旭茉 JESSICA

JESSICA PUBLICATIONS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8137

2006 ANNUAL REPORT

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 annual 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 annual report.

This annual report, for which the directors (the "Directors") of Jessica Publications Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this annual 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 annual report misleading; and (iii) all opinions expressed in this annual 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 (*Chairman*)
Mr. Ng Yuk Fung, Peter (*Chief Executive Officer*)
Ms. Foo Kit Tak
Ms. Cheung Mei Yu

Non-executive Director

Ms. Ng Yuk Mui, Jessica

Independent Non-executive Directors

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

Compliance Officer

Mr. Ng Yuk Fung, Peter

Company Secretary & Qualified Accountant

Mr. Pang Woon Chang

Authorised Representatives

Mr. Ng Yuk Fung, Peter
Mr. Pang Woon Chang

Audit Committee

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

Remuneration Committee

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

Auditors

Messrs. Grant Thornton

Principal Banker

Chong Hing Bank Limited
24 Des Voeux Road Central
Hong Kong

Registered Office

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

Head Office and Principal Place of Business

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

Share Registrar and Transfer Office

Union Registrars Limited
Room 1803, Fook Lee Commercial Centre
Town Plaza, 33 Lockhart Road
Wanchai
Hong Kong

Stock Code

8137

Website for The Group's Magazine

www.jessicahk.com

Chairman's Statement

I report the activities of the Company and its subsidiaries (together "the Group") for the year ended 31 December 2006.

Business Review and Strategy

For the year ended 31 December 2006, the Group recorded a turnover of HK$83.4 million, comprising HK$66.5 million from Hong Kong operations and HK$16.9 million from The People's Republic of China ("PRC") operations, representing a decrease of 12%, when compared to 2005. Loss for the year attributable to the equity holders of the Company was HK$14.2 million (2005: profit of HK$3.4 million), which consisted of profit from Hong Kong operations of HK$0.9 million and a loss of HK$15.1 million from the PRC operations. The loss was largely attributable to the increase in marketing and printing costs resulting from circulation boost strategies, disposal of a PRC subsidiary in mid 2006, and the initial investment costs of "旭茉 JESSICA" PRC version.

Prospects

The Group's operations in Hong Kong are expected to bounce back with stringent cost control measures as well as stronger sales and marketing teams. Individual titles will continue brand strengthening activities, and see further growth in advertising and circulation revenues.

The Group's PRC portfolio has recovered from the temporary adjustment of the disposal of a PRC subsidiary, and is expected to benefit from the booming PRC economic environment. Titles in the initial investment stage are expected to move into the strong growth stage.

Overall, the Group's aim is to achieve satisfactory returns to shareholders.

Appreciation

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

Ng Hung Sang
Chairman

Hong Kong

13 February 2007

Management Discussion and Analysis

Business Review

For the year ended 31 December 2006, the Group's turnover decreased by 12% to HK$83.4 million, comprising HK$66.5 million from Hong Kong operations and HK$16.9 million from the PRC operations. Loss for the year attributable to the equity holders of the Company was HK$14.2 million (2005: profit of HK$3.4 million), which consisted of profit from Hong Kong operations of HK$0.9 million and a loss of HK$15.1 million from the PRC operations.

Our Hong Kong operations achieved a turnover of HK$66.5 million in the year of 2006, representing a 4% increase on that of the year of 2005 and net profit decrease by 85% to HK$0.9 million. The decrease in net profit in the Hong Kong operations is largely attributable to the increase in marketing and printing costs resulting from circulation boost strategies. "旭茉JESSICACODE" saw strong advertising and circulation growth, while the revenue and cost structure of "味道LISA" remained largely unchanged.

Our PRC operations accounted for a turnover of HK$16.9 million in the year of 2006, representing a 45% decrease on that of the year of 2005, due to the adverse impact of restructuring and disposal of a subsidiary. 2006 recorded the full year results of "旭茉JESSICA" PRC version, as compared to only 4 months in 2005. The magazine continues to be in its investment period.

Prospects

The management team is positive towards the year of 2007. We expect a continued buoyant economic environment and stronger advertising revenues for established brands. For younger titles, our aim will be to establish competitive circulation bases to achieve greater market acceptance and advertising revenues. We have confidence that stringent implementation of cost control measures combined with tighter management policies, will result in positive contribution to the Group's results and shareholders' value.

Our key focus this year will be to contain costs, while at the same time, increasing circulation copy sales through alternative channels, to deliver quality circulation bases, and extending our advertising bases. Continued brand-enhancing programs will be launched, to further revenues as well as create market noise, in order to uphold our dominant market positions. Much effort will be made to bringing "旭茉JESSICA" PRC version to positive contribution, with an aim to achieve both circulation and advertising growth, through greater co-ordination between the Hong Kong and PRC teams.

Liquidity and Financial Resources

During the year ended 31 December 2006, the Group's operation was mainly financed by the internal financial resources of the Group.

As at 31 December 2006, the Group had net current liabilities of HK$7.6 million (2005: net current assets of HK$1 million). The current assets comprised bank balances and cash of HK$2.6 million together with trade and other receivables of HK$18 million. The current liabilities comprised trade and other payables, accrued expenses and receipts in advance of HK$28.1 million and amount due to a related company of HK$0.1 million.

As at 31 December 2006, the Group had aggregate banking facilities granted under corporate guarantee by the Company in respect of a revolving term loan of HK$1 million, none of which had been utilized. The gearing ratio of the Group remained inapplicable as at 31 December 2006.

Management Discussion and Analysis

As at 31 December 2006, (i) the Group had no significant exposure to fluctuations in exchange rates and any related hedges; (ii) the Group had no charges on its assets; and (iii) the Group had no significant investment held.

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

Material Acquisitions

An agreement dated 21 December 2006 entered into among the Company as the purchaser, South China Strategic Limited ("SCS"), a wholly-owned subsidiary of South China Industries Limited ("SCI"), as the vendor and SCI, a subsidiary of South China Holdings Limited, as the guarantor, pursuant to which SCS had conditionally agreed to sell the projects relating to the agricultural businesses in the PRC to the Company at a consideration of HK$140,000,000. The consideration would be satisfied by the Company's issuance a convertible note. Subsequently, a termination agreement dated 27 December 2006 was entered into among the aforesaid contracting parties to terminate the aforesaid agreement.

Significant Investment Plans

As at 31 December 2006, the Group did not have any significant investment plans.

Contingent Liabilities

The Company had provided a corporate guarantee to a bank to secure a banking facility of HK$1,000,000 (2005: HK$1,000,000) granted to a subsidiary, which remained unused as at 31 December 2006.

Employees

As at 31 December 2006, the total number of employees of the Group was 74 (2005: 158). Employees' cost (including directors' emoluments) amounted to HK$22 million for the year (2005: HK$18.8 million).

The Group considers its employees as its most valuable assets. In addition to salary, other fringe benefits such as medical subsidies, life insurance, provident fund and subsidized training programs 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 employee may also receive a discretionary bonus at the end of each year based on performance. Share options have also been granted to certain employees of the Group.

