Annual Report 2006 年報

才庫媒體集團有限公司

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED ("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 trade on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 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 Recruit 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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("the GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirmed that, to the best of their knowledge and belief:- (1) the information contained in this annual report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this annual report misleading; and (3) 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.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Lau Chuk Kin *(Chairman)*
Ms Ho Suk Yi

Non-Executive Directors
Mr. Lee Ching Ming, Adrian
Mr. Wan Siu Kau
Mr. Peter Stavros Patapios Christofis
Ms Lam Mei Lan

Independent Non-Executive Directors
Mrs. Ling Ching Man, Eleanor
Mr. Cheng Ping Kuen, Franco
Mr. Tyen Kan Hee, Anthony

COMPANY SECRETARY
Ms Ho Suk Yi *CPA, FCCA*

QUALIFIED ACCOUNTANT
Ms Ho Suk Yi *CPA, FCCA*

COMPLIANCE OFFICER
Mr. Lau Chuk Kin

AUTHORISED REPRESENTATIVES
Mr. Lau Chuk Kin
Ms Ho Suk Yi

AUDIT COMMITTEE
Mrs. Ling Ching Man, Eleanor
Mr. Cheng Ping Kuen, Franco
Mr. Tyen Kan Hee, Anthony

WEBSITE
www.recruitonline.com

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

LEGAL ADVISER
Richards Butler
20th Floor, Alexandra House
16-20 Chater Road
Hong Kong

PRINCIPAL BANKERS
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

SHARE REGISTRARS AND TRANSFER OFFICES

Principal Registrar
Butterfield Fund Services (Bermuda) Limited
65 Front Street
Hamilton
Bermuda

Hong Kong Branch Registrar
Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
26th Floor
625 King's Road
North Point
Hong Kong

STOCK CODE
8073

CHAIRMAN'S STATEMENT

The Group enjoyed a solid year in 2006 with its major business units firing on all cylinders. We also benefited from the buoyant stock and property markets in Hong Kong.

The Group's traditional work-horses, i.e., recruitment advertising sales and inflight magazines achieved record earnings, despite intensifying competition and rising operating costs. Management believes that the steps we have taken since 2002 to streamline operations and widen our customer base are starting to bear fruit.

Results from the inflight magazine unit are most satisfactory and in mid 2006, we further consolidated our working relationship with our business partner, China Eastern Media Group when our wholly owned business unit Parco, was awarded the exclusive advertising sales rights for "View", an upscale magazine distributed on board China Eastern aircraft with special concentration in the Yunnan region.

The Recruitment advertising sales unit had a good first half but revenue and net profit registered a small decline in the second half. More stringent corrective measures to improve our distribution network and broaden the reach of our recruitonline website to first time job seekers are in place and implemented in 2007.

The 1010 Job Recruitment Magazine published in Shanghai which is supported by the 1010job.com portal continues to gain traction among job seekers in China. However, the already crowded recruitment advertising market became more heated with the entry of foreign investors in the second half 2006. This unit registered a significant decrease in operating loss in 2006 and had a four-fold increase in revenue. Management will conduct an in-depth analysis of the status of the unit once the results from the peak demand period, i.e., the first four weeks after Chinese New Year, are in.

Two of the newly established business units, i.e., Printing and Investment, performed well in the year. We are confident that the growth of these units will continue and provide the Group with a more diversified portfolio of solid earnings growth business.

Looking ahead, management believes that there are areas of business opportunities in Hong Kong which the Group can enter to further diversify its earning base. These prospects are not necessarily related to our existing business but management will conduct detailed studies on their financial viability to ensure that shareholder's funds are prudently utilized.

The key challenge of the Group for the future is the development of high potential middle level managers who share the core values of the Company. We firmly believe that at this stage, human resource is the single most important element in determining the Group's future growth. To this end, senior management is allocating more resources on the hiring/training and keeping of staff as the Group embark on its diversification programs.

Finally, my thanks to all our partners: staff, customers, suppliers and shareholders for their support in 2006. We appreciate it.

Chairman

Hong Kong, 27 February 2007

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's profit attributable to shareholders for 2006 was HK$55.1 million (2005: HK$37.1 million), a 49% increase over last year. Turnover for the year was HK$298.3 million (2005: HK$227.1 million), a 31% increase over last year. The significant growth in profit was mainly due to a gain of HK$12.1 million arisen from the sale of the investment properties and profit of HK$7.2 million generated from securities trading activities during the year and profit of HK$7.1 million contributed by the Printing Division.

