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 Honbridge Holdings 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. He Xuechu (*Chairman*)
Mr. Liu Wei, William (*Chief Executive Officer*)
Mr. Shi Lixin

Independent Non-Executive Directors
Mr. Chan Chun Wai, Tony
Mr. Fok Hon
Mr. Ma Gang

Compliance Officer

Mr. Liu Wei, William

Company Secretary & Qualified Accountant

Mr. Lam King Ho *CPA(US)*, *CPA(HK)*, *ACCA*

Authorised Representatives

Mr. Liu Wei, William
Mr. Lam King Ho

Audit Committee

Mr. Chan Chun Wai, Tony (*Committee Chairman*)
Mr. Fok Hon
Mr. Ma Gang

Remuneration Committee

Mr. Fok Hon (*Committee Chairman*)
Mr. Ma Gang
Mr. Chan Chun Wai, Tony
Mr. He Xuechu
Mr. Liu Wei, William

Auditors

Grant Thornton

Principal Banker

Standard Chartered Bank (Hong Kong) Limited

Registered Office

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

Head Office and Principal Place of Business

Suite 2703, 27/F
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Unit C, 3/F
Wah Shing Centre
5 Fung Yip Street
Chai Wan
Hong Kong

Share Registrar and Transfer Office

Union Registrars Limited
Room 1901-02, Fook Lee Commercial Centre
Town Plaza, 33 Lockhart Road
Wanchai
Hong Kong

Stock Code

8137

Company Website

www.8137.hk

Chairman's Statement

I report the activities of the Company and its subsidiaries (together "the Group") for the year ended 31 December 2007.

Business Review

For the year ended 31 December 2007, the Group's turnover decreased by 19% to HK$67.8 million. Compared to a loss of HK$14.2 million for the year 2006, the Group has turnaround to profit-making. Profit for the year attributable to the equity holders of the Company was HK$1.5 million, mainly due to the disposal of the loss-making Mainland China ("Mainland China") (for the purpose of this report and for geographical segment excludes Hong Kong Special Administrative Region ("Hong Kong"), Taiwan and Macau Special Administration Region) business. Disregard the share based payment of share options issued to employees amounting to HK$0.7 million recognised during the year, actual profit before share based payment for the year of the Group should be HK$2.2 million.

Prospects

The Board of Directors believes that the trend of normal development has been established for the magazine publication business, which generates stable income for the Group. However, it is expected that the magazine publication business is difficult to expand in a large scale. Whilst continuing to operate the existing magazine publication business, the Group will try to develop and expand into new business scope. The Board of Directors believes that to look for suitable investment and cooperation opportunities in the resources and energy sector is one of the best choices to improve and enhance the profit base of the Group so as to yield better returns for the shareholders.

Appreciation

On behalf of the Board, I would like to take this opportunity to thank our shareholders for their continued support and all staff for their hard work. We look forward to a prosperous 2008, generating higher investment returns to our shareholders.

He Xuechu
Chairman

Hong Kong

1 February 2008

Management Discussion and Analysis

Business Review

For the year ended 31 December 2007, the Group's turnover decreased by 19% to HK$67.8 million. Compared to a loss of HK$14.2 million for the year 2006, the Group has turnaround to profit-making. Profit for the year attributable to the equity holders of the Company was HK$1.5 million, mainly due to the disposal of the loss-making PRC business. Disregard the share based payment of share options issued to employees amounting to HK$0.7 million recognised during the year, actual profit before share based payment for the year of the Group should be HK$2.2 million.

Our Hong Kong operations achieved a turnover of HK$61.7 million for 2007, representing a slight year on year 7% decrease compared to 2006. However, profit for the year has been increased by 131% to HK$1.7 million, which is mainly attributable to the growth in advertising income.

Our Mainland China operations accounted for a turnover of HK$6.2 million for 2007, representing a 64% decrease compared to 2006. Loss for the year has been reduced by 63% to HK$4.8 million, which is mainly due to the gradual divestment in the Mainland China magazine publication market. At the year end, the Group has disposed all the magazine publication business in the Mainland China.

Prospects

The Board of Directors believes that the trend of normal development has been established for the magazine publication business, which generates stable income for the Group. However, it is expected that the magazine publication business is difficult to expand in a large scale. Whilst continuing to operate the existing magazine publication business, the Group will try to develop and expand into new business scope. The Board of Directors believes that to look for suitable investment and cooperation opportunities in the resources and energy sector is one of the best choices to improve and enhance the profit base of the Group so as to yield better returns for the shareholders.

Liquidity and Financial Resources

During the year ended 31 December 2007, the Group's operation was mainly financed by the internal financial resources of the Group.

As at 31 December 2007, the Group had net current assets of HK$31.1 million (2006: net current liabilities of HK$7.6 million). The current assets comprised bank balances and cash of HK$33.8 million together with trade and other receivables of HK$6.7 million. The current liabilities comprised trade and other payables, accrued expenses and receipts in advance of HK$9.4 million.

As at 31 December 2007, the Group does not have any banking facilities (2006: HK$1.0 million). The gearing ratio of the Group remained inapplicable as at 31 December 2007.

As at 31 December 2007, (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.

Management Discussion and Analysis

Major Transactions

On 16 August 2007, the Company entered into a subscription agreement ("Subscription") with Hong Bridge Capital Limited ("Hong Bridge") to subscribe in cash for (i) 2,900 million new shares of the Company at a subscription price of HK$0.007 per share; and (ii) convertible notes of the Company in the principal amount of HK$14.7 million with an initial conversion price of HK$0.007 per share. Subsequent to the subscription, Hong Bridge became the controlling shareholders of the Company. Hong Bridge is wholly owned by Mr. He Xuechu, the Chairman of the Company.

On 16 August 2007, Great Ready Assets Limited, a wholly-owned subsidiary of the Company entered into a disposal agreement ("Disposal") with Win Gain Investments Limited, a company wholly-owned by Mr. Ng Hung Sang, a former executive director of the Company to dispose of the entire issued share capital of Jessica Publications (BVI) Limited at a consideration of HK$1 million.

Details of the above transactions were set out in the Company's circular dated 14 September 2007 and the special resolution of shareholders had been passed on 12 October 2007. Subscription and Disposal had been completed on 16 October 2007.

On 12 October 2007, the Company changed its name from Jessica Publications Limited to Honbridge Holdings Limited.

On 16 October 2007, Hong Bridge entered into a placing agreement with an independent placing agent to place out 345,000,000 shares of the Company to independent placees at the placing price of HK$0.7 per share. Upon the completion of the placement, the Company continued to maintain the 25% minimum public float requirement under Rule 11.23 of the GEM Listing Rules.

On 20 November 2007, the Company and Hunan Non-ferrous Metals Holding Group Co. Ltd. entered into a co-operative agreement to set up a joint venture for the acquisition of a company principally engaged in the mining business.

Significant Investment Plans

Save as disclosed above, as at 31 December 2007, the Group did not have any significant investment plans.

Contingent Liabilities

As at 31 December 2007, the Group did not have any significant contingent liabilities. 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.

Employees

As at 31 December 2007, the total number of employees of the Group was 48 (2006: 74). Employees' cost (including directors' emoluments) amounted to HK$18.4 million for the year (2006: HK$22.1 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. He Xuechu, aged 45, is the Chairman of the Company. Mr. He has extensive experience in financial management and in the investment field, is principally responsible for the Group's strategic planning and positioning. Mr. He graduated from 安徽財貿學院 (Anhui Finance and Trade College), the PRC in 1983. Since then, he was employed by 中華人民共和國商業部 (the Domestic Trade Ministry of the PRC), and China Resources (Holdings) Co., Ltd. During the period from 2001 to 2005, Mr. He was a director and substantial shareholder of a number of companies, the shares of which are listed on the Stock Exchange, including Shanghai Zendai Property Limited (stock code: 0755) and Geely Automobile Holdings Limited (stock code: 0175).

Mr. He is now the chairman of ChinaGrowth South Acquisition Corporation (USOTCBB symbol: CGSUF), and a director of ChinaGrowth North Acquisition Corporation (USOTCBB symbol: CGNUF), both shares of which are listed on Over-The-Counter Bulletin Board in the United States of America. Mr. He is also director of Great Ready Assets Limited, Beforward Trading Limited, Superb Taste Company Limited, Honbridge Management Limited and Jessicacode Limited, all being subsidiaries of the Company.