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Ng Hung Sang, aged 57, is the Chairman of the Company. Mr. Ng is actively involved in the overall corporate policies, strategic planning and business development of the Group. Mr. Ng is also the Chairman of South China Holdings Limited ("South China Holdings"), South China Brokerage Company Limited ("South China Brokerage"), South China Industries Limited ("South China Industries") and the Chairman of Capital Publications Limited ("Capital"). He holds a Master's degree in marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. He has extensive experience in the media industry. Mr. Ng was appointed as a Director of the Company on 24 August 2001. He is the father of Ms. Ng Yuk Mui, Jessica and Mr. Ng Yuk Fung, Peter.

Mr. Ng Yuk Fung, Peter, aged 26, was appointed as an Executive Director, the Chief Executive Officer, the Compliance Officer and an Authorised Representative of the Company on 1 July 2005. Mr. Ng holds a Bachelor's degree in law from King's College London, University of London in the United Kingdom. He is also an Executive Director of South China Holdings, South China Industries and Capital. He is a son of Mr. Ng Hung Sang and a brother of Ms. Ng Yuk Mui, Jessica.

Ms. Foo Kit Tak, aged 33, was appointed as an Executive Director of the Company on 24 August 2001 and is responsible for the sales and marketing of the Group's magazines. Prior to joining the Group, Ms. Foo had been involved in the Groups magazines since April 2000.

Ms. Cheung Mei Yu, aged 39, was appointed as an Executive Director of the Company on 1 October, 2001. Ms. Cheung is currently responsible for the management and direction of the editorial team of "旭茉 JESSICA" magazine. Ms. Cheung joined the Group on 1 September 2001. She holds a Master's degree in translation from The Chinese University of Hong Kong.

Non-Executive Director

Ms. Ng Yuk Mui, Jessica, aged 28, was appointed as a Non-executive Director of the Company on 1 July 2005. She holds a Bachelor's degree in law from King's College London, University of London in the United Kingdom, and was admitted to the Hong Kong Bar in 2006. Ms. Ng is an associate member of the Chartered Institute of Management Accountants and a member of the Chinese People's Political Consultative Conference Tianjin Provincial Committee. Ms. Ng is also a Non-executive Director of South China Holdings, South China Industries and Capital. She is the daughter of Mr. Ng Hung Sang and the sister of Mr. Ng Yuk Fung, Peter.

Independent Non-Executive Directors

Mr. So Siu Ming, George, aged 48, obtained a Bachelor of Arts degree from the University of Toronto in Canada and a Master of Science degree from The Chinese University of Hong Kong. He is an associate member of the Canadian Institute of Chartered Accountants, the Society of Management Accountants of Canada and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. So has extensive experience in auditing, accounting and finance areas. He was appointed as an Independent Non-executive Director of the Company on 4 September 2001.

Ms. Pong Oi Lan, Scarlett, aged 47, is the Managing Director of Realchamp Asset Management Limited and Health Quotient HQ International Institute Limited. She completed her executive program at Harvard Business School in the United States of America. She also obtained a graduate diploma in business administration at Monash University in Australia, and a Bachelor's degree in pharmaceutical sciences from the University of Saskatchewan in Canada. She is the Chairman of The League of Health Professionals of Hong Kong. She is the honorary adviser of the advisory board of Hong Kong Federation of Business Students and a member of the HKSAR Election Committee (1998, 2000 & 2007). She has been the president of The Practising Pharmacists Association of Hong Kong for over eight years. She is being appointed in a number of government boards and committees such as Innovation Technology Commission, SERAP Assessment Panel, Chairman of ACAN Sub-committee on Preventive Educations and Publicity, Committee on Trust Fund for Severe Acute Respiratory Syndrome, Hong Kong Air Cadet Corps and Vice Chairman

Biographical Details of Directors and Senior Management

for Health Care Committee of Hong Kong Business and Professionals Federation. She received an award of the Ten Outstanding Young Persons' Selection in 1998. Ms. Pong was appointed as an Independent Non-executive Director of the Company on 4 September 2001.

Mr. Cheng Yuk Wo, aged 46, 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, Chong Hing Bank Limited, Capital and Zida Computer Technologies Limited, all being public companies listed in Hong Kong. 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. Pang Woon Chang, aged 48, was appointed as the authorised representative, qualified accountant and company secretary of the Company on 15 December 2006. Mr. Pang holds a Master's Degree in Business Administration from Warwick University, the United Kingdom. He is also a fellow member of The Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. Mr. Pang has over 21 years of finance and business management experience in major international accounting firms and listed groups in Hong Kong.

Mr. Mo Tik Sang, aged 42, is the General Manager of the Group and is responsible for strategic branding and business development for the Group's magazines. He graduated from Hong Kong Baptist University with a major in mass communication. Mr. Mo has been equipped with a wealth of integrated experience through his senior positions in the fields of advertising, mass media as well as consumer marketing.

Directors' Report

The Directors of the Company present their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006.

Principal Activities

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

Results and Appropriations

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 24 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2006 (2005: Nil).

Financial Summary

A summary of the results of the Group for the last five financial years is set out on pages 58 of this annual report.

Plant and Equipment

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

Share Capital

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

Directors

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

Executive Directors:

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

Non-executive Director:

Ms. Ng Yuk Mui, Jessica

Independent Non-executive Directors:

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

Directors' Report

In accordance with Article 116 of the Articles of Association of the Company, Ms. Foo Kit Tak, Ms. Cheung Mei Yu and Ms. Pong Oi Lan, Scarlett will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. All other remaining Directors continue in office.

Directors' Service Contracts

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

Ms. Ng Yuk Mui, Jessica, the Non-executive Director, who had entered into a service contract with the Company which shall continue thereafter unless and until terminated by either party serving to the other not less than three months' notice in writing.

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

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

As at 31 December 2006, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

Long positions in the ordinary shares of HK$0.001 each of the Company

	Number of Ordinary Shares			
Name of Director	**Beneficial Owner**	**Interests of Controlled Corporation(s)**	**Total**	**Approximate % of Shareholding**
Ng Hung Sang	18,102,800	318,132,403(*Note*)	336,235,203	66.36%
Ng Yuk Mui, Jessica	1,834,000	–	1,834,000	0.36%

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

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 2006, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

Confirmation of Independence of Independent Non-executive Directors

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

Share Option Scheme

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

(i) Summary of the Scheme

1. Purpose of the Scheme

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

2. Participants of the Scheme

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

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

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

As at 31 December 2006, an aggregate of 13,413,440 Shares were issuable pursuant to share options granted under the Scheme. In addition, up to 31 December 2006, no options were exercised by the grantee pursuant to the Scheme.

As at 31 December 2006, the total number of Shares available for issue pursuant to the grant of further options under the Scheme was 37,074,707, representing approximately 7.3% of the issued share capital of the Company as at 13 February 2007.

4. Maximum entitlement of each participant

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

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

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

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

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

7. *Amount payable upon acceptance of the option and the period within which the payment must be made*

HK$1.00 shall be paid within 5 business days from the date of offer of the option.

