Sang *(Co-Chairman)*
Mr. Fung Ka Pun *(alias K.B. Fung) (Co-Chairman)*
Mr. Ng Yuk Yeung, Paul *(Chief Executive Officer)*
Mr. Hui Ping
Mr. Ng Yuk Fung, Peter

Non-executive Director

Ms. Ng Yuk Mui, Jessica

Independent Non-executive Directors

Mr. Law Cho Wa, Richard
Dr. Lo Wing Yan, William, *JP*
Mr. Cheng Yuk Wo

Compliance Officer

Mr. Hui Ping

Company Secretary & Qualified Accountant

Mr. Chan Chi Keung *ACCA*

Authorised Representatives

Mr. Hui Ping
Mr. Chan Chi Keung

Audit Committee

Mr. Law Cho Wa, Richard *(Committee Chairman)*
Dr. Lo Wing Yan, William, *JP*
Mr. Cheng Yuk Wo

Remuneration Committee

Dr. Lo Wing Yan, William, *JP (Committee Chairman)*
Mr. Law Cho Wa, Richard
Mr. Cheng Yuk Wo

Auditors

Grant Thornton

Principal Banker

Standard Chartered Bank (Hong Kong) Limited
Shop 16
Ground Floor & Lower Floor
New World Tower
Central
Hong Kong

Registered Office

Scotia Centre, 4th Floor
P. O. Box 2804
George Town
Grand Cayman
Cayman Islands

Corporate Information

Head Office and Principal Place of Business

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

Share Registrar and Transfer Office

Union Registrars Limited
311-312 Two Exchange Square
Central
Hong Kong

Stock Code

8155

Website for the Group's Magazine

www.capital-hk.com

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

For the year ended 31 December 2005, the Group's turnover increased by 60% to HK$25.1 million (compared with HK$15.7 million in 2004). The surge in turnover was attributable to the continued success of "資本雜誌 Capital" magazine and the rapid growing acceptance of "資本企業家 Capital Entrepreneur" and "資本才俊 Capital CEO".

Each of the magazines has strengthened its grip within its individual niche markets. "資本雜誌Capital" appeals to the large successful corporate giants with an added emphasis on politics and macroeconomics. "資本才俊 Capital CEO" attracts those working executives and the leaders of second generation in the business world. "資本企業家 Capital Entrepreneur" targets to those becoming proprietors of successful enterprise.

The individuality and acceptance of each magazine can be seen in the year ending events of each magazine. "資本雜誌 Capital" hosted its traditional "Outstanding Enterprise Award" ceremony this year with an increase of up to seventeen distinguished enterprises being awarded these prestigious titles. "資本才俊 Capital CEO" toasted its success by inviting twelve very promising second generation CEO's at "The Most Sophisticated CEO Awards" and "資本企業家 Capital Entrepreneur" hosted its own version of Entrepreneurial Spirit Awards 2005.

The running of two additional magazines in late 2004 resulted in an increase in operating costs for the Group for the year ended 2005 when compared with that for 2004. However, the acceleration in advertising revenue and the positive attributes generated by the three individual titles are regarded successful and have been lifting the "資本雜誌 Capital" brand to a higher level.

The loss for the year had been reduced significantly by 45% from a loss of HK$3.6 million in 2004 to a loss of HK$2.0 million. It was mainly attributable to the improvement in circulation and advertising incomes with a well-received readership in 2005 for the two fresh magazines, "資本才俊 Capital CEO" and "資本企業家 Capital Entrepreneur".

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 liabilities of HK$253,000 (2004: net current assets of HK$1,611,000).

The Board is of the opinion that, taking into account the internal financial resources of the Group and the financial support provided by the substantial shareholder, the Group has sufficient working capital for its present requirements.

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; (iii) the Group had no loan arrangements with or had not obtained any credit facilities from any financial institutions; (iv) the Group did not made any material acquisitions, disposals and investment; and (v) the Group did not have any contingent liabilities.

As the Group had no bank borrowings, no gearing ratio is presented for both 2004 and 2005.

SIGNIFICANT INVESTMENT PLANS

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

EMPLOYEES

As at 31 December 2005, the total number of employees of the Group was 52 (2004: 48). Employees' cost (including directors' emoluments) amounted to HK$11.9 million for the year (2004: HK$8.7 million (Restated)).

The Group considers its employees are its most valuable asset. In addition to salary, other fringe benefits such as medical subsidies, life insurance and provident fund 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. An employee share option scheme was adopted by the Company on 24 June 2002 and became effective on 18 July 2002.

PROSPECTS

With the momentum of Hong Kong's economy growing stronger and stronger, management expects a very good year for advertisers, as they are now more eager to establish a foothold for their high-end brand names in the fast growing PRC market through advertising and promotion in Hong Kong. This normally will result in a higher budget set for advertising and promotion. Majority of holders of these high-end brand names is also frequent clients of our publishing titles. We will likely be benefited from this trend as a result.

Furthermore, there is a flurry of Mainland China based companies which aims to become listed on the Stock Exchange of Hong Kong. These companies generally require corporate services in order to achieve a fair amount of exposure and gain recognition in the Hong Kong business market. Our magazines are primed to provide the specialized services to this clientele.

Meanwhile, the Company will continue to seek out further opportunities to expand into Mainland China especially with regards to circulation and finding new potential sizable clients.

APPRECIATION

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

Ng Hung Sang
Co-Chairman

Hong Kong, 14 March 2006

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Ng Hung Sang, aged 56, is an Executive Director and the Co-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"), Wah Shing International Holdings Limited ("Wah Shing") and Jessica Publications Limited ("Jessica"). 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 28 January 2002. Mr. Ng is the father of Ms. Ng Yuk Mui, Jessica, Mr. Ng Yuk Fung, Peter and Mr. Ng Yuk Yeung, Paul.