Mr. Liu Wei, William, aged 43, is the Chief Executive Officer of the Company. Mr. Liu has over 10 years of experience in corporate banking and corporate finance, including his previous employment with The Hongkong Chinese Bank Ltd. and Lippo Group. During the period from 2004 to 2006, Mr. Liu was a director of Hans Energy Company Limited (stock code: 0554), the shares of which are listed on the Stock Exchange. Mr. Liu was also a director of China Metal and Technologies (H.K.) Limited, a private company engaged in the trading of non-ferrous metal. He was the managing director of a private company engaged in media business. Mr. Liu was experienced in the publication business and was involved in the publication of 世界經濟論壇 (World Economic Journal Monthly), 今日健康生活 (Healthy Life Today) and 中國新聞周刊 (China News Weekly) during his tenure with the above private company. Mr. Liu holds a master degree in business administration from the University of San Francisco. Mr. Liu is also director of Great Ready Assets Limited, Beforward Trading Limited, Superb Taste Company Limited, Honbridge Management Limited, Jessicacode Limited and Clear Success Limited, all being subsidiaries of the Company.

Mr. Shi Lixin, aged 40, a postgraduate diploma holder in business administration from the University of Wales College, Newport, has extensive experience in mergers and acquisitions and project finance. Mr. Shi is currently the chief executive officer of 萬博港工業品超市有限公司 (Wanbo Industrial Provision & Exposition Co., Ltd.) and was once the special assistant to the chairman of 湖南投資集團股份有限公司 (Hunan Investment (Group) Corporation). Mr. Shi was also the chief executive officer of a company which was involved in the business procurement of 湘潭高新技術產業開發區 (Xiantan Hi-Tech Industrial Development Zone), which in turn contains the 湘潭(德國)工業園 (Xiangtang (Germany) Industrial Park).

Biographical Details of Directors and Senior Management

Mr. Ng Hung Sang, aged 58, is the former 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 South China Land Limited ("SCL"). 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 resigned as Executive Director and Chairman of the Company on 16 October 2007.

Mr. Ng Yuk Fung, Peter, aged 27, was appointed as an Executive Director, the former 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 SCL. He is a son of Mr. Ng Hung Sang and a brother of Ms. Ng Yuk Mui, Jessica. Mr. Ng resigned as Executive Director and Chief Executive Officer of the Company on 16 October 2007.

Ms. Foo Kit Tak, aged 34, 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. Foo resigned as Executive Director of the Company on 28 May 2007.

Ms. Cheung Mei Yu, aged 40, 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. Ms. Cheung resigned as Executive Director of the Company on 2 April 2007.

Non-Executive Director

Ms. Ng Yuk Mui, Jessica, aged 29, 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. Ms. Ng resigned as Non-Executive Director of the Company on 16 October 2007.

Biographical Details of Directors and Senior Management

Independent Non-Executive Directors

Mr. Chan Chun Wai, Tony, aged 35, is a Certified Public Accountant and works as a director in a certified public accounting practice. He has extensive experience in general assurance and business advisory services with clients operating in a variety of industries including application software development and installation, website design and development, textile, construction, food processing, property development, freight forwarding, and consumer electronic products and other manufacturing industries in both Hong Kong and the PRC. Moreover, Mr. Chan has over 10 years of experience in public listings in Hong Kong and Singapore, mergers and acquisition as well as corporate finance. Before commencing has own practice, Mr. Chan has worked in international accounting firms and a listed company. He holds a master degree in Business Administration from the Manchester Business School. He was also a visiting lecturer of the Hong Kong Polytechnic University. Mr. Chan is now the independent non-executive director of Hans Energy Company Limited (stock code 0554), and Nority International Group Limited (stock code 0660), the shares of which are listed on the Stock Exchange.

Mr. Fok Hon, aged 50, is the general manager of All Leaders Publication Group Ltd., which is engaged in the magazine publishing business, including publication of "All Leaders" in Hong Kong. Since 2000 Mr. Fok became the founding director and deputy secretary of The Global Foundation of Distinguished Chinese Ltd. (世界傑出華人基金會), a charitable organization registered in Hong Kong.

Mr. Ma Gang, aged 51, graduated from Anhui Finance and Trade College, the PRC in 1983 with a Bachelor degree in Economics. Between 2004 and 2006, Mr. Ma was employed as the vice managing director of Shanghai HongYe Enterprise Corporation which is principally engaged in properties development business.

Mr. So Siu Ming, George, aged 49, 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 and resigned on 16 October 2007.

Ms. Pong Oi Lan, Scarlett, aged 48, 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 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 and resigned on 16 October 2007.

Biographical Details of Directors and Senior Management

Mr. Cheng Yuk Wo, aged 47, 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 and resigned on 16 October 2007.

Senior Management

Mr. Lam King Ho, aged 38, holds a bachelor degree in accounting and finance. He is a member of the American Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Lam has over 12 years of finance and business management experience in major international accounting firms and listed companies in Hong Kong.

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 2007.

Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 16 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 28 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2007 (2006: Nil).

Financial Summary

A summary of the results of the Group for the last five financial years is set out on page 86 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 15 to the consolidated financial statements.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 24 to the consolidated financial statements.

Directors' Report

Directors

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

Executive Directors:

Mr. He Xuechu (*Chairman*)	(*appointed on 16 October 2007*)
Mr. Liu Wei, William (*Chief Executive Officer*)	(*appointed on 16 October 2007*)
Mr. Shi Lixin	(*appointed on 16 October 2007*)
Mr. Ng Hung Sang (*former Chairman*)	(*resigned on 16 October 2007*)
Mr. Ng Yuk Fung, Peter (*former Chief Executive Officer*)	(*resigned on 16 October 2007*)
Ms. Foo Kit Tak	(*resigned on 28 May 2007*)
Ms. Cheung Mei Yu	(*resigned on 2 April 2007*)

Non-Executive Director:

Ms. Ng Yuk Mui, Jessica	(*resigned on 16 October 2007*)

Independent Non-Executive Directors:

Mr. Chan Chun Wai, Tony	(*appointed on 16 October 2007*)
Mr. Fok Hon	(*appointed on 16 October 2007*)
Mr. Ma Gang	(*appointed on 16 October 2007*)
Mr. So Siu Ming, George	(*resigned on 16 October 2007*)
Ms. Pong Oi Lan, Scarlett	(*resigned on 16 October 2007*)
Mr. Cheng Yuk Wo	(*resigned on 16 October 2007*)

In accordance with Article 116 of the Articles of Association of the Company, Mr. Fok Hon and Mr. Ma Gang 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

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.

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 2007, 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**
He Xuechu	–	2,555,000,000 (*Note a*)	2,555,000,000	74.87%
Ng Hung Sang	17,886,800	268,132,403 (*Note b*)	286,019,203	8.38%

Note:

(a) The 2,555,000,000 shares were held by Hong Bridge Capital Limited ("Hong Bridge"). Hong Bridge is wholly owned by Mr. He Xuechu.

(b) The 268,132,403 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 71,987,440 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 71,987,440 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 below, none of the Directors or chief executives of the Company had, as at 31 December 2007, 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.

Directors' Report

Confirmation of Independence of Independent Non-Executive Directors

The Company received from each of the Independent Non-Executive Directors, Mr. Chan Chun Wai, Tony, Mr. Fok Hon and Mr. Ma Gang, an annual confirmation of his 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 51,271,972 Shares, being 10% of the issued share capital immediately following refreshment of the Scheme on 12 October 2007.

As at 31 December 2007, an aggregate of 21,440,000 Shares were issuable pursuant to share options granted under the Scheme. For the year ended 31 December 2007, 6,080,000 options were exercised by the grantee pursuant to the Scheme.