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

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

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading day;

(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer; or

(c) the nominal value of a Share.

9. *Remaining life of the Scheme*

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

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

(ii) Details of options granted

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

	Number of share options										
Name or category of participant	Outstanding as at 01/01/2006	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31/12/2006	Date of grant of share options (*Note a*)	Exercise period of share options	Exercise price per share option	Price immediately preceding the grant date of share options (*Note b*)	Price immediately preceding the exercise date of share options (*Note c*)
									HK$	HK$	HK$
Directors											
Foo Kit Tak	1,600,000	–	–	–	–	1,600,000	15/04/2002	15/04/2003 – 07/01/2012	0.69	0.68	N/A
	1,600,000	–	–	–	–	1,600,000	02/09/2002	02/09/2003 – 07/01/2012	0.31	0.30	N/A
Cheung Mei Yu	1,600,000	–	–	–	–	1,600,000	15/04/2002	15/04/2003 – 07/01/2012	0.69	0.68	N/A
	1,600,000	–	–	–	–	1,600,000	02/09/2002	02/09/2003 – 07/01/2012	0.31	0.30	N/A
Sub-total	6,400,000	–	–	–	–	6,400,000					
Employees											
In aggregate	1,600,000	–	–	–	–	1,600,000	15/04/2002	15/04/2003 – 07/01/2012	0.69	0.68	N/A
	2,080,000	–	–	(320,000)	–	1,760,000	02/09/2002	02/09/2003 – 07/01/2012	0.31	0.30	N/A
Sub-total	3,680,000	–	–	(320,000)	–	3,360,000					
Others											
In aggregate	2,960,000	–	–	(160,000)	–	2,800,000	15/04/2002	15/04/2003 – 07/01/2012	0.69	0.68	N/A
	1,013,440	–	–	(160,000)	–	853,440	02/09/2002	02/09/2003 – 07/01/2012	0.31	0.30	N/A
Sub-total	3,973,440	–	–	(320,000)	–	3,653,440					
Total	14,053,440	–	–	(640,000)	–	13,413,440					

Directors' Report

Notes:

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

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	$33^1/_3$%

(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 2006, no consideration in respect of share options was received and the disclosure of value of options granted during the year is also not applicable.

Convertible Securities, Options, Warrants or Similar Rights

Save as disclosed under the section headed "SHARE OPTION SCHEME" above, during the year ended 31 December 2006, neither the Company nor any of its subsidiaries issued or granted any convertible securities, options, warrants or similar rights and there was no exercise of any conversion or subscription rights under any convertible securities, options, warrants or similar rights issued or granted at any time by the Company or any of its subsidiaries.

Directors' Right to Acquire Shares or Debentures

Save as disclosed under the section headed "SHARE OPTION SCHEME" above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or the chief executive, or any of their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

Directors' 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.

Directors' Report

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

As at 31 December 2006, the following persons, other than the Directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:–

Long positions of substantial shareholders in the ordinary shares of HK$0.001 each of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Parkfield	Beneficial owner	92,966,000 (*Note a*)	18.35%
Fung Shing	Beneficial owner	99,012,563 (*Note a*)	19.54%
Earntrade	Beneficial owner	62,661,600 (*Note b*)	12.37%
	Interest of a controlled corporation	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, the 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.

Save as disclosed above, as at 31 December 2006, the Company had not been notified by any other persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Management Shareholders

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

Connected Transactions

During the year ended 31 December 2006, there were no transactions to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

Directors' Report

Directors' and Management Shareholders' Interests in Competing Business

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

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

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 2006.

Controlling Shareholders' Interests in Contracts

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

Pre-emptive Rights

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

Retirement Benefits Scheme

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

Customers and Suppliers

During the year ended 31 December 2006, 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 74% of the Group's total purchases. In addition, the largest supplier accounted for 32% of the Group's total purchases.

None of the Directors, their associates, or shareholders (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest suppliers and customers as at 31 December 2006.

Directors' Report

Audit Committee

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

During the year, the audit committee held four meetings to review and comment on the Company's 2005 annual report, 2006 half-yearly report and quarterly reports as well as the Company's internal control procedures.

The Group's annual results for the year ended 31 December 2006 were reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

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

During the year ended 31 December 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Auditors

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

On behalf of the Board
Ng Hung Sang
Chairman

Hong Kong
13 February 2007

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 complied with the Code on Corporate Governance Practices (the "CG Code") of the GEM Listing Rules throughout the year ended 31 December 2006 with the exception that the Non-executive Directors are not appointed for a specific term and the Articles of Association of the Company does not provide that (a) every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting of the Company 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 of the Company. Amendments to the Articles of Association of the Company have been proposed at the forthcoming Annual General Meeting in order to bring the Articles of Association of the Company in line with the changes brought about by the amendments to GEM Listing Rules as well as the provisions of the CG Code.

Board Composition and Board Practices

The Board of Directors (the "Board") of the Company is composed of 8 Directors, including the Chairman, the Chief Executive Officer who are Executive Directors, 2 additional Executive Directors, 3 Independent Non-executive Directors and 1 Non-executive Director. More than one-third of the Board is Independent Non-executive Directors who have appropriate professional qualifications, or accounting or related financial management expertise. Their biographies and relevant relationships amongst them are set out in the Biographical Details of Directors and Senior Management Section on pages 7 to 8 of this annual report.

Review will be made regularly on the Board composition 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 with 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 met 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 of the Company.

Corporate Governance Report

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

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

The Board meets regularly and held four meetings in 2006:

	Attendance
Executive Directors	
Ng Hung Sang (*Chairman*)	4/4
Ng Yuk Fung, Peter (*Chief Executive Officer*)	4/4
Foo Kit Tak	1/4
Cheung Mei Yu	0/4
Non-executive Director	
Ng Yuk Mui, Jessica	4/4
Independent Non-executive Directors	
So Siu Ming, George	4/4
Pong Oi Lan, Scarlett	4/4
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.

Corporate Governance Report

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 2006.

Internal Control

Recognising that a well-designed and effective system of internal control is crucial to safeguard the assets of the Company and the shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirement of GEM Listing Rules, the Directors also acknowledge that they have overall responsibility for the Company's internal control, financial control and risk management and shall monitor its effectiveness from time to time. Therefore, an internal audit team ("IA Team"), comprising qualified accountant, has been established to carry out the internal audit function of the Company.

Based on the assessment of risk exposure, the IA Team formulates audit plans quarterly, which ensures the audit programs cover key internal control areas on a rotational basis, for review by the Audit Committee. The scopes and timing of audit review is usually determined according to risk assessment. Special reviews may also be performed on areas of concern identified by management or the Audit Committee from time to time. Communication channel has been established between the IA Team and the Audit Committee members.

IA Team consistently monitors the internal control procedures and systems of the Group and reports its findings and recommendations, if any, to Audit Committee periodically. During the year, advertising cycle and printing cycle of the Group were reviewed, recommended remedial actions, distinguishing specific incidents from control weakness that require procedural changes or enhancements to prevent recurrence were proposed and addressed in the internal control report which was presented by the IA Team for review by Audit Committee and the Board.