Mr. Fung Ka Pun (alias K.B. Fung), aged 60, is the Executive Co-Chairman of E2-Capital (Holdings) Limited, a company listed on the Stock Exchange. Mr. Fung is the Founder and Chairman of Goodwill International (Holdings) Limited, a substantial shareholder of E2-Capital (Holdings) Limited. He has over 30 years of experience in finance, broking, securities trading and corporate finance. Mr. Fung is a member of the Association of International Accountants and The Institute of Chartered Secretaries and Administrators. He was appointed as Director and Executive Co-Chairman of the Company on 30 August 2002.

Mr. Ng Yuk Yeung, Paul, aged 24, is an Executive Director and the Chief Executive Officer of the Company. Mr. Ng is also an Executive Director of South China Brokerage. He graduated in law from Corpus Christi College, University of Cambridge (the "University") in the United Kingdom and is a Scholar of the University. He has been engaged in the financial service, travel and media businesses for over three years. Mr. Ng was appointed as a Director of the Company on 9 October 2003. Mr. Ng is a son of Mr. Ng Hung Sang and a brother of Ms. Ng Yuk Mui, Jesscia and Mr. Ng Yuk Fung, Peter.

Mr. Hui Ping, aged 55, was appointed as a Director of the Company on 28 January 2002 and as Editorial Director and Associate Publisher of the Group on 20 March 2002. He is also the Compliance Officer and one of the Authorised Representatives of the Company. He holds a Master's degree in International Studies from the Griffith University in Australia. He has extensive experience in the media industry. Since November 1999, Mr. Hui worked for the South China Media Group as Deputy Chief Editor and Quality Controller of its magazine publication business, which included, amongst other things, the "資本雜誌 Capital" magazine where his responsibilities included giving editorial direction and management of the editorial teams.

Mr. Ng Yuk Fung, Peter, aged 25, was appointed as a Director of the Company on 9 October 2003. He is also an Executive Director of South China Holdings, South China Industries and Wah Shing and both the Executive Director and Chief Executive Officer of Jessica. He holds a bachelor's degree in law from King's College, University of London in the United Kingdom. He has been engaged in the industrial and pharmaceutical businesses for over four years. Mr. Ng is a son of Mr. Ng Hung Sang and a brother of Ms. Ng Yuk Mui, Jesscia and Mr. Ng Yuk Yeung, Paul.

Biographical Details of Directors and Senior Management

Non-executive Director

Ms. Ng Yuk Mui, Jessica, aged 27, was appointed an Non-executive Director of the Company on 20 August 2003. She is also a Non-executive Director of South China Holdings, South China Industries and Jessica. Ms. Ng has 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 the daughter of Mr. Ng Hung Sang and the sister of Mr. Ng Yuk Fung, Peter and Mr. Ng Yuk Yeung, Paul.

Independent Non-executive Directors

Mr. Law Cho Wa, Richard, aged 40, is the Company Secretary of Henderson China Holdings Limited, a company formerly listed on the Stock Exchange. Mr. Law has extensive experience in accounting, auditing, financial reporting, company secretarial practice, corporate advisory services and general management. He holds a Master's degree in Business Administration from the University of Hong Kong and a Post-graduate Diploma in Corporate Administration from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries, The Association of Chartered Certified Accountants, and The Institute of Chartered Secretaries and Administrators and a member of the Hong Kong Institute of Directors. Mr. Law was appointed as an Independent Non-executive Director of the Company on 5 June 2002.

Dr. Lo Wing Yan, William, JP, 45, is the executive director and vice-president of China Unicom Limited which is listed on both the Stock Exchange and the New York Stock Exchange. He is also the independent non-executive director of Nam Tai Electronics, Inc. which is listed on the NYSE, and independent non-executive director of a number of companies listed on the Stock Exchange including Softbank Investment International (Strategic) Limited, Varitronix International Limited, Ocean Grand Chemicals Holdings Limited, Superdata Software Holdings Limited and I.T. Limited, and a non-executive director of Panorama International Holdings Limited, which is also listed on the Stock Exchange. Dr. Lo was the Chief Executive Officer of Citibank's Global Consumer Banking Business for Hong Kong, Macau from 1998 to 1999. Prior to his appointment at Citibank, Dr. Lo was the founding Managing Director of Hong Kong Telecom IMS Ltd. Dr. Lo holds a M Phil Degree in Molecular Pharmacology and a PhD degree in Genetic Engineering, both from Cambridge University. He was a Commonwealth Scholar, a Croucher Foundation Fellow (HK), and a Bye-Fellow of Downing College, Cambridge. Dr. Lo is very active in the education sector of which he is an Adjunct Professor of The School of Business, Hong Kong Baptist University as well as a Governor of a newly established independent school the ISF Academy. In 1996, Dr. Lo was selected as a "Global Leader for Tomorrow" by World Economic Forum. In 1999, he was appointed as a Justice of the Peace ("J.P."). In 2003, he was appointed as Committee Member of Shantou People's Political Consultative Conference. Dr. Lo was appointed as an Independent Non-executive Director of the Company on 25 February 2002.

Biographical Details of Directors and Senior Management

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, Jessica and Zida Computer Technologies Limited, all being public companies listed in Hong Kong. He previously was an executive director of a listed company 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.