As at 31 December 2007, the total number of Shares available for issue pursuant to the grant of further options under the Scheme was 29,831,972, representing approximately 0.9% of the issued share capital of the Company as at 31 December 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 01/01/2007	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31/12/2007	Date of grant of share options (Note a)	Exercise period of share options	Exercise price per share option HK$	Price immediately preceding the grant date of share options (Note b) HK$	Price immediately preceding the exercise date of share options (Note c) HK$
Directors											
Liu Wei, William	–	10,000,000	–	–	–	10,000,000	22/11/2007	22/05/2008 – 07/01/2012	1.20	1.20	N/A
Shi Lixin	–	10,000,000	–	–	–	10,000,000	22/11/2007	22/05/2008 – 07/01/2012	1.20	1.20	N/A
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	20,000,000	–	(6,400,000)	–	20,000,000					
Employees											
In aggregate	1,600,000	–	(1,600,000)	–	–	–	15/04/2002	15/04/2003 – 07/01/2012	0.69	0.68	0.69
	1,760,000	–	(1,760,000)	–	–	–	02/09/2002	02/09/2003 – 07/01/2012	0.31	0.30	0.46
	–	1,200,000	–	–	–	1,200,000	22/11/2007	22/05/2008 – 07/01/2012	1.20	1.20	N/A
Sub-total	3,360,000	1,200,000	(3,360,000)	–	–	1,200,000					
Others											
In aggregate	2,800,000	–	(2,080,000)	(480,000)	–	240,000	15/04/2002	15/04/2003 – 07/01/2012	0.69	0.68	0.70
	853,440	–	(640,000)	(213,440)	–	–	02/09/2002	02/09/2003 – 07/01/2012	0.31	0.30	0.53
Sub-total	3,653,440	–	(2,720,000)	(693,440)	–	240,000					
Total	13,413,440	21,200,000	(6,080,000)	(7,093,440)	–	2,144,000					

Notes:

(a) All share options granted on 15 April 2002 and 2 September 2002 are subject to a vesting period and becoming exercisable in whole or in part in the following manner:

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

Share options granted on 22 November 2007 are subject to a vesting period of six months and becoming exercisable in whole after then.

(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) 21,200,000 share options of the Company were granted during the year ended 31 December 2007, a total of HK$5.00 in respect of share options was received and the value of options granted during the year was approximately HK$3.5 million.

Convertible Securities, Options, Warrants or Similar Rights

On 16 October 2007, convertible notes of HK$14.7 million with an initial conversion price of HK$0.007 per conversion share of the Company were issued.

During the year ended 31 December 2007, there was no conversion of the Company's outstanding convertible notes.

Save as disclosed above, during the year ended 31 December 2007, 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 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.

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

As at 31 December 2007, 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
Hong Bridge	Beneficial owner	2,555,000,000 (*Note a*)	74.87%
Parkfield	Beneficial owner	92,966,000 (*Note b*)	2.72%
Fung Shing	Beneficial owner	99,012,563 (*Note b*)	2.90%
Ronastar	Beneficial owner	4,166,400 (*Note b*)	0.12%
Earntrade	Beneficial owner	12,661,600 (*Note c*)	0.37%
	Interest of a controlled corporation	59,325,840 (*Note c*)	1.74%
Bannock	Beneficial owner	59,325,840 (*Note c*)	1.74%
Ng Hung Sang	Beneficial owner	17,886,800	0.52%

Notes:

(a) Hong Bridge is wholly owned by Mr. He Xuechu, the Chairman of the Company.

(b) Each of Parkfield, Fung Shing and Ronastar is wholly owned by Mr. Ng Hung Sang, the former Chairman of the Company.

(c) 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 2007, 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

On 16 August 2007, Great Ready Assets Limited ("Great Ready Assets"), being a company wholly-owned subsidiary of the Company, entered into an agreement with Win Gain Investments Limited ("Win Gain"), being a company wholly-owned by Mr. Ng Hung Sang, Robert, a former director of the Company for the period from 1 January 2007 to 16 October 2007. Under the agreement, Great Ready Assets agreed to sell and Win Gain agreed to acquire the entire issued share capital of Jessica Publications (BVI) Limited at a consideration of HK$1,000,000, payable in cash.

Since Win Gain is Company wholly-owned by Mr. Ng Hung Sang, Robert, a former director and substantial shareholder of the Company for the period from 1 January 2007 to 16 October 2007, Win Gain is a connected person of the Company. Under the GEM Listing Rules, the transaction constitutes a connected transaction and major transaction for the Company. Further details of the transaction are set out in the Company's circular dated 14 September 2007. An extraordinary general meeting of the Company was held on 12 October 2007 and the above transactions were approved by the independent shareholders. The transaction was completed on 16 October 2007.

Directors' and Management Shareholders' Interests in Competing Business

Mr. Fok Hon, an Independent Non-Executive Director of the Company, is also the managing director of All Leaders Publication Group Limited. Since All Leaders Publication Group Limited is engaged in the publication business, Mr. Fok is regarded as interested in such competing business of the Group.

Mr. Ng Hung Sang, the former Chairman and management shareholder of the Company, is also the Chairman of South China Holdings and the Chairman of South China Land Limited ("SCL"). Mr. Ng Hung Sang, personally and through Parkfield, Fung Shing and Ronastar, has interest in South China Holdings and SCL. 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 SCL. Since SCL 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, a former Executive Director and Chief Executive Officer of the Company, is also an executive director of South China Holdings and SCL, 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 SCL. 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 SCL.

Mr. Cheng Yuk Wo, a former Independent Non-Executive Director of the Company, is also an independent non-executive director of SCL. Mr. Cheng is not regarded to have interest in any competing business of the Group since he is not involved in the day-to-day running of the business of SCL.

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 2007.

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 31 to the consolidated financial statements.

Customers and Suppliers

During the year ended 31 December 2007, the five largest customers of the Group accounted for less than 22% of the Group's total turnover and the five largest suppliers of the Group accounted for 67% of the Group's total purchases. In addition, the largest supplier accounted for 30% 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 2007.

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 for the period from 1 January 2007 to 16 October 2007 comprised three members, Mr. So Siu Ming, George (Committee Chairman), Ms. Pong Oi Lan, Scarlett and Mr. Cheng Yuk Wo, who are former Independent Non-Executive Directors of the Company.

With effect from 16 October 2007, the audit committee comprises Mr. Chan Chun Wai, Tony (Committee Chairman), Mr. Fok Hon and Mr. Ma Gang, who are Independent Non-Executive Directors of the Company. With effect from 16 October 2007, the audit committee has a term of 2 years.

During the year, the audit committee held four meetings to review and comment on the Company's 2006 annual report, 2007 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 2007 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 2007, 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 Grant Thornton as auditors of the Company.

On behalf of the Board
He Xuechu
Chairman

Hong Kong

1 February 2008

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 2007 with the exception that 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 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 6 Directors, including the Chairman, the Chief Executive Officer who are Executive Directors, 1 additional Executive Director and 3 Independent Non-Executive Directors. Half 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 10 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 Independent 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.

Corporate Governance Report

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. The CG Code states that 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, 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.

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 2007:

	Attendance
Executive Directors	
He Xuechu (*Chairman*)	1/4
Liu Wei, William (*Chief Executive Officer*)	1/4
Shi Lixin	1/4
Ng Hung Sang (*former Chairman*)	3/4
Ng Yuk Fung, Peter (*former Chief Executive Officer*)	3/4
Foo Kit Tak	1/4
Cheung Mei Yu	0/4
Non-Executive Director	
Ng Yuk Mui, Jessica	3/4
Independent Non-Executive Directors	
Chan Chun Wai, Tony	1/4
Fok Hon	1/4
Ma Gang	1/4
So Siu Ming, George	3/4
Pong Oi Lan, Scarlett	3/4
Cheng Yuk Wo	3/4

Corporate Governance Report

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

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

Model Code for Securities Transactions

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

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transaction throughout the year ended 31 December 2007.

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, publication business of the Group were reviewed and addressed in the internal control report which was presented by the IA Team for review by Audit Committee and the Board.

Corporate Governance Report

Directors' Responsibility for the Financial Statements

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

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditors on pages 26 to 27 of this annual report.

Auditors' Remuneration

For the year ended 31 December 2007, the Auditors of the Company received approximately HK$350,000 for audit service. No non-audit service was provided by the Auditors in 2007.

Remuneration Committee

The Remuneration Committee was set up on 23 March 2005. The Committee members are Mr. Fok Hon (Chairman of the Committee), Mr. Ma Gang, Mr. Chan Chun Wai, Tony, Mr. He Xuechu and Mr. Liu Wei, William. The Committee met once in 2007 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.

Remuneration, comprising directors' fees, of Independent 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 for the period from 1 January 2007 to 16 October 2007 comprised 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. With effect from 16 October 2007, the audit committee comprises Mr. Chan Chun Wai, Tony (Chairman of the Committee), Mr. Fok Hon and Mr. Ma Gang. The Audit Committee met four times in 2007 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 2008 at the forthcoming Annual General Meeting.