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 pages 22 to 23 of this annual report.

Auditors' Remuneration

For the year ended 31 December 2006, the Auditors of the Company received approximately HK$300,000 for audit service. No non-audit service was provided by the Auditors in 2006.

Remuneration Committee

The Remuneration Committee was set up on 23 March 2005 and comprises all the Independent Non-executive Directors. The Committee members are Ms. Pong Oi Lan, Scarlett (Chairman of the Committee), Mr. So Siu Ming, George and Mr. Cheng Yuk Wo. The Committee met once in 2006 and was attended by all Committee members. The policy for the remuneration of Executive Directors and the Senior Management was reviewed by the Committee. Remuneration, including basic salary, performance bonus, of the Executive Directors and Senior Management is based on skills, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability, as well as industry practice. Granting share options is considered as one of the means for giving long term benefits to and retaining staff.

Corporate Governance Report

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. So Siu Ming, George (Chairman of the Committee), Ms. Pong Oi Lan, Scarlett and Mr. Cheng Yuk Wo. The Audit Committee met four times in 2006 with an attendance rate of 100%. The principal duties of the Audit Committee include the review of the Group's audit plan and process with the Auditors, the review of the Auditors' independence and the review of the Group's financial statements in accordance with its terms of reference, which is substantially the same as the CG Code.

The Committee is satisfied with the findings of their review of the audit fees, process and has recommended to the Board their re-appointment in 2007 at the forthcoming Annual General Meeting.

The Group's annual report for the year ended 31 December 2006 has been reviewed by the Audit Committee.

Independent Auditors' Report

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

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

We have audited the consolidated financial statements of Jessica Publications Limited (the "Company") set out on pages 24 to 57, which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower, The Landmark
15 Queen's Road Central
Hong Kong

13 February 2007

Consolidated Income Statement

For the year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Revenue	5	**83,464**	94,855
Direct operating expenses		**(68,054)**	(65,542)
Other operating revenue	6	**259**	195
Selling and distribution costs		**(19,491)**	(18,967)
Administrative expenses		**(8,332)**	(6,735)
Other operating expenses, net		**(2,015)**	(376)
(Loss)/profit before income tax	8	**(14,169)**	3,430
Income tax expense	9	**–**	–
(Loss)/profit for the year		**(14,169)**	3,430
(Loss)/profit attributable to:			
Equity holders of the Company	10	**(14,169)**	3,430
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year	11		
– Basic		**HK(2.80) cents**	HK0.68 cent
– Diluted		**N/A**	N/A

Consolidated Balance Sheet

As at 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	14	**554**	1,544
Goodwill	16	**–**	3,933
Other intangible asset	17	**19**	19
		573	5,496
Current assets			
Trade receivables	18	**17,657**	20,041
Other receivables		**435**	2,638
Cash and cash equivalents	19	**2,563**	7,316
		20,655	29,995
Current liabilities			
Trade payables	20	**21,981**	20,937
Other payables, accrued expenses and receipts in advance		**6,177**	7,487
Amount due to a related company	30	**71**	560
		28,229	28,984
Net current (liabilities)/assets		**(7,574)**	1,011
Total assets less current liabilities		**(7,001)**	6,507
Non-current liabilities			
Amount due to a minority shareholder of a subsidiary	21	**–**	2,241
Net (liabilities)/assets		**(7,001)**	4,266
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	22	**507**	507
Reserves		**(7,508)**	6,457
		(7,001)	6,964
Minority interests		**–**	(2,698)
(Capital deficiency)/Total equity		**(7,001)**	4,266

Ng Hung Sang
Chairman

Ng Yuk Fung, Peter
Director

Balance Sheet

As at 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interest in subsidiaries	15	**510**	510
Current assets			
Amount due from a subsidiary	15	**3,910**	3,782
Other receivables		**25**	24
Cash and cash equivalents	19	**21**	18
		3,956	3,824
Current liabilities			
Other payables and accrued expenses		**78**	201
Net current assets		**3,878**	3,623
Net assets		**4,388**	4,133
EQUITY			
Share capital	22	**507**	507
Reserves	24	**3,881**	3,626
Total equity		**4,388**	4,133

Ng Hung Sang
Chairman

Ng Yuk Fung, Peter
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Cash flows from operating activities			
(Loss)/profit before income tax		**(14,169)**	3,430
Adjustments for:			
Depreciation	8	**481**	539
Gain on disposal of a subsidiary	8	**(4,548)**	–
Impairment of plant and equipment	8	**617**	–
Equity settled share based payment expenses	12	**–**	129
Interest income	6	**(58)**	(42)
Operating (loss)/profit before working capital changes		**(17,677)**	4,056
Decrease/(Increase) in trade and other receivables		**2,803**	(2,800)
Decrease in amount due from a related company		**–**	423
Increase in trade payables		**11,744**	869
(Decrease)/Increase in other payables, accrued expenses and receipts in advance		**(231)**	588
(Decrease)/Increase in amount due to a related company		**(489)**	560
Net cash (used in)/generated from operating activities		**(3,850)**	3,696
Cash flows from investing activities			
Interest received		**58**	42
Disposal of a subsidiary	31	**(853)**	–
Purchase of plant and equipment		**(108)**	(332)
Net cash used in investing activities		**(903)**	(290)
Net (decrease)/increase in cash and cash equivalents		**(4,753)**	3,406
Cash and cash equivalents at 1 January		**7,316**	3,992
Effect of foreign exchange rate changes		**–**	(82)
Cash and cash equivalents at 31 December		**2,563**	7,316
Analysis of the cash and cash equivalents			
– Cash at bank and in hand	19	**2,563**	7,316

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	Equity attributable to equity holders of the Company							
	Share capital HK$'000	**Share premium** HK$'000	**Capital reserve** HK$'000	**Employee compensation reserve** HK$'000	**Translation reserve** HK$'000	**Accumulated losses** HK$'000	**Minority interests** HK$'000	**Total equity** HK$'000
At 31 December 2004, as previously reported as equity	507	9,218	(510)	–	18	(5,720)	–	3,513
At 31 December 2004, as previously separately reported as minority interests	–	–	–	–	–	–	(2,698)	(2,698)
Effect of initial adoption of HKFRS2	–	–	–	4,089	–	(4,089)	–	–
At 31 December 2004 and 1 January 2005, as restated	507	9,218	(510)	4,089	18	(9,809)	(2,698)	815
Currency translation	–	–	–	–	(108)	–	–	(108)
Net result recognised directly in equity	–	–	–	–	(108)	–	–	(108)
Profit for the year	–	–	–	–	–	3,430	–	3,430
Total recognised income and expense for the year	**–**	**–**	**–**	**–**	**(108)**	**3,430**	**–**	**3,322**
Employee share-based compensation	–	–	–	(152)	–	281	–	129
At 31 December 2005 and 1 January 2006	**507**	**9,218**	**(510)**	**3,937**	**(90)**	**(6,098)**	**(2,698)**	**4,266**
Disposal of a subsidiary	–	–	–	–	204	–	2,698	2,902
Loss for the year	–	–	–	–	–	(14,169)	–	(14,169)
Total recognised income and expense for the year	**–**	**–**	**–**	**–**	**204**	**(14,169)**	**2,698**	**(11,267)**
Employee share-based compensation	–	–	–	(154)	–	154	–	–
At 31 December 2006	**507**	**9,218**	**(510)**	**3,783**	**114**	**(20,113)**	**–**	**(7,001)**

Notes to the Financial Statements

For the year ended 31 December 2006

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Revision) of the Cayman Islands. The address of its registered office is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands and its principal place of business is Unit C, 3rd Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong. The Company's shares are listed on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The financial statements on pages 24 to 57 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. The financial statements include the applicable 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.