Senior Management

Mr. Chan Chi Keung, aged 32, is the Company Secretary, Qualified Accountant and one of the Authorised Representatives of the Company. He graduated from Hong Kong Baptist University with an Honours Degree in Professional Accounting. He is an associate member of the Association of Chartered Certified Accountants. Mr. Chan has about 9 years' experience in auditing, accounting and financial management.

Mr. Lam Chun Wai, aged 42, is the Managing Chief Editor of the "資本雜誌 Capital" magazine. Mr. Lam joined the Group on 24 April 2002 and is responsible for editing and reporting of the "資本雜誌 Capital" magazine. He graduated with a Bachelor's degree of Arts from Tamkang University in Taiwan and has about 20 years of experience in the media industry.

Directors' Report

The Directors present 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 principal activities of its 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 27.

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

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 are set out in note 19 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 *(Co-Chairman) (Resigned as Chief Executive Officer on 10 August 2005)*
Mr. Fung Ka Pun *(Co-Chairman)*
Mr. Ng Yuk Yeung, Paul *(Chief Executive Officer) (Appointed as Chief Executive Officer on 10 August 2005)*
Mr. Hui Ping
Mr. Ng Yuk Fung, Peter

Non-executive Director:
Ms. Ng Yuk Mui, Jessica

Independent Non-executive Directors:
Dr. Lo Wing Yan, William, JP
Mr. Law Cho Wa, Richard
Mr. Cheng Yuk Wo

In accordance with Article 116 of the Articles of Association of the Company, Mr. Hui Ping, Mr. Ng Yuk Yeung, Paul and Mr. Ng Yuk Fung, Peter 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

The Executive Directors have entered into a service contract with the Company for an initial fixed term of one year commencing from 28 January 2002 (for Mr. Ng Hung Sang and Mr. Hui Ping) and from 30 August 2002 (for Mr. Fung Ka Pun), which continues thereafter unless and until terminated by not less than three months' notice in writing served by either party on the other. In addition, Mr. Hui Ping is required to work full time for the Company.

The Non-executive Director and the Independent Non-executive Directors are appointed for an initial term of two years commencing from her/his 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.

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 Executive's 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 Executive of the Company in the shares, underlying shares and 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$0.01 each of the Company

Name of director	Capacity	Number of shares held	Approximate percentage of shareholding
Mr. Ng Hung Sang	Beneficial owner	18,766,800	3.71%
	Corporate interest	326,588,403 *(Note)*	64.48%

Note: The 326,588,403 shares referred to above include 101,422,000 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 Limited ("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.

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. Law Cho Wa, Richard, Dr. Lo Wing Yan, William, JP and Mr. Cheng Yuk Wo an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company still considers all the Independent Non-executive Directors are independent.

Share Option Scheme

The Company's existing share option scheme (the "Scheme") was adopted on 24 June 2002 and became effective on 18 July 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 sub-section 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 or supplier who have contributed to the Group (collectively the "Participants"), to take up options to subscribe for shares of HK$0.01 each in the share capital of the Company ("Shares") in accordance with the provisions of the Scheme.

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

Pursuant to the letter issued by the Stock Exchange on 8 July 2002, the total number of Shares available for issue under options which may be granted under the Scheme is 50,649,834 Shares, being 10% of the issued share capital at the date of completion of the Placing.

As at 31 December 2005, 5,064,983 Shares were issuable pursuant to share options granted under the Scheme. In addition, up to 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 under the Scheme was 45,584,851, representing 9% of the issued share capital of the Company as at 14 March 2006.

Share Option Scheme *(Continued)*

4. *Maximum entitlement of each participant*

   No Participant shall be granted an option if 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.

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 highest 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.

Share Option Scheme *(Continued)*

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. 18 July 2002 and ending on 17 July 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.

(ii) Details of options granted

Particulars and movements during the year ended 31 December 2005 of the outstanding share options granted under the Scheme were as follows:–

	Number of share options										
Name or category of participant	Held as at 1.1.2005	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31.12.2005	Date of grant of share options *(Note a)*	Exercise period of share options	Initial exercise price per share option *HK$*	Price Immediately preceding the grant date of share options *(Note b)* *HK$*	Price Immediately preceding the exercise date of share options *(Note c)* *HK$*
Director											
Mr. Fung Ka Pun	5,064,983	–	–	–	–	5,064,983	27.8.2002	27.8.2003–17.7.2012	0.27	0.25	N/A
Total	5,064,983	–	–	–	–	5,064,983					

Notes:

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

From the date of grant of share options	**Exercisable Percentage**
Within 12 months	Nil
13th – 24th months	$33^1/_3$%
25th – 36th months	$33^1/_3$%
37th – 48th months	$33^1/_3$%

Share Option Scheme *(Continued)*

(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 (2004: Nil), no consideration in respect of share options was received and disclosure of the value of options granted during the year is 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 rights to subscribe for equity or debt securities of the Company, nor had exercised any such right.

Directors' Interests in Contracts 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 Shares and Underlying Shares

As at 31 December 2005, the following persons, other than the Directors or Chief Executive of the Company, had interests and 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 the SFO:–

Ordinary Shares of HK$0.01 each of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Parkfield	Beneficial owner	101,422,000 *(Note a)*	20.02%
Fung Shing	Beneficial owner	99,012,563 *(Note a)*	19.55%
Earntrade	Beneficial owner	62,661,600 *(Note b)*	12.37%
	Corporate interest	59,325,840 *(Note b)*	11.71%
Bannock	Beneficial owner	59,325,840 *(Note b)*	11.71%

Notes:

(a) Each of Parkfield and Fung Shing is wholly owned by Mr. Ng Hung Sang, Co-Chairman of the Company.