The Group's annual report for the year ended 31 December 2007 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 Honbridge Holdings Limited
(Formerly known as Jessica Publications Limited)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Honbridge Holdings Limited (the "Company") set out on pages 28 to 85, which comprise the consolidated and company balance sheets as at 31 December 2007, 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 2007 and of the Group's profit 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

1 February 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue	5	**67,843**	83,464
Direct operating expenses		**(43,696)**	(68,054)
Other operating revenue	6	**192**	259
Selling and distribution costs		**(17,271)**	(19,491)
Administrative expenses		**(9,998)**	(8,332)
Other operating income		**5,480**	4,548
Other operating expenses		**(852)**	(6,563)
Other operating income/(expenses), net	9	**4,628**	(2,015)
Operating profit/(loss)		**1,698**	(14,169)
Finance cost	7	**(169)**	–
Profit/(loss) before income tax	9	**1,529**	(14,169)
Income tax expense	10	**–**	–
Profit/(loss) for the year		**1,529**	(14,169)
Profit/(loss) attributable to:			
Equity holders of the Company	11	**1,529**	(14,169)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the year	12		
– Basic		**HK0.14 cent**	HK(2.80) cents
– Diluted		**HK0.11 cent**	N/A

Consolidated Balance Sheet

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	15	**1,293**	554
Other intangible asset	18	**–**	19
		1,293	573
Current assets			
Trade receivables	19	**5,414**	17,657
Other receivables		**1,300**	435
Cash and cash equivalents	20	**33,752**	2,563
		40,466	20,655
Current liabilities			
Trade payables	21	**5,375**	21,981
Other payables, accrued expenses and receipts in advance		**4,017**	6,177
Amount due to a related company	32	**–**	71
		9,392	28,229
Net current assets/(liabilities)		**31,074**	(7,574)
Total assets less current liabilities		**32,367**	(7,001)
Non-current liability			
Convertible bonds	23	**13,169**	–
Net assets/(liabilities)		**19,198**	(7,001)
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	24	**3,413**	507
Reserves		**15,785**	(7,508)
Total equity/(capital deficiency)		**19,198**	(7,001)

He Xuechu
Chairman

Liu Wei, William
Director

Balance Sheet

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	15	**997**	–
Interest in a subsidiary	16	**7,266**	510
		8,263	510
Current assets			
Amount due from a subsidiary	16	**–**	3,910
Other receivables		**177**	25
Cash and cash equivalents	20	**31,331**	21
		31,508	3,956
Current liabilities			
Other payables and accrued expenses		**432**	78
Amount due to a subsidiary	22	**1**	–
		433	78
Net current assets		**31,075**	3,878
Total assets less current liabilities		**39,338**	4,388
Non-current liability			
Convertible bonds	23	**13,169**	–
Net assets		**26,169**	4,388
EQUITY			
Share capital	24	**3,413**	507
Reserves	26	**22,756**	3,881
Total equity		**26,169**	4,388

He Xuechu
Chairman

Liu Wei, William
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Notes	**2007** **HK$'000**	2006 HK$'000
Cash flows from operating activities			
Profit/(loss) before income tax		**1,529**	(14,169)
Adjustments for :			
Depreciation	9	**285**	481
Gain on disposal of subsidiaries	9	**(5,480)**	(4,548)
Impairment of plant and equipment	9	**–**	617
Equity-settled share-based payment expenses	13	**749**	–
Interest income	6	**(79)**	(58)
Interest expense on convertible bonds	7	**169**	–
Operating loss before working capital changes		**(2,827)**	(17,677)
(Increase)/Decrease in trade and other receivables		**(1,251)**	2,803
(Decrease)/Increase in trade payables		**(2,623)**	11,744
Increase/(Decrease) in other payables, accrued expenses and receipts in advance		**2,239**	(231)
Decrease in amount due to a related company		**(71)**	(489)
Net cash used in operating activities		**(4,533)**	(3,850)
Cash flows from investing activities			
Interest received	6	**79**	58
Proceed from disposal of subsidiaries	33	**309**	(853)
Purchase of plant and equipment		**(1,518)**	(108)
Net cash used in investing activities		**(1,130)**	(903)
Cash flows from financing activities			
Proceeds from shares issued under share option scheme		**3,283**	–
Proceeds from issuance of new shares		**20,300**	–
Proceeds from issuance of convertible bonds		**14,700**	–
Share issue expenses		**(1,431)**	–
Net cash generated from financing activities		**36,852**	–
Net increase/(decrease) in cash and cash equivalents		**31,189**	(4,753)
Cash and cash equivalents at 1 January		**2,563**	7,316
Cash and cash equivalents at 31 December		**33,752**	2,563
Analysis of cash and cash equivalents			
– Cash at banks and in hand	20	**33,752**	2,563

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Equity attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Employee compensation reserve	Translation reserve	Convertible bonds equity reserve	Accumulated losses	Total	Minority Interest	Total equity/ (capital deficiency)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2005 and 1 January 2006	507	9,218	(510)	3,937	(90)	–	(6,098)	6,964	(2,698)	4,266
Loss for the year	–	–	–	–	–	–	(14,169)	(14,169)	–	(14,169)
Total recognised income and expense for the year	–	–	–	–	–	–	(14,169)	(14,169)	–	(14,169)
Disposal of a subsidiary	–	–	–	–	204	–	–	204	2,698	2,902
Share options forfeited	–	–	–	(154)	–	–	154	–	–	–
At 31 December 2006 and 1 January 2007	**507**	**9,218**	**(510)**	**3,783**	**114**	**–**	**(20,113)**	**(7,001)**	**–**	**(7,001)**
Profit for the year	–	–	–	–	–	–	1,529	1,529	–	1,529
Total recognised income and expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**1,529**	**1,529**	**–**	**1,529**
Disposal of subsidiaries	–	–	183	–	(114)	–	–	69	–	69
Proceeds from issuance of shares	2,900	17,400	–	–	–	–	–	20,300	–	20,300
Share issue expenses	–	(1,431)	–	–	–	–	–	(1,431)	–	(1,431)
Proceeds from shares issued under share option scheme	6	5,024	–	(1,747)	–	–	–	3,283	–	3,283
Share options forfeited	–	–	–	(1,954)	–	–	1,954	–	–	–
Recognition of equity component of convertible bonds	–	–	–	–	–	1,700	–	1,700	–	1,700
Recognition of equity-settled share-based compensation	–	–	–	749	–	–	–	749	–	749
At 31 December 2007	**3,413**	**30,211**	**(327)**	**831**	**–**	**1,700**	**(16,630)**	**19,198**	**–**	**19,198**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

1. GENERAL INFORMATION

Honbridge Holdings Limited (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 Suite 2703, 27th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, 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. The activities of its principal activities are set out in note 16 to the consolidated financial statements.

Pursuant to a special resolution passed at the Extra-ordinary General Meeting held on 12 October 2007, the name of the Company was changed from "Jessica Publications Limited" to "Honbridge Holdings Limited".

The consolidated financial statements of the Group on pages 28 to 85 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements also 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 of Hong Kong Limited (the "GEM Listing Rules").

The consolidated financial statements for the year ended 31 December 2007 were approved for issue by the board of directors on 1 February 2008.

2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied, for the first time, the following new standards, amendment and interpretations issued by the HKICPA, which are effective for the Group's financial statements beginning on 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments : Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

2. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

2.1 HKAS 1 (Amendment) – Capital Disclosures

In accordance with the HKAS 1 (Amendment) – Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change are detailed in note 35.

2.2 HKFRS 7 – Financial Instruments : Disclosures

HKFRS 7 – Financial Instruments : Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 Financial Instruments: Presentation and Disclosures and has been adopted by the Group in its consolidated financial statements for the year ended 31 December 2007. All disclosures relating to financial instruments including the comparative information have been updated to reflect the new requirements. In particular, the Group's consolidated financial statements now feature :

– a sensitive analysis explained the Group's market risk exposure in regard to its financial instruments, and

– a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments on cash flows, net income or balance sheet items.

2.3 New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The Directors of the Company is currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's consolidated financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 11	Group and Treasury Share Transactions[2]
HK(IFRIC) – Int 12	HKFRS 2 – Service Concession Arrangements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

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 and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. 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 any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Foreign currency translation

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

In the individual 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. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities 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 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 individual financial statements of foreign operations, 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 exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates.

Other exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Revenue recognition

Revenue comprises the fair value for the sale of goods and rendering of services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, 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 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.

3.6 Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the business combination.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3.10).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities over the cost of a business combination is recognised immediately in profit or loss.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Other intangible asset

Other intangible asset represents trademarks. For separately acquired other intangible assets, they are initially recognised at cost. After initial recognition, other 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.

3.8 Borrowing costs

All borrowing costs are expensed when incurred.

3.9 Plant and equipment

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

Depreciation on plant and equipment is provided to write off the cost over their estimated useful lives, using the straight-line method, at 20% per annum.