The financial statements for the year ended 31 December 2006 were approved by the board of directors on 13 February 2007.

2. ADOPTION OF NEW/REVISED HKFRSs

From 1 January 2006, the Group has adopted the new/revised standards and interpretations of HKFRSs, which are relevant to its operations. These include the following new, revised and renamed standards:

HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease

The adoption of these new/revised standards and interpretations 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 standards did not result in significant changes to the amounts or disclosures in these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2006

2. ADOPTION OF NEW/REVISED HKFRSs (Continued)

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

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the adoption of these standards or interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments – Disclosures[1]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) – Int 8	Scope of HKFRS 2[3]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[5]

Note:

1 *Effective for annual periods beginning on or after 1 January 2007*
2 *Effective for annual periods beginning on or after 1 March 2006*
3 *Effective for annual periods beginning on or after 1 May 2006*
4 *Effective for annual periods beginning on or after 1 June 2006*
5 *Effective for annual periods beginning on or after 1 November 2006*

3. SUMMARY OF SIGNIFICANT 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$7,574,000 and net liabilities of HK$7,001,000 as at 31 December 2006. 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 2007. Accordingly, the financial statements have been prepared on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to reduce the value of assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets as current assets.

3.2 Basis of preparation

The significant 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. The measurement bases are fully described in the accounting policies below.

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.

Notes to the Financial Statements

For the year ended 31 December 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

3.4 Subsidiaries

Subsidiaries are 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 Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. Where there is a loss of control in a subsidiary, the consolidated financial statements include the result of that subsidiary for the part of the reporting period during which the Company has control.

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.

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.

3.5 Foreign currency translation

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

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and the differences derived therefrom are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all separate financial statements of subsidiaries, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into the Hong Kong dollars at the average rates over the reporting period. Any differences arising from this procedure have been dealt with in the translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Hong Kong dollars at the closing rates.

Notes to the Financial Statements

For the year ended 31 December 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Income and expense recognition

Revenue comprises the fair value from the sale of goods and services, net of rebates and discounts and after elimination of sales within the Group. Revenue is recognised as follows:

– Sale of magazines is 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.

3.7 Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the excess of the cost of acquisition over the Group's interest in fair value of the identifiable assets and liabilities of the acquired subsidiary at the date of acquisition.

Goodwill is tested annually for impairment and whenever there is indication that the cash generating unit to which the goodwill relates becomes impaired.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3.8 Other intangible asset

Other intangible asset represents trademarks. For separately acquired other intangible assets, they are initially recognised at cost. After initial recognition, intangible assets with indefinite useful lives are carried at cost less subsequent accumulated impairment losses. Other intangible assets are tested for impairment as described below in note 3.10.

3.9 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 financial 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 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Impairment of assets

Goodwill, other intangible asset, plant and equipment, interest in subsidiaries and financial assets are subject to impairment testing.

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

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other 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 as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount and 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 had been recognised.

3.11 Leases (as the Lessee)

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease terms. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

3.12 Financial assets

The Group's financial assets include trade receivables, other receivables and cash and cash equivalents.

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 any impairment losses. Any changes in their value are recognised in income statement.

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.

Notes to the Financial Statements

For the year ended 31 December 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal 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 tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary difference arising on investment in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.14 Cash and cash equivalents

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

3.15 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 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.16 Pension obligations and employee benefits

Defined contribution plan

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

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

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

Retirement benefits scheme

Pursuant to the relevant regulations of the People's Republic of China (the "PRC") government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the Group is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the income statement as incurred. There were no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences are not recognised until the time of leave.

3.17 Share-based employee compensation

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

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

All share-based compensation is ultimately recognised as an expense in income statement, with a corresponding increase in employee compensation reserve. If vesting periods or other vesting conditions apply, the expense is recognised 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.

Notes to the Financial Statements

For the year ended 31 December 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 Share-based employee compensation *(Continued)*

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

3.18 Financial liabilities

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

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

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

3.19 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.20 Segment reporting

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

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

Capital expenditure comprises additions to plant and equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.21 Related parties

A party is 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 Company or Group;
- has an interest in the Company that gives it significant influence over the Company or Group;
- has joint control over the Company or Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Company 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 Company or Group, or of any entity that is a related party of the Company or Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience 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 reassesses the impairment of receivables at the balance sheet date.

(ii) Valuation of share option 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 including 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.

Notes to the Financial Statements

For the year ended 31 December 2006

5. REVENUE

Revenue, which is also the Group's turnover, represents net amounts received or 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:

	2006 HK$'000	2005 HK$'000
Sale of magazines	**20,470**	22,739
Advertising income	**52,268**	58,619
Promotion and marketing income	**10,726**	13,497
Revenue/Turnover	**83,464**	94,855

6. OTHER OPERATING REVENUE

	2006 HK$'000	2005 HK$'000
Bank interest income	**58**	42
Sundry income	**201**	153
	259	195

Notes to the Financial Statements

For the year ended 31 December 2006

7. SEGMENT INFORMATION

Geographical segments

The geographical locations of the Group's customers are the basis on which the Group reports its primary segment information. The following tables present revenue, asset, liabilities and expenditure information for the Group's geographical segments for the years ended 31 December 2006 and 2005.

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Year ended 31 December 2006			
Revenue	**66,540**	**16,924**	**83,464**
Segment results	**738**	**(13,151)**	**(12,413)**
Other operating revenue			**259**
Other operating expenses, net			**(2,015)**
Loss for the year			**(14,169)**
Segment assets	**21,079**	**149**	**21,228**
Segment liabilities	**(23,994)**	**(4,235)**	**(28,229)**
Other information			
Depreciation	**307**	**174**	**481**
Impairment of trade receivables	**(31)**	**5,977**	**5,946**
Impairment of plant and equipment	**–**	**617**	**617**
Capital expenditure	**81**	**27**	**108**
Year ended 31 December 2005			
Revenue	63,911	30,944	94,855
Segment results	6,484	(2,873)	3,611
Other operating revenue			195
Other operating expenses, net			(376)
Profit for the year			3,430
Segment assets	22,622	12,869	35,491
Segment liabilities	(18,733)	(12,492)	(31,225)
Other information			
Depreciation	283	256	539
Impairment of trade receivables	666	(290)	376
Capital expenditure	229	103	332

Notes to the Financial Statements

For the year ended 31 December 2006

7. SEGMENT INFORMATION *(Continued)*

Business segments

No further business segment information is presented as the Group's operation relates solely to the magazine publishing and advertising activities.