(b) 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, is the holding company of Bannock. Thus, Earntrade 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 Executive of the Company, who had interests or short positions in the Shares and 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 Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Substantial Shareholders' and Other Persons' Interests and Short Positions in 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 issued and who is able, as a practical matter, to direct or influence the management of the Company.

Connected Transactions

There were no transactions to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules during the year ended 31 December 2005.

Directors' Interests in Competing Business

Mr. Ng Hung Sang, Co-Chairman and management shareholder of the Company, is also Chairman of South China Holdings and Jessica. Mr. Ng Hung Sang, personally and through Parkfield, Fung Shing and Ronastar, has interest in South China Holdings and Jessica. Mr. Ng Hung Sang together with Ms. Cheung Choi Ngor and Mr. Richard Howard Gorges, management shareholders of the Company, have beneficial interests in Earntrade, which directly and indirectly through Bannock holds shares in South China Holdings and Jessica. Ms. Cheung Choi Ngor, who is an ex-director of Capital Publishing Limited, a wholly owned subsidiary of the Company and Mr. Richard Howard Gorges, are also directors of various members of South China Holdings. As Jessica and certain members of South China Media Limited ("SC Media"), 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 to be interested in such competing businesses of the Group. Likewise, Mr. Hui Ping, an Executive Director of the Company, is an ex-employee of SC Media. Mr. Ng Yuk Fung, Peter, an Executive Director of the Company, is also an executive director of South China Holdings and an executive director and the chief executive officer of Jessica. They are regarded to be interested in such competing businesses 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 Jessica. 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 South China Holdings and Jessica.

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 in 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.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2005.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Retirement Benefits Scheme

Details of the Group's retirement benefits scheme are set out in Note 25 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 71.3% of the Group's total purchases. In addition, the largest supplier accounted for 37.8% of the Group's total purchases. Success Production Limited, a member of South China Holdings, is one of the top five suppliers.

The management shareholders of the Company, including Mr. Ng Hung Sang, Parkfield, Fung Shing, Ronastar, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges, Earntrade and Bannock, hold interests in South China Holdings.

Save as disclosed above, 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 as at 31 December 2005.

Directors' Report

Audit Committee

The Company has established an audit committee with written terms of reference in compliance with 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 Independent Non-executive Directors, namely Mr. Law Cho Wa, Richard (Chairman of the Committee), Dr. Lo Wing Yan, William, JP and Mr. Cheng Yuk Wo.

During the year, the audit committee held five meetings to review and comment on the Company's 2004 annual report and 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 have been 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 have been made.

Auditors

Messrs. Deloitte Touche Tohmatsu, who have 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 submitted to the forthcoming annual general meeting to re-appoint Messrs. Grant Thornton as auditors of the Company.

On behalf of the Board

Ng Hung Sang
Co-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 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 9 Directors, including two Co-Chairmen, the Chief Executive Officer who are Executive Directors, 2 additional Executive Directors, 3 Independent Non-executive Directors and 1 Non-executive Director, 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 page 7 to 9.

Review will be made regularly of 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.

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, 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 Board is collectively responsible for the formulation of the Group's strategy, overseeing the management of the business and affairs of the Group.

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 Co-Chairmen have 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 Co-Chairmen seek 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.

The Board meets regularly and held four meetings in 2005.

	Attendance
Executive Directors	
Ng Hung Sang *(Co-Chairman)*	2/4
Fung Ka Pun *(Co-Chairman)*	3/4
Ng Yuk Yeung, Paul *(Chief Executive Officer)*	3/4
Hui Ping	2/4
Ng Yuk Fung, Peter	1/4
Non-executive Director	
Ng Yuk Mui, Jessica	1/4
Independent Non-executive Directors	
Law Cho Wa, Richard	4/4
Lo Wing Yan, William, JP	3/4
Cheng Yuk Wo	4/4

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.

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.

Corporate Governance Report

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 Report of the Auditors on page 26.

Auditors' Remuneration

For the year ended 31 December 2005, the Auditors of the Company received approximately HK$200,000 for audit service. No non-audit service was provided by the Auditors in 2005.

Remuneration Committee

The Remuneration Committee was set up on 16 March 2005 and comprises all the Independent Non-executive Directors. The Committee members are Dr. Lo Wing Yan, William, JP (Chairman of the Committee), Mr. Law Cho Wa, Richard 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 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.

Audit Committee

The Audit Committee comprises all three Independent Non-executive Directors, Mr. Law Cho Wa, Richard (Chairman of the Committee), Dr. Lo Wing Yan, William, JP and Mr. Cheng Yuk Wo. 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 Audit Committee Members meet regularly. Five meetings of the Audit Committee were held in 2005.

	Attendance
Law Cho Wa, Richard *(Chairman of the Committee)*	5/5
Lo Wing Yan, William, JP	4/5
Cheng Yuk Wo	5/5

The Committee is satisfied with the findings of their review of the audit fees, process and effectiveness 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

To the members of Capital Publications Limited
資本出版有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 27 to 61 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.