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

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the 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 costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Impairment of assets

Goodwill arising on an acquisition of subsidiaries, other intangible assets, plant and equipment and interests in subsidiaries are subject to impairment testing.

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 assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset'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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). 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 the goodwill is monitored for internal management purpose.

Impairment loss recognised for cash-generating units, to which goodwill has been allocated, are credited to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

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 favourable 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Impairment of assets (Continued)

Interim financial reporting and impairment

Under the GEM Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34 – Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year.

Impairment loss recognised in an interim period in respect of goodwill is not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

3.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Operating lease charges as the lessee

Where the Group has the right to use the assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets

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

The Group's accounting policy for financial assets other than investments in subsidiaries are set out below:

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus any directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost. The Group's trade and most other receivables fall into this category of financial instruments.

Impairment of loans and receivables

At each balance sheet date, loans and receivables are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Financial assets (Continued)

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

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 differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3.16 Retirement benefit costs and short-term employee benefits

Defined contribution plan

Retirement benefits to employees are provided through several defined contribution plans. For details of the retirement benefits schemes, please refer to note 31 to the consolidated 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Retirement benefit costs and short-term employee benefits (Continued)

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 such as sick leave and maternity leave are not recognised until the time of leave.

3.17 Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. 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.

At the time when the share options are exercised, the amount previously recognised in employee compensation reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will be transferred to accumulated losses.

3.18 Financial liabilities

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial liabilities (Continued)

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible bond issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as convertible bond equity reserve.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bond.

When the bond is converted, the convertible bond equity reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the convertible bond equity reserve is released directly to accumulated losses.

Trade and other payables

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

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.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

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

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

Critical accounting estimates and assumptions

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 two and a half years to 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.

(iii) Valuation of convertible bonds

On initial recognition date, the fair value of convertible bonds that are not traded in an active market is determined by using discounted cash flow method. The Group uses its judgement to make assumptions that are mainly based on market conditions existing at the issue date. Details of the key assumptions are disclosed in note 23.

(iv) Depreciation on plant and equipment

The Group depreciates its plant and equipment on a straight-line method over their estimated useful lives of five years, i.e. 20% per annum. The estimated useful lives reflect the directors' estimate of the period that the Group will derive future economic benefits from the use of the Group's plant and equipment.

5. REVENUE

Revenue, which is also the Group's turnover, represents 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:

	2007	2006
	HK$'000	HK$'000
Sale of magazines	**9,575**	20,470
Advertising income	**43,783**	52,268
Promotion and marketing income	**14,485**	10,726
	67,843	83,464

6. OTHER OPERATING REVENUE

	2007	2006
	HK$'000	HK$'000
Bank interest income	**79**	58
Sundry income	**113**	201
	192	259

7. FINANCE COST

	2007	2006
	HK$'000	HK$'000
Imputed interest on convertible bonds	**169**	–

8. 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 2007 and 2006.

Year ended 31 December 2007

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Revenue	61,682	6,161	67,843
Segment results	1,704	(4,826)	(3,122)
Other operating revenue			192
Other operating income, net			4,628
Finance cost			(169)
Profit for the year			1,529
Segment assets	41,759	–	41,759
Segment liabilities	(9,392)	–	(9,392)
Unallocated liabilities			(13,169)
Total liabilities			(22,561)
Other information			
Depreciation	285	–	285
Impairment and written-off of receivables	36	816	852
Capital expenditure	1,518	–	1,518

8. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

Year ended 31 December 2006

	Hong Kong	Mainland China	Total
	HK$'000	HK$'000	HK$'000
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 and written off of receivables	(31)	5,977	5,946
Impairment of plant and equipment	–	617	617
Capital expenditure	81	27	108

Business segments

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

9. PROFIT/(LOSS) BEFORE INCOME TAX

	2007 HK$'000	2006 HK$'000
Profit/(loss) before income tax is arrived at after charging/(crediting) :		
Auditors' remuneration	**350**	300
Depreciation on plant and equipment	**285**	481
Exchange loss	**162**	212
Other operating income:		
– Gain on disposal of subsidiaries (*note* 33)	**(5,480)**	(4,548)
Other operating expense:		
– Impairment and written-off of receivables	**852**	5,946
– Impairment of plant and equipment	**–**	617
Other operating (income)/expense, net	**(4,628)**	2,015
Minimum lease payments paid under operating leases in respect of rental premises	**283**	766

10. INCOME TAX EXPENSE

For the year ended 31 December 2007, no provision for Hong Kong profits tax has been provided in the financial statements as the Group has tax losses brought forward from previous years to offset against the assessable profit for the year.

For the year ended 31 December 2006, no Hong Kong profits tax had been provided as the Group had no estimated assessable profit arising in or derived from Hong Kong.

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 profit/(loss) at applicable tax rates:

	2007 HK$'000	2006 HK$'000
Profit/(loss) before income tax	**1,529**	(14,169)
Tax on profit/(loss) before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**279**	(4,053)
Tax effect of non-deductible expenses	**1,502**	4,247
Tax effect of non-taxable revenue	**(1,207)**	(9)
Tax effect of prior years' unrecognised tax losses utilised this year	**(534)**	(393)
Tax effect of unrecognised tax losses	**–**	172
Tax effect on temporary difference not recognised	**(40)**	36
Income tax expense	**–**	–

11. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to the equity holders of the Company of HK$1,529,000 (2006: loss of HK$14,169,000), a loss of HK$2,820,000 (2006: a loss of HK$255,000) has been dealt with in the financial statements of the Company.

12. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity holders of the Company of HK$1,529,000 (2006: loss of HK$14,169,000) and on the weighted average of approximately 1,120,782,000 (2006: 506,639,716) ordinary shares in issue during the year.

(b) Diluted earnings/(loss) per share

For the year ended 31 December 2007, the calculation of diluted earnings per share is based on profit attributable to equity holders of the Company of HK$1,698,000 and the weighted average number of ordinary shares of 1,563,846,000, calculated as follows:

(i) Profit attributable to equity holders of the Company (diluted)

	HK$'000
Profit attributable to equity holders of the Company	**1,529**
After tax effect of imputed interest on liability component of convertible bonds	**169**
	1,698

(ii) Weighted average number of ordinary shares (diluted)

	'000
Weighted average number of ordinary shares at 31 December 2007	**1,120,782**
Effect of deemed issue of shares under the Company's share option scheme	**50**
Effect of conversion of convertible bonds	**443,014**
Weighted average number of ordinary shares (diluted) at 31 December 2007	**1,563,846**

For the year ended 31 December 2006, no diluted loss per share has been presented because the exercise price of the Company's share options was higher than the average market price per share for that year.

13. EMPLOYEE BENEFIT EXPENSE (including directors' emoluments)

	2007	2006
	HK$'000	HK$'000
Wages and salaries	**17,040**	21,436
Share-based payment	**749**	–
Pension costs – defined contribution plans	**638**	616
	18,427	22,052

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

	2007	2006
	HK$'000	HK$'000
Short-term employee benefits	**3,822**	4,455
Post-employment benefits	**63**	102
Equity compensation benefits	**706**	–
	4,591	4,557

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT

(a) Directors' emoluments

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

	Date of appointment/ resignation	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 2007						
Executive directors						
HE Xuechu	Appointed on 16 October 2007	152	–	1	–	153
LIU Wei William	Appointed on 16 October 2007	172	–	1	353	526
SHI Lixin	Appointed on 16 October 2007	152	–	–	353	505
NG Hung Sang	Resigned on 16 October 2007	–	–	–	–	–
NG Yuk Fung Peter	Resigned on 16 October 2007	8	466	10	–	484
FOO Kit Tak	Resigned on 28 May 2007	–	157	5	–	162
CHEUNG Mei Yu	Resigned on 2 April 2007	–	153	8	–	161
Non–executive director						
NG Yuk Mui Jessica	Resigned on 16 October 2007	8	–	–	–	8
Independent non–executive directors						
MA Gang	Appointed on 16 October 2007	25	5	–	–	30
CHAN Chun Wai Tony	Appointed on 16 October 2007	25	–	–	–	25
FOK Hon	Appointed on 16 October 2007	25	–	–	–	25
SO Siu Ming George	Resigned on 16 October 2007	40	–	–	–	40
PONG Oi Lan Scarlett	Resigned on 16 October 2007	40	–	–	–	40
CHENG Yuk Wo	Resigned on 16 October 2007	40	–	–	–	40
		687	781	25	706	2,199

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT (Continued)

(a) Directors' emoluments (Continued)