8. (LOSS)/PROFIT BEFORE INCOME TAX

	2006	2005
	HK$'000	HK$'000
(Loss)/profit before income tax is arrived at after charging/(crediting):		
Auditors' remuneration:		
– Provision for current year	**300**	250
– Under provision for prior year	**–**	20
	300	270
Depreciation on plant and equipment	**481**	539
Exchange loss	**212**	–
Impairment of trade receivables*	**5,946**	376
Gain on disposal of a subsidiary *(note 31)**	**(4,548)**	–
Minimum lease payments paid under operating leases in respect of rental premises	**766**	844
Impairment of plant and equipment*	**617**	–

* *included in other operating expenses, net*

9. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as the Group had no estimated assessable profit arising in or derived from Hong Kong during the year (2005: Nil). Taxation on profits assessable elsewhere have been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during both years.

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

	2006	2005
	HK$'000	HK$'000
(Loss)/profit before income tax	**(14,169)**	3,430
Tax at the applicable tax rates	**(4,053)**	218
Tax effect of non-deductible expenses	**4,247**	60
Tax effect of non-taxable revenue	**(9)**	(7)
Tax effect of prior year's tax losses utilised this year	**(393)**	(1,149)
Tax effect of unrecognised tax losses	**172**	767
Tax effect on temporary difference not recognised	**36**	123
Others	**–**	(12)
Income tax expense	**–**	–

10. (LOSS)/PROFIT FOR THE YEAR

Of the consolidated loss of HK$14,169,000 (2005: profit of HK$3,430,000) attributable to equity holders of the Company, a profit of HK$255,000 (2005: HK$225,000) has been dealt with in the financial statements of the Company.

11. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of approximately HK$14,169,000 (2005: profit of HK$3,430,000) and on 506,639,716 (2005: 506,639,716) ordinary shares in issue during the year.

For the years ended 31 December 2006 and 2005, no diluted (loss)/earnings per share has been presented because the exercise prices of the Company's share options were higher than the average market price per share.

12. EMPLOYEE BENEFIT EXPENSE (including directors' emoluments)

	2006	2005
	HK$'000	HK$'000
Wages and salaries	**21,436**	18,093
Share-based payment	**–**	129
Pension costs – defined contribution plans	**616**	540
	22,052	18,762

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

	2006	2005
	HK$'000	HK$'000
Basic salaries and housing allowance	**3,376**	3,441
Share-based payment	**–**	58
Pension cost – defined contribution plans	**78**	94
	3,454	3,593

Notes to the Financial Statements

For the year ended 31 December 2006

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT

(a) Directors' emoluments

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

	Fees HK$'000	Salaries and allowances HK$'000	Contribution to defined contribution plan HK$'000	Total HK$'000
Year ended 31 December 2006				
Executive directors				
NG Hung Sang	–	–	–	–
NG Yuk Fung Peter	**10**	**510**	**12**	**532**
FOO Kit Tak	–	**409**	**12**	**421**
CHEUNG Mei Yu	–	**617**	**30**	**647**
Non-executive director				
NG Yuk Mui Jessica	**10**	–	–	**10**
Independent non-executive directors				
SO Siu Ming George	**50**	–	–	**50**
PONG Oi Lan Scarlett	**50**	–	–	**50**
CHENG Yuk Wo	**40**	–	–	**40**
	160	**1,536**	**54**	**1,750**

	Fees HK$'000	Salaries and allowances HK$'000	Contribution to defined contribution plan HK$'000	Equity-settled share-based payment expenses HK$'000	Total HK$'000
Year ended 31 December 2005					
Executive directors					
NG Hung Sang	–	–	–	–	–
NG Yuk Fung Peter (*note 1*)	5	–	–	–	5
FOO Kit Tak	–	208	12	22	242
CHEUNG Mei Yu	–	520	26	22	568
Non-executive director					
NG Yuk Mui Jessica (*note 2*)	5	161	8	–	174
Independent non-executive directors					
SO Siu Ming George	50	–	–	–	50
PONG Oi Lan Scarlett	50	–	–	–	50
CHENG Yuk Wo	40	–	–	–	40
	150	889	46	44	1,129

Notes:

1. *Mr Ng Yuk Fung Peter was newly appointed during the year ended 31 December 2005.*

2. *Ms Ng Yuk Mui Jessica was re-designated from executive director to non-executive director on 1 July 2005.*

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

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 (2005: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2005: four) individuals during the year are as follows:

	2006 HK$'000	2005 HK$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**2,759**	2,552
Contributions to pensions schemes	**48**	48
	2,807	2,600

The emoluments fell within the following band:

	Number of individuals 2006	2005
Emolument band		
HK$ nil – HK$1,000,000	**4**	4

During the year, no emoluments were paid by the Group to the directors or the four (2005: 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	Motor vehicles HK$'000	Total HK$'000
At 1 January 2005				
Cost	778	1,571	–	2,349
Accumulated depreciation	(236)	(378)	–	(614)
Net book amount	542	1,193	–	1,735
Year ended 31 December 2005				
Opening net book amount	542	1,193	–	1,735
Additions	7	239	86	332
Depreciation	(156)	(368)	(15)	(539)
Exchange realignment	5	10	1	16
Closing net book amount	398	1,074	72	1,544
At 31 December 2005				
Cost	790	1,820	87	2,697
Accumulated depreciation	(392)	(746)	(15)	(1,153)
Net book amount	398	1,074	72	1,544
Year ended 31 December 2006				
Opening net book amount	398	1,074	72	1,544
Additions	–	108	–	108
Depreciation	(143)	(326)	(12)	(481)
Impairment loss	(193)	(364)	(60)	(617)
Closing net book amount	**62**	**492**	**–**	**554**
At 31 December 2006				
Cost	486	1,130	–	1,616
Accumulated depreciation	(424)	(638)	–	(1,062)
Net book amount	**62**	**492**	**–**	**554**

15. INTEREST IN SUBSIDIARIES/AMOUNT DUE FROM A SUBSIDIARY

COMPANY

	2006 **HK$'000**	2005 HK$'000
Unlisted shares, at cost	**510**	510
Amount due from a subsidiary	**8,910**	8,782
Less: Impairment losses recognised	**(5,000)**	(5,000)
	3,910	3,782

During the year, the directors reviewed the carrying value of the amount due from a subsidiary with reference to the business operated by the subsidiary. No impairment loss (2005: Nil) has been identified and recognised in the Company's income statement.