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 loss 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

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
Revenue	*5*	**25,140**	15,711
Direct operating expenses		**(17,255)**	(11,204)
Other operating income	*6*	**15**	15
Selling and distribution costs		**(7,111)**	(5,390)
Administrative expenses		**(2,074)**	(2,525)
Other operating expenses		**(665)**	(168)
Loss before income tax	*8*	**(1,950)**	(3,561)
Income tax expense	*9*	**–**	–
Loss for the year attributable to equity holders of the Company	*10*	**(1,950)**	(3,561)
Loss per share for loss attributable to the equity holders of the Company during the year	*11*		
– Basic		**HK(0.38) cent**	HK(0.70) cent
– Diluted		**N/A**	N/A

Consolidated Balance Sheet

As at 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	*14*	**1,096**	1,129
Current assets			
Trade receivables	*16*	**6,306**	5,198
Other receivables		**347**	510
Amount due from a related company	*26(b)*	**53**	–
Cash and cash equivalents	*17*	**1,330**	2,710
		8,036	8,418
Current liabilities			
Trade payables	*18*	**5,218**	3,892
Other payables and accrued expenses		**2,903**	2,515
Receipts in advance		**168**	218
Amount due to a related company	*26(b)*	**–**	182
		8,289	6,807
Net current (liabilities)/assets		**(253)**	1,611
Total assets less current liabilities		**843**	2,740
EQUITY			
Share capital	*19*	**5,065**	5,065
Reserves		**(4,222)**	(2,325)
Total equity		**843**	2,740

Ng Yuk Yeung, Paul
Director

Hui Ping
Director

Balance Sheet

As at 31 December 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Interest in subsidiaries	*15*	**1,108**	1,108
Current assets			
Cash and cash equivalents	*17*	**36**	2,125
Current liabilities			
Other payables		**27**	–
Net current assets		**9**	2,125
Total assets less current liabilities		**1,117**	3,233
EQUITY			
Share capital	*19*	**5,065**	5,065
Reserves	*21*	**(3,948)**	(1,832)
Total equity		**1,117**	3,233

Ng Yuk Yeung, Paul
Director

Hui Ping
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2005

	Note	2005 HK$'000	2004 HK$'000 (Restated)
Cash flows from operating activities			
Loss before income tax		**(1,950)**	(3,561)
Adjustments for:			
Interest income		**(9)**	(1)
Equity settled share based payment expenses		**53**	170
Depreciation		**384**	266
Operating loss before working capital changes		**(1,522)**	(3,126)
Increase in trade receivables		**(1,108)**	(2,088)
Decrease/(Increase) in other receivables		**163**	(336)
Increase in amount due from a related company		**(53)**	–
Increase in trade payables		**1,326**	2,563
Increase in other payables and accrued expenses		**388**	1,058
(Decrease)/Increase in receipts in advance		**(50)**	25
(Decrease)/Increase in amount due to a related company		**(182)**	166
Net cash used in operating activities		**(1,038)**	(1,738)
Cash flows from investing activities			
Interest received		**9**	1
Purchases of plant and equipment		**(351)**	(564)
Net cash used in investing activities		**(342)**	(563)
Net decrease in cash and cash equivalents		**(1,380)**	(2,301)
Cash and cash equivalents at 1 January		**2,710**	5,011
Cash and cash equivalents at 31 December	*17*	**1,330**	2,710

Consolidated Statement of Changes in Equity

For the year ended 31 December 2005

	Equity attributable to equity holders of the Company					
	Share capital	**Share premium**	**Capital reserve**	**Employee compensation reserve**	**Accumulated losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2004, as previously reported	5,065	11,483	6,044	–	(16,461)	6,131
Effect of changes in accounting policy:						
– initial adoption of HKFRS 2	–	–	–	593	(593)	–
At 1 January 2004, as restated	5,065	11,483	6,044	593	(17,054)	6,131
Loss for the year	–	–	–	–	(3,561)	(3,561)
Total recognised income and expense for the year	–	–	–	–	(3,561)	(3,561)
Employee share based compensation	–	–	–	170	–	170
At 31 December 2004	5,065	11,483	6,044	763	(20,615)	2,740
At 31 December 2004, as previously reported	5,065	11,483	6,044	–	(19,852)	2,740
Effect of changes in accounting policy:						
– initial adoption of HKFRS 2	–	–	–	763	(763)	–
At 31 December 2004 and 1 January 2005, as restated	5,065	11,483	6,044	763	(20,615)	2,740
Loss for the year	–	–	–	–	(1,950)	(1,950)
Total recognised income and expense for the year	–	–	–	–	(1,950)	(1,950)
Employee share based compensation	–	–	–	53	–	53
At 31 December 2005	5,065	11,483	6,044	816	(22,565)	843

Notes to the Financial Statements

For the year ended 31 December 2005

1. General Information

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

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

The financial statements on pages 27 to 61 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") 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 HKFRS

From 1 January 2005, the Group has adopted the new/revised standards and interpretations of HKFRS, 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 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

2. Adoption of New/Revised HKFRS *(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 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.

2.2 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.

2.3 Other standards adopted

The adoption of HKAS1, 7, 8, 10, 16,17, 24, 27, 32, 33, 36, 37 and HKFRS 3 did not result in significant changes 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.

2. Adoption of New/Revised HKFRS *(Continued)*

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

	2005 HK$'000	2004 HK$'000
Increase in staff costs	**(53)**	(170)
Total increase in loss for the year	**(53)**	(170)
Increase in loss per share		
– Basic	**HK(0.01) cent**	HK(0.03) cent
– Diluted	**N/A**	N/A

2.5 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	**763**	593
Accumulated losses	**(763)**	(593)
At 31 December		
Employee compensation reserve	**816**	763
Accumulated losses	**(816)**	(763)

2. Adoption of New/Revised HKFRS *(Continued)*

2.6 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 application of these standards or interpretations will have no material impact on the financial statements of the Group.

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

1 Effective for annual periods beginning on or after 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

3. Summary of Principal Accounting Policies

3.1 Basis of presentation

The financial statements have been prepared on a going concern basis, notwithstanding that the Group had net current liabilities of HK$253,000 as at 31 December 2005. In the opinion of the directors, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements, after taking into consideration an undertaking made by Mr. Ng Hung Sang, Robert, a substantial shareholder of the Company, to provide continuing financial support to the Group so as to enable the Group to continue in business as a going concern and to meet its liabilities and obligations as and when they fall due for the period at least up to 31 December 2006. Accordingly, the financial statements have been prepared on a going concern basis.