	Fees	Salaries and allowances	Contribution to defined contribution plan	Total
	HK$'000	HK$'000	HK$'000	HK$'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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. (2006: Nil)

14. 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 (2006: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2006: four) individuals during the year are as follows:

	2007	2006
	HK$'000	HK$'000
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**2,354**	2,759
Pension cost- defined contribution plans	**38**	48
	2,392	2,807

The emoluments fell within the following band:

	Number of individuals	
	2007	2006
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 (2006: four) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. PLANT AND EQUIPMENT

GROUP

	Leasehold improvements HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2006				
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 and impairment	(424)	(638)	–	(1,062)
Net book amount	**62**	**492**	**–**	**554**
Year ended 31 December 2007				
Opening net book amount	62	492	–	554
Additions	917	601	–	1,518
Depreciation	(96)	(189)	–	(285)
Disposal of subsidiaries	(22)	(472)	–	(494)
Closing net book amount	**861**	**432**	**–**	**1,293**
At 31 December 2007				
Cost	898	455	–	1,353
Accumulated depreciation	(37)	(23)	–	(60)
Net book amount	**861**	**432**	**–**	**1,293**

15. PLANT AND EQUIPMENT (Continued)

COMPANY

	Leasehold improvements HK$'000	Furniture and office equipment HK$'000	Total HK$'000
At 1 January 2006, 31 December 2006 and 1 January 2007			
Cost	–	–	–
Accumulated depreciation	–	–	–
Net book amount	–	–	–
Year ended 31 December 2007			
Opening net book amount	–	–	–
Additions	898	142	1,040
Depreciation	(37)	(6)	(43)
Closing net book amount	**861**	**136**	**997**
At 31 December 2007			
Cost	898	142	1,040
Accumulated depreciation	(37)	(6)	(43)
Net book amount	**861**	**136**	**997**

16. INTEREST IN A SUBSIDIARY/AMOUNT DUE FROM A SUBSIDIARY COMPANY

	2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	**12,266**	510
Less: Impairment loss recognised	**(5,000)**	–
	7,266	510
Amount due from a subsidiary	**–**	8,910
Less: Impairment losses recognised	**–**	(5,000)
	–	3,910

During the year, the directors reviewed the carrying value of the investment in a subsidiary with reference to the business operated by the subsidiary. Impairment loss of HK$5,000,000 (2006: Nil) has been identified and recognised in the Company's income statement.

Particulars of the principal subsidiaries at 31 December 2007 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
Great Ready Assets Limited	British Virgin Islands, limited liability company	3 ordinary shares of US$1 each	100%	–	Investment holding
Beforward Trading 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
Honbridge Management Limited (formerly known as 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
Superb Taste Company Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Publication of "味道LISA" magazine

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

17. GOODWILL

GROUP

	2007 **HK$'000**	2006 HK$'000
At 1 January		
Gross carrying amount	–	3,933
Accumulated impairment losses	–	–
Carrying amount	–	3,933
Carrying amount at 1 January	–	3,933
Disposal of a subsidiary	–	(3,933)
Carrying amount at 31 December	–	–
At 31 December		
Gross carrying amount	–	–
Accumulated impairment losses	–	–
Carrying amount	–	–

18. OTHER INTANGIBLE ASSET

GROUP

	2007 **HK$'000**	2006 HK$'000
Trademarks		
At 1 January		
Gross carrying amount	**19**	19
Accumulated impairment losses	–	–
Carrying amount	**19**	19
Net carrying amount at 1 January	**19**	19
Disposal of subsidiaries (*note* 33)	**(19)**	–
Net carrying amount at 31 December	–	19
At 31 December		
Gross carrying amount	–	19
Accumulated impairment losses	–	–
Carrying amount	–	19

19. TRADE RECEIVABLES

GROUP

	2007 HK$'000	2006 HK$'000
Trade receivables	**5,857**	19,044
Less: Impairment of receivables	**(443)**	(1,387)
Trade receivables – net	**5,414**	17,657

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the provision for impairment of trade receivables is as follows:

	2007 HK$'000	2006 HK$'000
At 1 January	**1,387**	1,793
Amount written off	**(171)**	–
Impairment loss and allowances charged/(reversed) to the income statement	**735**	(31)
Disposal of subsidiaries	**(1,508)**	(375)
At 31 December	**443**	1,387

At each of the balance sheet date, the Group's trade receivables were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised. The Group does not hold any collateral over these balances.

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:

	2007 HK$'000	2006 HK$'000
0 – 30 days	**2,342**	5,509
31 – 60 days	**1,622**	3,373
61 – 90 days	**174**	484
91 to 180 days	**1,243**	5,771
Over 180 days	**33**	2,520
	5,414	17,657

19. TRADE RECEIVABLES (Continued)

The ageing analysis of trade receivables that are not impaired is as follows:

	2007 HK$'000	2006 HK$'000
Neither past due nor impaired	**2,462**	5,554
1 – 90 days past due	**2,430**	6,767
91 – 180 days past due	**495**	3,383
Over 180 days past due	**27**	1,953
	2,952	12,103
	5,414	17,657

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not held any collateral over these balances.

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2007 HK$'000	2006 HK$'000
GROUP		
Cash at banks and in hand	**33,752**	2,563

	2007 HK$'000	2006 HK$'000
COMPANY		
Cash at banks and in hand	**31,331**	21

As at 31 December 2007, the Group does not have any bank and cash balances denominated in Renminbi ("RMB").

Included in bank and cash balances of the Group as at 31 December 2006 was HK$16,000 of bank balances denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. 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.

21. TRADE PAYABLES

GROUP

	2007 HK$'000	2006 HK$'000
Trade payables	**5,375**	21,981

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

	2007 HK$'000	2006 HK$'000
0 – 30 days	**511**	435
31 – 60 days	**1,172**	4,463
61 – 90 days	**1,394**	3,480
91 – 180 days	**1,448**	10,006
Over 180 days	**850**	3,597
	5,375	21,981

22. AMOUNT DUE TO A SUBSIDIARY

The amount due is unsecured, interest-free and repayable on demand (2006: Nil).

23. CONVERTIBLE BONDS

GROUP AND COMPANY

	2007	2006
	HK$'000	HK$'000
Convertible bonds	**13,169**	–

The convertible bonds were issued on 16 October 2007. The bonds are convertible into ordinary shares of the Company at any time between the date of issue of the bonds and their settlement date. The bonds can be converted into approximately 143 ordinary shares per HK$1 bond at par.

If the bonds have not been converted, they will be redeemed on 16 October 2009 at par. The convertible bonds do not bear any interest.

The fair value of the liability component, included in the convertible bonds, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in convertible bond equity reserve, net of deferred taxes.

The carrying amount of the convertible bonds is denominated in Hong Kong dollars.

At 31 December 2007, the convertible bonds were repayable as follows:

	2007	2006
	HK$'000	HK$'000
Within one year	**–**	–
In the second year	**13,169**	–

23. CONVERTIBLE BONDS (Continued)

The convertible bonds recognised in the balance sheet are calculated as follows:

	2007 HK$'000	2006 HK$'000
Fair value of convertible bond	**14,700**	–
Equity component	**(1,700)**	–
Liability component on initial recognition	**13,000**	–
Imputed interest expense	**169**	–
Liability component at 31 December	**13,169**	–

The fair value of the liability component of the convertible bonds at 31 December 2007 amounted to HK$13,300,000 (2006: Nil). The fair value is calculated using cash flows discounted at a rate based on the estimated discount rate of 5.74%.

Interest expense of HK$169,000 (2006: Nil) has been recognised in the income statement in respect of the convertible bonds for the year ended 31 December 2007, using the effective interest method by applying effective interest rate of 6.34% to the liability component.

24. SHARE CAPITAL

	2007 HK$'000	2006 HK$'000
Authorised:		
1,000,000,000,000 (2006: 1,000,000,000,000) ordinary shares of HK$0.001 each	**1,000,000**	1,000,000

	Number of shares	Total HK$'000
Issued and fully paid:		
At 1 January 2006, 31 December 2006 and 1 January 2007	**506,639,716**	**507**
Issue of shares during the year (*note i*)	**2,900,000,000**	**2,900**
Employee share option scheme – proceeds from share issued (*note ii*)	**6,080,000**	**6**
At 31 December 2007	**3,412,719,716**	**3,413**

Notes:

(i) On 16 October 2007, 2,900,000,000 ordinary shares of HK$0.001 each were issued and alloted to Hong Bridge Capital Limited at a price of HK$0.007 per share.