Particulars of the subsidiaries at 31 December 2006 are as follows:

Name of subsidiary	**Place of incorporation and kind of legal entity**	**Particulars of issued share capital**	**Percentage of issued capital held by the Company** *Directly*	*Indirectly*	**Principal activities**
Beforward Trading Limited	British Virgin Islands, limited liability company	2 ordinary shares of US$1 each	–	100%	Investment holding
Cathy Success Limited	British Virgin Islands, limited liability company	1 ordinary shares of US$1 each	–	100%	Publication of "旭茉 JESSICA" PRC version magazine
Grandpress Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Investment holding
Great Ready Assets Limited	British Virgin Islands, limited liability company	2 ordinary shares of US$1 each	100%	–	Investment holding
Jessica Publications (BVI) Limited	British Virgin Islands, limited liability company	2 ordinary shares of US$1 each	–	100%	Investment holding

Notes to the Financial Statements

For the year ended 31 December 2006

15. INTEREST IN SUBSIDIARIES/AMOUNT DUE FROM A SUBSIDIARY (Continued)

Name of subsidiary	Place of incorporation and kind of legal entity	Particulars of issued share capital	Percentage of issued capital held by the Company Directly	Percentage of issued capital held by the Company Indirectly	Principal activities
Jessica (BVI) Limited	British Virgin Islands, limited liability company	2 ordinary shares of US$1 each	–	100%	Investment holding
Jessicacode Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Publication of "旭茉JESSICACODE" magazine
Jessica Management Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Provision of employee and personnel services and holding of a lease agreement
Jessica Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Publication of "旭茉JESSICA" magazine
Superb Taste Company Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Publication of "味道LISA" magazine

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

16. GOODWILL

GROUP

	2006 HK$'000	2005 HK$'000
At 1 January		
Gross carrying amount	**3,933**	3,933
Accumulated impairment losses	**–**	–
Carrying amount	**3,933**	3,933
Carrying amount at 1 January	**3,933**	3,933
Disposal of a subsidiary	**(3,933)**	–
Carrying amount at 31 December	**–**	3,933
At 31 December		
Gross carrying amount	–	3,933
Accumulated impairment losses	–	–
Carrying amount	–	3,933

Notes to the Financial Statements

For the year ended 31 December 2006

17. OTHER INTANGIBLE ASSET

GROUP

	2006 HK$'000	2005 HK$'000
Trademarks		
At 1 January		
Gross carrying amount	**19**	19
Accumulated impairment losses	**–**	–
Carrying amount	**19**	19
Carrying amount at 1 January and 31 December	**19**	19
At 31 December		
Gross carrying amount	**19**	19
Accumulated impairment losses	**–**	–
Carrying amount	**19**	19

18. TRADE RECEIVABLES

GROUP

	2006 HK$'000	2005 HK$'000
Trade receivables	**19,044**	21,834
Less: Impairment of receivables	**(1,387)**	(1,793)
Trade receivables – net	**17,657**	20,041

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:

	2006 HK$'000	2005 HK$'000
0 – 30 days	**5,509**	8,949
31 – 60 days	**3,373**	3,614
61 – 90 days	**484**	714
91 to 180 days	**5,771**	5,495
Over 180 days	**2,520**	1,269
	17,657	20,041

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2006 HK$'000	2005 HK$'000
GROUP		
Cash at bank and in hand	**2,563**	7,316

	2006 HK$'000	2005 HK$'000
COMPANY		
Cash at bank and in hand	**21**	18

Included in cash at bank and in hand of the Group is HK$16,000 (2005: HK$1,625,000) of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

20. TRADE PAYABLES

GROUP

	2006 HK$'000	2005 HK$'000
Trade payables	**21,981**	20,937

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

	2006 HK$'000	2005 HK$'000
0 – 30 days	**435**	5,360
31 – 60 days	**4,463**	5,358
61 – 90 days	**3,480**	2,241
91 – 180 days	**10,006**	3,387
Over 180 days	**3,597**	4,591
	21,981	20,937

21. AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount due to a minority shareholder of a subsidiary as at 31 December 2005 was unsecured, interest-free and had no fixed terms of repayment. In the opinion of the Directors, the loans would not be required to be repaid within the next twelve months and accordingly, the amount was shown as non-current.

Notes to the Financial Statements

For the year ended 31 December 2006

22. SHARE CAPITAL

	2006	2005
	HK$'000	HK$'000
Authorised:		
1,000,000,000,000 (2005: 1,000,000,000,000) ordinary shares of HK$0.001 each	**1,000,000**	1,000,000
Issued and fully paid:		
506,639,716 (2005: 506,639,716) ordinary shares of HK$0.001 each	**507**	507

23. SHARE-BASED EMPLOYEE COMPENSATION

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

At 31 December 2006, the number of shares in respect of which options were granted under the Scheme was 13,413,440 (2005: 14,053,440), representing 2.6% (2005: 2.8%) of the shares of the Company in issue at that date. As at 31 December 2006, the total number of shares available for issue under the Scheme was 37,074,707, representing approximately 7.3% of the issued share capital of the Company as at 31 December 2006 and the date of this Annual Report. Without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, and the aggregate number of shares in respect of which options may be granted to any individual in any year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

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

Notes to the Financial Statements

For the year ended 31 December 2006

23. SHARE-BASED EMPLOYEE COMPENSATION (Continued)

The following tables disclose movements in the Scheme:

For the year ended 31 December 2006:

Name or category of participant	Share option type	Outstanding at 1 January 2006	Reclassification	Lapsed during the year	Outstanding at 31 December 2006
		Number of share options			
Executive director					
FOO Kit Tak	2002 (a)	1,600,000	–	–	1,600,000
	2002 (b)	1,600,000	–	–	1,600,000
CHEUNG Mei Yu	2002 (a)	1,600,000	–	–	1,600,000
	2002 (b)	1,600,000	–	–	1,600,000
Sub-total		6,400,000	–	–	6,400,000
Employees					
In aggregate	2002 (a)	1,440,000	160,000	–	1,600,000
	2002 (b)	2,240,000	(160,000)	(320,000)	1,760,000
Sub-total		3,680,000	–	(320,000)	3,360,000
Others					
In aggregate	2002 (a)	3,120,000	(160,000)	(160,000)	2,800,000
	2002 (b)	853,440	160,000	(160,000)	853,440
Sub-total		3,973,440	–	(320,000)	3,653,440
Total		**14,053,440**	**–**	**(640,000)**	**13,413,440**

Notes to the Financial Statements

For the year ended 31 December 2006

23. SHARE - BASED EMPLOYEE COMPENSATION (Continued)

For the year ended 31 December 2005:

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

Details of the share options are as follows:

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

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 month	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.

23. SHARE - BASED EMPLOYEE COMPENSATION *(Continued)*

The fair values of options granted under the relevant Scheme on 15 April 2002 and 2 September 2002, measured at the date of grant, were approximately HK$5,024,000 and HK$2,123,000 respectively. As at 1 January 2005, the fair values of the outstanding share options was HK$4,089,000. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	**14 April 2002**	**2 September 2002**
Expected volatility	29%	56%
Expected life (in years)	9.7	9.4
Risk-free interest rate	5%	5%
Expected dividend yield	Nil	Nil

No employee compensation expense has been included in the consolidated income statement for the year ended 31 December 2006 (2005: HK$129,000) with a corresponding credit in equity.

24. RESERVES

GROUP

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 28 of the financial statements.