3.2 Basis of preparation

The principal 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.

3.3 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.

3.4 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. Summary of Principal Accounting Policies *(Continued)*

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 receipts 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.

3.6 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 to 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.

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

3.7 Impairment of assets

The 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.

All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate 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. 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.

3.8 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.

3.9 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. Summary of Principal Accounting Policies *(Continued)*

3.10 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 fiscal 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. 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.

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.

3.11 Cash and cash equivalents

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

3.12 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 benefit) to the extent they are incremental costs directly attributable to the equity transaction.

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

3.13 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 25 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.

3.14 Share-based employee compensation

The Group applies this HKFRS 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.

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 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.

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

3.15 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.

3.16 Financial liabilities

The Group's financial liabilities include trade payables, other payables, accrued expenses and amount due to a related company. 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.

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

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) 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 provision at the balance sheet date.

(ii) 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, 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:

	2005	2004
	HK$'000	HK$'000
Sales of magazines	**2,243**	1,552
Advertising income	**17,567**	11,210
Promotion and marketing income	**5,330**	2,949
Revenue/Turnover	**25,140**	15,711

6. Other Operating Income

	2005	2004
	HK$'000	HK$'000
Bank interest income	**9**	1
Sundry income	**6**	14
	15	15

7. Segment Information

The Group's operation was principally attributable to the magazine publishing and advertising activities in Hong Kong. Accordingly, no analysis on the basis of business and geographical segments is presented.

8. Loss Before Income Tax

	2005	2004
	HK$'000	HK$'000
		(Restated)
Loss before income tax is arrived at after charging:		
Minimum lease payments paid under operating leases in respect of:		
– Rented premises	**212**	212
Staff costs including directors' emoluments *(Note 12)*	**11,862**	8,718
Auditors' remuneration:		
– Provision for current year	**200**	300
– Under provision for prior year	**20**	–
Impairment of receivables	**665**	168
Depreciation	**384**	266

9. Income Tax Expense

No Hong Kong profits tax has been provided as the Group has incurred tax losses for the year (2004: Nil).

Reconciliation between tax expense and accounting loss at applicable tax rates:

	2005	2004
	HK$'000	HK$'000
		(Restated)
Loss before income tax	**(1,950)**	(3,561)
Tax at the applicable tax rates	**(341)**	(623)
Tax effect of non-deductible expenses	**–**	33
Tax effect of non-taxable revenue	**–**	(4)
Tax effect of utilisation of previously unrecognised tax losses	**(467)**	–
Tax effect of tax losses not recognised	**689**	641
Tax effect on temporary difference not recognised	**119**	–
Others	**–**	(47)
Income tax expense	**–**	–

10. Loss for the Year Attributable to Equity Holders of the Company

Of the loss for the year attributable to equity holders of the Company of HK$1,950,000 (2004: HK$3,561,000 (Restated)), a loss of HK$2,169,000 (2004: HK$15,645,000 (Restated)) has been dealt with in the financial statements of the Company.

11. Loss Per Share

The calculation of the basic loss per share is based on the loss attributable to equity holders of the Company of HK$1,950,000 (2004: HK$3,561,000 (Restated)) and on 506,498,344 (2004: 506,498,344) shares in issue.

No diluted loss per share has been presented because the exercise of the Company's share options will reduce loss per share for both years.

12. Employee Benefit Expense (including directors' emoluments)

	2005 HK$'000	2004 HK$'000 (Restated)
Wages and salaries	**11,323**	8,241
Share-based payment	**53**	170
Pension costs – defined contribution plans *(note 25)*	**486**	307
	11,862	8,718

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

	2005 HK$'000	2004 HK$'000 (Restated)
Basic salaries and housing allowances	**2,380**	2,331
Share-based payment	**53**	170
Pension costs – defined contribution plans	**60**	48
	2,493	2,549

13. Directors' Remuneration and Senior Management's Emolument

(a) Directors' emoluments

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

	Fees	Salaries and allowances	Retirement benefit scheme contribution	Equity-settled share-based payment expenses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2005					
Executive directors					
Ng Hung Sang	–	–	–	–	–
Fung Ka Pun	–	–	–	53	53
Hui Ping	–	540	12	–	552
Ng Yuk Fung, Peter	–	–	–	–	–
Ng Yuk Yeung, Paul	–	–	–	–	–
Non-executive director					
Ng Yuk Mui, Jessica	–	–	–	–	–
Independent non-executive directors					
Law Cho Wa, Richard	50	–	–	–	50
Lo Wing Yan, William	50	–	–	–	50
Cheng Yuk Wo	40	–	–	–	40
	140	540	12	53	745

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

(a) Directors' emoluments (Continued)

	Fees	Salaries and allowances	Retirement benefit scheme contribution	Equity-settled share-based payment expenses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2004					
Executive directors					
Ng Hung Sang	–	–	–	–	–
Fung Ka Pun	–	–	–	170	170
Hui Ping	–	540	12	–	552
Lau Ho Kit, Ivan*	–	53	1	–	54
Ng Yuk Fung, Peter	–	–	–	–	–
Ng Yuk Yeung, Paul	–	–	–	–	–
Non-executive director					
Ng Yuk Mui, Jessica	–	–	–	–	–
Independent non-executive directors					
Law Cho Wa, Richard	50	–	–	–	50
Lo Wing Yan, William	50	–	–	–	50
Cheng Yuk Wo	12	–	–	–	12
	112	593	13	170	888

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

* *Resigned on 17 January 2004*

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	2004
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**1,840**	1,738
Contributions to pension schemes	**48**	35
	1,888	1,773

The emoluments fell within the following band:

	Number of individuals	
	2005	2004
Emolument band		
HK$nil – HK$1,000,000	**4**	4

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.