(ii) During the year, the issued share capital of the Company was increased due to the exercise of share options by the employees of the Company and other parties. Details of the share options exercised during the year are summarised in note 25.

All the new ordinary shares issued during the year have the same rights as other ordinary shares of the Company in issue.

25. 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.

Under the Scheme, 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.

In order to provide the Company with greater flexibility in granting share options to eligible persons under the Scheme as incentive or rewards for their contribution to the Group, the board proposed to refresh the scheme mandate limit of the Scheme.

An extraordinary general meeting of the Company was held on 12 October 2007 and the above refreshment of the scheme mandate limit of the Scheme was approved by the independent shareholders.

At 31 December 2007, the number of shares in respect of which options were granted under the Scheme was 21,440,000 (2006: 13,413,440), representing 0.6% (2006: 2.6%) of the shares of the Company in issue at that date. As at 31 December 2007, the total number of shares available for issue under the Scheme was 29,831,972 (2006: 37,074,707), representing approximately 0.9% (2006: 7.3%) of the issued share capital of the Company as at 31 December 2007 and the date of this Annual Report.

The consideration payable on the grant of an option is HK$1 for each grant transaction. Options may be exercised at any time within the exercisable period. The exercise price would be determined by the Board but in any case will not be less than higher of (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a trading day; (2) 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 offer; or (3) the nominal value of a share.

25. SHARE-BASED EMPLOYEE COMPENSATION (Continued)

The following tables set out the movement in the Scheme:

During the year ended 31 December 2007 :

			Number of share options				
Name or category of participant	Date of appointment/ resignation	Share option type	Outstanding at 1 January 2007	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2007
Executive director							
LIU Wei, William	Appointed on 16 October 2007	2007	–	10,000,000	–	–	10,000,000
SHI Lixin	Appointed on 16 October 2007	2007	–	10,000,000	–	–	10,000,000
FOO Kit Tak	Resigned on 28 May 2007	2002 (a)	1,600,000	–	–	(1,600,000)	–
		2002 (b)	1,600,000	–	–	(1,600,000)	–
CHEUNG Mei Yu	Resigned on 2 April 2007	2002 (a)	1,600,000	–	–	(1,600,000)	–
		2002 (b)	1,600,000	–	–	(1,600,000)	–
Sub–total			6,400,000	20,000,000	–	(6,400,000)	20,000,000
Employees							
In aggregate		2002 (a)	1,600,000	–	(1,600,000)	–	–
		2002 (b)	1,760,000	–	(1,760,000)	–	–
		2007	–	1,200,000	–	–	1,200,000
Sub–total			3,360,000	1,200,000	(3,360,000)	–	1,200,000
Others							
In aggregate		2002 (a)	2,800,000	–	(2,080,000)	(480,000)	240,000
		2002 (b)	853,440	–	(640,000)	(213,440)	–
Sub–total			3,653,440	–	(2,720,000)	(693,440)	240,000
Total			**13,413,440**	**21,200,000**	**(6,080,000)**	**(7,093,440)**	**21,440,000**

25. SHARE-BASED EMPLOYEE COMPENSATION (Continued)

During the year ended 31 December 2006:

		Number of share options		
Name or category of participant	Share option type	Outstanding at 1 January 2006	Forfeited during the year	Outstanding at 31 December 2006
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)	1,600,000	–	1,600,000
	2002 (b)	2,080,000	(320,000)	1,760,000
Sub-total		3,680,000	(320,000)	3,360,000
Others				
In aggregate	2002 (a)	2,960,000	(160,000)	2,800,000
	2002 (b)	1,013,440	(160,000)	853,440
Sub-total		3,973,440	(320,000)	3,653,440
Total		**14,053,440**	**(640,000)**	**13,413,440**

25. SHARE - BASED EMPLOYEE COMPENSATION (Continued)

Details of the share options are as follows:

Share option type	Date of grant	Exercisable period	Exercise price
2002 (a) (*note i*)	15 April 2002	15 April 2003 to 7 January 2012	HK$0.69
2002 (b) (*note i*)	2 September 2002	2 September 2003 to 7 January 2012	HK$0.31
2007 (*note ii & iii*)	22 November 2007	22 May 2008 to 7 January 2012	HK$1.20

Notes:

(i) Share options granted on 15 April 2002 and 2 September 2002 are subject to a vesting period and became 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 and thereafter	33 1/3%

(ii) On 22 November 2007, the board of directors proposed to grant 21,200,000 share options to the Company's executive directors and employees of the Group at exercise price of HK$1.20 per share. The grant of share options was approved by the independent non-executive directors on 22 November 2007. Consideration of HK$5 in respect of these newly granted share options was received.

(iii) Share options granted on 22 November 2007 are subject to a vesting period of six months from the date of grant and became exercisable in whole or in part in the following manner :

From the date of grant of share options	Exercisable percentage
Within 6 month	Nil
7th month and thereafter	100%

(iv) The share options exercised during the year resulted in an equal number of ordinary shares (see also note 24).

25. SHARE - BASED EMPLOYEE COMPENSATION (Continued)

(v) The fair values of options granted under the relevant Scheme on 15 April 2002, 2 September 2002 and 22 November 2007, measured at the date of grant, were approximately HK$5,024,000, HK$2,123,000 and HK$3,455,000 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	**15 April 2002**	**2 September 2002**	**22 November 2007**
Expected volatility	29%	56%	20%
Expected life (in years)	9.7	9.4	2.5
Risk-free interest rate	5%	5%	2%
Expected dividend yield	Nil	Nil	Nil

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

(vi) For the year ended 31 December 2007, employee compensation expense of HK$749,000 has been included in the consolidated income statement (2006: Nil), with a corresponding credit in employee compensation reserve. No liabilities were recognised due to share-based payment transactions.

(vii) Share options and weighted average exercise prices are as follows for the reporting period presented:

	2007		2006	
	Number	**Weighted average exercise price HK$**	Number	Weighted average exercise price HK$
Outstanding at 1 January	**13,413,440**	**0.53**	14,053,440	0.52
Granted	**21,200,000**	**1.20**	–	–
Exercise	**(6,080,000)**	**0.54**	–	–
Forfeited	**(7,093,440)**	**0.51**	(640,000)	0.41
Outstanding at 31 December	**21,440,000**	**1.19**	13,413,440	0.53

The options outstanding at 31 December 2007 had exercise prices of HK$0.69 or HK$1.20 (2006: HK$0.69, HK$0.31 or HK$1.20) and a weighted average remaining contractual life of 4.9 years (2006: 5.4 years).

26. 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 32 of the consolidated financial statements.

COMPANY

	Share premium HK$'000	Employee compensation reserve HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 December 2005 and 1 January 2006	9,218	3,937	–	(9,529)	3,626
Loss for the year	–	–	–	255	255
Share option forfeited	–	(154)	–	154	–
At 31 December 2006 and 1 January 2007	9,218	3,783	–	(9,120)	3,881
Proceeds from issuance of shares	17,400	–	–	–	17,400
Share issue expenses	(1,431)	–	–	–	(1,431)
Proceeds from shares issued under share option scheme	5,024	(1,747)	–	–	3,277
Share options forfeited	–	(1,954)	–	1,954	–
Recognition of equity component of convertible bonds	–	–	1,700	–	1,700
Loss for the year	–	–	–	(2,820)	(2,820)
Recognition of equity–settled share–based compensation	–	749	–	–	749
At 31 December 2007	**30,211**	**831**	**1,700**	**(9,986)**	**22,756**

27. DEFERRED TAX

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2006: 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 31 December 2005 and 1 January 2006	73	(73)	–
Charge/(credit) to income statement	(36)	36	–
At 31 December 2006 and 1 January 2007	37	(37)	–
Charge/(credit) to income statement	46	(46)	–
At 31 December 2007	**83**	**(83)**	–

No deferred tax has been provided in the financial statements of the Company as there are no material 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 2007, the Group has unused tax losses of HK$763,000 (2006: HK$3,617,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$474,000 (2006: HK$211,000) of such losses which equal the taxable temporary differences relating to accelerated tax depreciation. No deferred tax asset has been recognised in respect of the remaining HK$289,000 (2006: HK$3,406,000) due to the unpredictability of future profit streams. This tax loss has no expiry date.

28. OPERATING LEASE COMMITMENTS

GROUP

At 31 December 2007, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2007 HK$'000	2006 HK$'000
Within one year	**329**	141
In the second to fifth year inclusive	**164**	–
	493	141

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

COMPANY

The Company did not have any significant operating lease commitments as at 31 December 2007 and 2006.