COMPANY

	Share premium HK$'000	**Employee compensation reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2005, as previously reported	9,218	–	(5,946)	3,272
Effect of initial adoption of HKFRS 2	–	4,089	(4,089)	–
At 1 January 2005, as restated	9,218	4,089	(10,035)	3,272
Profit for the year	–	–	225	225
Employee share-based compensation	–	(152)	281	129
At 31 December 2005 and 1 January 2006	9,218	3,937	(9,529)	3,626
Profit for the year	–	–	255	255
Employee share-based compensation	–	(154)	154	–
At 31 December 2006	**9,218**	**3,783**	**(9,120)**	**3,881**

Notes to the Financial Statements

For the year ended 31 December 2006

25. DEFERRED TAX

Deferred taxation is calculated in full or temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%).

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

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2005	80	(80)	–
Charge/(credit) to income statement	(7)	7	–
At 31 December 2005 and 1 January 2006	73	(73)	–
Charge/(credit) to income statement	(36)	36	–
At 31 December 2006	**37**	**(37)**	**–**

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

Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2006, the Group has unused tax losses of HK$3,617,000 (2005: HK$8,029,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HKHK211,000 (2005: HK$417,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$3,406,000 (2005: HK$7,612,000) due to the unpredictability of future profit streams. This tax loss has no expiry date.

26. OPERATING LEASE COMMITMENTS

GROUP

At 31 December 2006, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2006 HK$'000	2005 HK$'000
Within one year	**141**	283
In the second to fifth year inclusive	**–**	141
	141	424

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

COMPANY

The Company does not have any significant operating lease commitments as at 31 December 2006 and 2005.

27. CAPITAL COMMITMENTS

The Group and the Company do not have any significant capital commitments as at 31 December 2006 and 2005.

28. CONTINGENT LIABILITIES

GROUP

As at 31 December 2006, the Group had no significant contingent liabilities.

COMPANY

As at 31 December 2006, the Company had provided a corporate guarantee to a bank to secure a banking facility of HK$1,000,000 (2005: HK$1,000,000) granted to a subsidiary, which remained unused as at 31 December 2006.

29. RETIREMENT BENEFITS SCHEME

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

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

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

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

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. The amount of forfeited contributions utilised in this manner during the year was HK$55,000 (2005: HK$ 67,000). There was no significant amount of forfeited contributions available to reduce future contribution payable by the Group as at 31 December 2006 and 2005.

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

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

30. RELATED PARTY TRANSACTIONS

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

(a) Details of these transactions are as follows:

		2006	2005
		HK$'000	HK$'000
(i)	Purchase of services – Management fee	**720**	720
(ii)	Operating lease expenses	**283**	260
(iii)	Colour separation and photo processing fees	**783**	733
(iv)	Royalty income	**25**	–

(b) As disclosed in the consolidated balance sheet, the Group had outstanding payable to a related company of HK$71,000 (2005: HK$560,000), as at 31 December 2006. The balance is 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 "旭茉Jessica" on publication of various magazines at a nominal value.

(d) An agreement dated 21 December 2006 entered into among the Company as the purchaser, South China Strategic Limited ("SCS"), a wholly-owned subsidiary of South China Industries Limited ("SCI"), as the vendor, and SCI, a subsidiary of South China Holdings Limited, as the guarantor, pursuant to which SCS had conditionally agreed to sell the projects relating to the agricultural businesses in the PRC to the Company at a consideration of HK$140,000,000. The consideration would be satisfied by the Company's issuance a convertible note. Subsequently, a termination agreement dated 27 December 2006 was entered into among the aforesaid contracting parties to terminate the aforesaid agreement.

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

31. DISPOSAL OF A SUBSIDIARY

During the year, the Group disposed of 55% equity interest in Shanghai South China & Boyang Culture Media Co. Ltd. ("BCM"). Particulars of the disposal transaction are as follows:

	2006 HK$'000
Net liabilities disposal of:	
Trade and other receivables	1,784
Cash at banks	53
Other intangible assets	19
Trade and other payables	(11,779)
Amounts due to immediate holding company and a fellow subsidiary of BCM	(10,160)
Amount due to a minority shareholder of BCM	(2,241)
	(22,324)
Minority interest	2,698
	(19,626)
Goodwill previously recognised	3,933
Realisation of translation reserve	204
Other intangible assets retained to the Group	(19)
Impairment of amounts due from BCM	10,160
Gain on disposal of a subsidiary	4,548
Cash consideration paid in connection with the disposal	(800)

The analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follow:

Cash at banks disposed of	(53)
Cash consideration paid	(800)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(853)

32. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the board of directors 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 derivative or other instruments for hedging purpose.

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

32.1 Credit risk

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

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

32.2 Foreign currency risk

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

32.3 Cash flow and interest rate risk

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

32.4 Fair value

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

32.5 Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirement to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer terms. The Group had net current liabilities of HK$7,574,000 and net liabilities of HK$7,001,000 as at 31 December 2006. The liquidity of the Company is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations and to obtain continuing financial support from Mr. Ng Hung Sang, Robert, a substantial shareholder of the Company.

Financial Summary

FINANCIAL RESULTS

	Year ended 31 December				
	2002	2003	2004	2005	**2006**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
	(Notes i&ii)	(Notes i&ii)	(Note ii)		
Revenue	27,599	41,287	81,389	94,855	**83,464**
Direct operating expenses	(19,099)	(28,457)	(58,209)	(65,542)	**(68,054)**
Other operating revenue	165	164	67	195	**259**
Selling and distribution costs	(6,057)	(10,180)	(17,603)	(18,967)	**(19,491)**
Administrative expenses	(7,127)	(5,421)	(7,336)	(6,735)	**(8,332)**
Other operating expenses, net	-	(203)	(1,041)	(376)	**(2,015)**
Profit/(loss) before income tax	(4,519)	(2,810)	(2,733)	3,430	**(14,169)**
Income tax credit	117	–	–	–	**–**
Profit/(loss) for the year	(4,402)	(2,810)	(2,733)	3,430	**(14,169)**
Attributable to:					
Equity holders of the Company	(4,402)	(2,810)	(478)	3,430	**(14,169)**
Minority interests	–	–	(2,255)	–	**–**
Profit/(loss) for the year	(4,402)	(2,810)	(2,733)	3,430	**(14,169)**

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2002	2003	2004	2005	**2006**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	14,148	17,176	29,981	35,491	**21,228**
Total liabilities	(9,275)	(13,768)	(29,166)	(31,225)	**(28,229)**
Minority interests	–	–	2,698	2,698	**–**
Equity attributable to the Company's equity holders	4,873	3,408	3,513	6,964	**(7,001)**

Notes:

(i) *In previous years, certain direct operating costs were classified as selling and distribution costs. The directors consider that these expenses were directly related to the turnover of the Group and it is more informative to the readers after reclassifying these expenses to direct operating expenses. The amounts reclassified from selling and distribution costs to direct operating expenses for the years ended 31 December 2002 and 2003 are HK$431,000 and HK$1,197,000 respectively.*

(ii) *Certain comparative figures have been restated due to the adoption of the new or revised standards and interpretations of Hong Kong Financial Reporting Standards effective from 1 January 2005.*