14. Plant and Equipment

GROUP

	Leasehold improvements HK$'000	Furniture and office equipment HK$'000	Total HK$'000
At 1 January 2004			
Cost	536	550	1,086
Accumulated depreciation	(160)	(95)	(255)
Net book amount	376	455	831
Year ended 31 December 2004			
Opening net book amount	376	455	831
Additions	4	560	564
Depreciation	(107)	(159)	(266)
Closing net book amount	273	856	1,129
At 31 December 2004			
Cost	540	1,110	1,650
Accumulated depreciation	(267)	(254)	(521)
Net book amount	273	856	1,129
Year ended 31 December 2005			
Opening net book amount	273	856	1,129
Additions	1	350	351
Depreciation	(108)	(276)	(384)
Closing net book amount	166	930	1,096
At 31 December 2005			
Cost	541	1,460	2,001
Accumulated depreciation	(375)	(530)	(905)
Net book amount	166	930	1,096

15. Interest in Subsidiaries/Amount Due from a Subsidiary

COMPANY

	2005	2004
	HK$'000	HK$'000
Unlisted shares, at cost	**1,108**	1,108
Amount due from a subsidiary	**17,621**	15,473
Less: Impairment losses recognised	**(17,621)**	(15,473)
	–	–

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. Impairment losses of HK$2,148,000 (2004: HK$15,473,000) has been identified and recognised in the Company's income statement.

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

COMPANY (Continued)

Particulars of the 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 Directly	Indirectly	Principal activity
Media Bonus Limited	British Virgin Islands, limited liability company	2 ordinary shares of US$1 each	100%	–	Investment holding
Capital Publishing Management Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Provision of employee and personnel services for the Group and holding a lease agreement
Capital Publishing Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Publication of "資本雜誌 Capital" magazine
Capital CEO Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Publication of "資本才俊 Capital CEO" magazine
Capital Entrepreneur Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	–	100%	Publication of "資本企業家 Capital Entrepreneur" magazine
Watson Century Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	–	100%	Dormant

16. Trade Receivables

GROUP

	2005 HK$'000	2004 HK$'000
Trade receivables	**7,169**	5,396
Less: Impairment of receivables	**(863)**	(198)
Trade receivables – net	**6,306**	5,198

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	**2,966**	2,335
31 – 60 days	**1,214**	1,234
61 – 90 days	**482**	615
91 to 180 days	**1,148**	875
Over 180 days	**496**	139
	6,306	5,198

17. Cash and Cash Equivalents

Cash and cash equivalents include the following components:

	2005 HK$'000	2004 HK$'000
GROUP		
Cash at bank and in hand	**1,330**	2,710
COMPANY		
Cash at bank and in hand	**36**	2,125

18. Trade Payables

GROUP

	2005 HK$'000	2004 HK$'000
Trade payables	**5,218**	3,892

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

	2005 HK$'000	2004 HK$'000
0 – 30 days	**681**	863
31 – 60 days	**694**	567
61 – 90 days	**785**	585
91 – 180 days	**1,840**	1,497
Over 180 days	**1,218**	380
	5,218	3,892

19. Share Capital

	2005 HK$'000	2004 HK$'000
Authorised:		
100,000,000,000 (2004: 100,000,000,000) ordinary shares of HK$0.01 each	**1,000,000**	1,000,000
Issued and fully paid:		
506,498,344 (2004:506,498,344) ordinary shares of HK$0.01each	**5,065**	5,065

20. Share-based Employee Compensation

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 24 June 2002 and became effective on 18 July 2002 for the primary purpose of providing incentives to directors and eligible employees and will expire on 17 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 5,064,983 (2004: 5,064,983), representing 1% (2004: 1%) 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 45,584,851, representing approximately 9% 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 shareholders, the total aggregate 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 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 highest of: (i) the closing price of the shares of the Company on the Stock Exchange 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.

The following table discloses movements in the Scheme:

	Outstanding as at 1 January 2004	Lapsed during the year	Outstanding as at 31 December 2004 and 1 January 2005	Lapsed during the year	Outstanding as at 31 December 2005
Executive director					
Mr. Fung Ka Pun	5,064,983	–	5,064,983	–	5,064,983

20. Share-based Employee Compensation *(Continued)*

Details of the share options are as follows:

Date of grant	Exercisable period	Exercise price
27 August 2002	27 August 2003 to 17 July 2012	HK$0.27

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

From the date of grant of share options	Exercisable Percentage
Within 12 months	Nil
13th – 24th month	$33^1/_3$%
25th – 36th month	$33^1/_3$%
37th – 48th month	$33^1/_3$%

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

The fair value of options granted under the Scheme on 27 August 2002, measured at the date of grant, was approximately HK$816,000. The following significant assumptions were used to derive the fair value, using the Black-Scholes option pricing model:

Date of grant	27 August 2002
Expected volatility	49%
Expected life (in years)	9.9
Risk-free interest rate	5%
Expected dividend yield	Nil

In total, HK$53,000 of employee compensation expense has been included in the consolidated income statement for the year ended 31 December 2005 (2004: HK$170,000, after restatement) with a corresponding credit in equity.

21. 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 31 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.