29. CAPITAL COMMITMENTS

The Group and the Company did not have any significant capital commitments as at 31 December 2007 and 2006.

30. CONTINGENT LIABILITIES

GROUP

As at 31 December 2007 and 2006, the Group has no significant contingent liabilities.

COMPANY

As at 31 December 2007, the Company has no significant contingent liabilities.

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

31. 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$66,000 (2006: HK$55,000). There was no significant amount of forfeited contributions available to reduce future contribution payable by the Group as at 31 December 2007 and 2006.

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.

32. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, during the year, the Group had significant transactions with its related parties as follows:

(a) Mr. Ng Hung Sang, Robert, was a former director of the Company for the period from 1 January 2007 to 16 October 2007, was also a substantial shareholder and a Director of South China Holdings Limited in that period. Transactions with companies controlled by, or affiliated with, South China Holdings Limited (collectively referred to as "South China Group") were as follows:

(1)

		2007	2006
		HK$'000	HK$'000
(i)	Purchase of services – Management fee	**360**	720
(ii)	Operating lease expenses	**223**	283
(iii)	Colour separation and photo processing fees	**430**	783
(iv)	Royalty income	**77**	25

(2) As at 31 December 2007, the Group does not have any outstanding payable to related companies.

As at 31 December 2006, as disclosed in the notes to the consolidated balance sheet, the Group had outstanding payable to a related company of HK$71,000. The balance was unsecured, interest-free and repayable on demand.

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

(4) 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.

32. RELATED PARTY TRANSACTIONS (Continued)

(5) On 16 August 2007, Great Ready Assets Limited (“Great Ready Assets”), being a wholly-owned subsidiary of the Company, entered into an agreement with Win Gain Investments Limited (“Win Gain), being a company wholly-owned by Mr. Ng Hung Sang, Robert, a Director of the Company for the period from 1 January 2007 to 16 October 2007. Under the agreement, Great Ready Assets agreed to sell and Win Gain agreed to acquire the entire issued share capital of Jessica Publications (BVI) Limited at a consideration of HK$ 1,000,000, payable in cash.

Since Win Gain is a company wholly-owned by Mr. Ng Hung Sang, Robert, a Director and substantial shareholder of the Company for the period from 1 January 2007 to 16 October 2007, Win Gain is a connected person of the Company. Under GEM Listing Rules, the transaction constitutes a connected transaction and major transaction for the Company. Further details of the transaction are set out in the Company’s circular dated 14 September 2007.

An extraordinary general meeting of the Company was held on 12 October 2007 and the above transactions were approved by the independent shareholders. The transaction was completed on 16 October 2007.

(b) The Group occupies the office premises at Suite 2703, 27th Floor, Great Eagle Centre, 23 Harbour Road, Wan Chai, Hong Kong which is provided rent-free by Mr. He Xuechu, a substantial shareholder and a director of the Company.

33. DISPOSAL OF SUBSIDIARIES

(a) For the year ended 31 December 2007, the Group disposed 100% equity interest in Jessica Publications (BVI) Limited and its subsidiaries. Particulars of the disposal transaction are as follows:

	2007 HK$'000
Net liabilities disposed of :	
Plant and equipment	494
Other intangible assets	19
Trade receivables	12,020
Other receivables	609
Cash and cash equivalents	691
Trade payables	(13,983)
Other payables	(4,399)
	(4,549)
Realisation of capital reserve	183
Realisation of translation reserve	(114)
	(4,480)
Gain on disposal of subsidiaries	5,480
Total consideration	1,000
Satisfied by:	
Cash	1,000
An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follow :	
Cash consideration received	1,000
Cash and bank balances disposed of	(691)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	309

33. DISPOSAL OF SUBSIDIARIES (Continued)

(b) For the year ended 31 December 2006, the Group disposed 55% equity interest in Shanghai South China & Boyang Culture Media Co. Ltd. ("BCM"). Particulars of the disposal are as follows:

	2006 HK$'000
Net liabilities disposed 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 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 connected 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)

34. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group's risk management is coordinated at its headquarter, in close monitor with the board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

34.1 Currency risk

Currency risk to the Group is minimal as most of the Group's transactions are carried out in Hong Kong dollars. All businesses in the Mainland China that are exposed to higher currency risk have been disposed of during the year.

34.2 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 rate.

34.3 Other price risk

The Company is exposed to other price risk in respect of its investment in subsidiaries. The sensitivity to price risk in regards to the investment in subsidiaries cannot be reliably determined due to numerous uncertainties regarding the future development of these subsidiaries.

34. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

34.4 Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	2007	2006
	HK$'000	HK$'000
Classes of financial assets – carrying amounts		
Cash and cash equivalents	**33,752**	2,563
Trade receivables	**5,414**	17,657
Other receivables	**1,300**	435
	40,466	20,655

The Group continuously monitors defaults of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

34. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

34.5 Liquidity risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly.

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As at 31 December 2007 and 31 December 2006, the Group's financial liabilities have contractual maturities which are summarised below:

	Within 1 month HK$'000	**1 to 3 months** HK$'000	**3 to 12 months** HK$'000	**1 to 5 years** HK$'000
At 31 December 2007				
Convertible bonds	–	–	–	13,169
Trade payables	4,000	1,375	–	–
	4,000	1,375	–	13,169
At 31 December 2006				
Trade payables	15,871	6,110	–	–

34.6 Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 December 2007 and 2006 may be categorised as follows. See notes 3.12 and 3.18 for explanations about how the category of financial instruments affects their subsequent measurement.

(i) Financial assets

	2007 **HK$'000**	2006 HK$'000
Cash and cash equivalents	**33,752**	2,563
Loans and receivables:		
Trade receivables	**5,414**	17,657
Other receivables	**1,300**	435
	6,714	18,092
	40,466	20,655

34. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

34.6 Summary of financial assets and liabilities by category (Continued)

(ii) Financial liabilities

Financial liabilities at amortised cost:

	2007	2006
	HK$'000	HK$'000
Current liabilities		
Trade payables	**5,375**	21,981
Other payables	**1,486**	1,829
Amount due to a related company	**–**	71
	6,861	23,881
Non-current liabilities		
Convertible bonds	**13,169**	–

35. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern;

(ii) to provide an adequate return to shareholders;

(iii) to support the Group's sustainable growth; and

(iv) to provide capital for the purpose of potential mergers and acquisitions.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The capital-to-overall financing ratio at balance sheet date was as follows:

	2007	2006
	HK$'000	HK$'000
Capital		
Total equity/(capital deficiency)	**19,198**	(7,001)
Convertible bonds – equity components	**(1,700)**	–
	17,498	(7,001)
Overall financing		
Convertible bonds – equity and liability components	**14,869**	–
Capital-to-overall financing ratio	**1.18**	N/A

36. COMPARATIVE

Certain comparatives are reclassified during the year to conform current year's presentation.

Financial Summary

FINANCIAL RESULTS

	Year ended 31 December				
				(Restated)	(Restated)
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Note ii)	(Note i & ii)
Revenue	**67,843**	83,464	94,855	81,389	41,287
Direct operating expenses	**(43,696)**	(68,054)	(65,542)	(58,209)	(28,457)
Other operating revenue	**192**	259	195	67	164
Selling and distribution costs	**(17,271)**	(19,491)	(18,967)	(17,603)	(10,180)
Administrative expenses	**(9,998)**	(8,332)	(6,735)	(7,336)	(5,421)
Other operating income/ (expenses), net	**4,628**	(2,015)	(376)	(1,041)	(203)
Operating profit/(loss)	**1,698**	(14,169)	3,430	(2,733)	(2,810)
Finance costs	**(169)**	–	–	–	–
Profit/(loss) before income tax	**1,529**	(14,169)	3,430	(2,733)	(2,810)
Income tax expense	**–**	–	–	–	–
Profit/(loss) for the year	**1,529**	(14,169)	3,430	(2,733)	(2,810)
Attributable to:					
Equity holders of the Company	**1,529**	(14,169)	3,430	(478)	(2,810)
Minority interests	**–**	–	–	(2,255)	–
Profit/(loss) for the year	**1,529**	(14,169)	3,430	(2,733)	(2,810)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**41,759**	21,228	35,491	29,981	17,176
Total liabilities	**(22,561)**	(28,229)	(31,225)	(29,166)	(13,768)
Minority interests	**–**	–	2,698	2,698	–
Equity attributable to the Company's equity holders	**19,198**	(7,001)	6,964	3,513	3,408

Notes:

(i) In 2003, 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 2003 are HK$1,197,000.

(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.