Company

	Share premium HK$'000	Employee compensation reserve HK$'000	Capital reserve HK$'000	Retained earning/ (Accumulated losses) HK$'000	Total HK$'000
At 1 January 2004, as previously reported	11,483	–	652	1,508	13,643
Effect of changes in accounting policy:					
– initial adoption of HKFRS 2	–	593	–	(593)	–
At 1 January 2004, as restated	**11,483**	**593**	**652**	**915**	**13,643**
Loss for the year	–	–	–	(15,645)	(15,645)
Employee share based compensation	–	170	–	–	170
At 31 December 2004	**11,483**	**763**	**652**	**(14,730)**	**(1,832)**
At 31 December 2004, as previously reported	11,483	–	652	(13,967)	(1,832)
Effect of changes in accounting policy:					
– initial adoption of HKFRS 2	–	763	–	(763)	–
At 31 December 2004 and 1 January 2005, as restated	**11,483**	**763**	**652**	**(14,730)**	**(1,832)**
Loss for the year	–	–	–	(2,169)	(2,169)
Employee share based compensation	–	53	–	–	53
At 31 December 2005	**11,483**	**816**	**652**	**(16,899)**	**(3,948)**

21. Reserves *(Continued)*

COMPANY (Continued)

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

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Bye-laws and a statutory solvency test. It is provided that a dividend cannot be paid if this would result in the Company being unable to pay its debts as they fall due. In accordance with the Company's Bye-laws, the Company's reserves available for distribution to shareholders represent the accumulated (loss) profit, capital reserve and share premium which in total amounted to a deficit of approximately HK$3,948,000 (2004: a deficit of HK$1,832,000).

22. 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.

	Accelerated tax depreciation	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2004	69	(69)	–
Charge/(Credit) to income statement	50	(50)	–
At 31 December 2004 and 1 January 2005	119	(119)	–
Charge/(Credit) to income statement	147	(147)	–
At 31 December 2005	266	(266)	–

22. Deferred Tax *(Continued)*

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. The Group has unrecognised tax losses of HK$17,055,000 (2004: HK$16,578,000) to carry forward against future taxable income. No deferred tax asset has been recognised due to the unpredictability of future profit streams. This tax loss has no expiry date.

23. 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	2004
	HK$'000	HK$'000
Within one year	**197**	176
In the second to fifth years inclusive	**99**	–
	296	176

The Group leases a number of rented premises under operating leases. The leases run for an initial period of two years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

COMPANY

The Company does not have any significant operating lease commitments (2004: Nil).

24. Capital Commitments

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

25. 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.

There was no significant amount of forfeited contributions available to reduce future contribution payable by the Group as at 31 December 2005 and 2004.

26. Related Party Transactions

Except as disclosed elsewhere in these financial statements, during the year, the Group had the following 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, is a substantial shareholder and a director of South China Holdings Limited.

(a) Details of these transactions are as follows:

		2005	2004
		HK$'000	HK$'000
(i)	Purchase of services		
	– Advertising expenses	**–**	506
	– Administrative service fees	**–**	476
	– Marketing service fees	**–**	6
(ii)	Operating lease expenses	**212**	212
(iii)	Colour separation and photo processing fees	**270**	757

(b) As disclosed in the consolidated balance sheet, the Group had outstanding receivable from a related company of HK$53,000 (2004: payable of HK$182,000), as at the balance sheet date. The receivable and the payable 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 "Capital" 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.

27. 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 seats 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 and amount due to a related company.

27.1 Credit risk

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.

27.2 Foreign currency risk

As the Group's operation is principally attributable to the magazine publishing and advertising activities in Hong Kong, the Group has no exposure to foreign currency risk arising from the exposure of various currency against Hong Kong dollars.

27.3 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.

27.4 Fair values

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.

Financial Summary

Financial Results

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and/or prospectus 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 statements.

	Year ended 31 December				
	2001	2002	2003	2004	**2005**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
		(Restated)	(Restated)	(Restated)	
	(Note i)				
Turnover	9,172	6,977	9,653	15,711	**25,140**
Direct operating expenses	(8,545)	(5,591)	(7,531)	(11,204)	**(17,255)**
Other operating income	–	294	73	15	**15**
Selling and distribution costs	(2,290)	(1,206)	(2,933)	(5,390)	**(7,111)**
Administrative expenses	(2,309)	(4,098)	(3,120)	(2,525)	**(2,074)**
Other operating expenses	(146)	–	–	(168)	**(665)**
Loss before income tax	(4,118)	(3,624)	(3,858)	(3,561)	**(1,950)**
Income tax expense	–	–	–	–	**–**
Loss for the year	(4,118)	(3,624)	(3,858)	(3,561)	**(1,950)**

Assets and Liabilities

	As at 31 December				
	2001	2002	2003	2004	**2005**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
	(Note i)	*(Note ii)*			
Total assets	1,791	11,968	9,126	9,547	**9,132**
Total liabilities	(7,260)	(2,398)	(2,995)	(6,807)	**(8,289)**
Shareholders' funds	(5,469)	9,570	6,131	2,740	**843**

Notes:

(i) The results for the year ended 31 December 2001 have been prepared on a combined basis as if the group structure at the time when the Company's shares were listed on the Stock Exchange, had been in existence throughout the years concerned. The figures for the year ended 31 December 2001 have been extracted from the Company's prospectus.

(ii) The Company was incorporated in the Cayman Islands under the Companies Law (2001 Second Revision) of the Cayman Islands on 9 July 2001 and became the holding company of the Group as a result of the group reorganisation which took place on 22 February 2002. Accordingly, the balance sheets for the Group that have been prepared are those set out above.