For the three months ended 31 December 2006, the Group's turnover was HK$79.1 million (2005: HK$71.3 million), an 11% increase over last year. The Group's net profit was HK$12.9 million (2005: HK$10.9 million), a 18% increase from last year. The increase in net profit was mainly attributable to profits generated from printing business and securities trading activities in the fourth quarter of 2006.

BUSINESS REVIEW

Recruitment Advertising Business

During the year, the Group's recruitment advertising business in Hong Kong operated in a very competitive and challenging environment. On the one hand, the Hong Kong economy has been buoyant with an unemployment rate falling below 5%, thereby maintaining an active demand for recruitment advertising. On the other hand, some major sectors in which the Group has strong expertise have not benefited from the strong economic growth. The Group's display business has been adversely affected by the competition of free subscription newspapers, which emerged in early 2006. As a result, the turnover derived from recruitment advertising declined by 3%.

The Group revamped its Hong Kong focused job website, www.recruitonline.com with some enhanced and new functions which the Group hopes will help to improve user experience and better complement the print advertising business. Moreover, the Group also launched a sector-focused job site, www.merchandiserjobs.com to provide a portal for jobseekers in that particular sector. The Group hopes that this trial run can be expanded into other sectors at a later stage.

The Group's recruitment business in China, 1010job, has improved in both revenue and local market recognition in 2006. 1010job newspaper has maintained its reputation as the second largest print recruitment operator in Shanghai. www.1010job.com, a previously Shanghai focused job website, also launched its nationwide coverage in late 2006. Although it is still unable to contribute profit to the Group, the turnover of 1010job has increased by 375% from 2005.

Inflight Magazine Advertising Business

The inflight magazine advertising business has always been sensitive to the economic environment of China and has been the beneficiary of strong economic growth in the past few years. In 2006, the business achieved a 31% increase in revenue. The business has to compete against other media. The fiercest competition is expected to come from the online and outdoor media. However, since the print magazines targeting at male executives has not yet achieved sufficient maturity in China, inflight magazines are still considered to be the best channels for advertisers focusing on the male executive market.

MANAGEMENT DISCUSSION AND ANALYSIS

Announcement Business

Early in 2006, the Stock Exchange of Hong Kong introduced regulations to allow companies listed on the Main Board to have the alternative to post their results announcements on the Company's website to replace the previous requirement to print the announcements in the local newspapers. Despite this change, the introduction of electronic results announcement, the Group's print announcement business has performed strongly with a 12% increase in revenue compared with that in 2005. However, the management sees significant decline in revenue and profit for this business as increasing number of companies will post their results announcement only on the Internet.

Printing Business

2006 is the first full financial year for the newly established printing business. The business brought in HK$105.7 million in revenue and over HK$7 million in net profit. The Group has achieved growth in both client base and the geographic coverage of its service by positioning itself as a quality book printer and novelty products development service provider. The Group is planning to increase its capacity to meet future demands.

Financial Investment

In early 2006 the Group set up its financial investment arm focusing on listed stocks traded in Hong Kong. With the stock market performing strongly in the year under review, the Group has recorded an approximately HK$7 million gain in its financial investment activities. The Group established strict polices and procedures for maintaining a portfolio of investments with manageable profiles.

Strategic Alliance

In November 2006, the Group increased its share in an associate, PPG Investments Limited, which holds a 50% shareholding in Premier Printing Group Limited ("PPG"), the leading contract newspaper printer in the Hong Kong market. As at 31 December 2006, the Group has an effective interest of 25% in PPG. The additional investment in PPG will provide steady income and cash inflow to the Group in the future.

In February 2007, the Group introduced a 20% strategic investor Jobstreet Corporation Berhad ("JS") to its recruitment advertising business in Hong Kong. JS is a Malaysian listed company engaged in the online recruitment advertising business in Malaysia, Singapore, Philippines, Indonesian, India and Bangladesh and a leader in the sector in the Asia Pacific market. The Group hopes to improve its online recruitment advertising operation in Hong Kong, benefiting from the online technologies and products provided by JS.

Other investment

During the year, the Group disposed of its investment properties with a carrying value of approximately HK$39.8 million, resulting in a gain on disposal of approximately HK$12.1 million.

PROSPECTS

The Hong Kong print recruitment advertising market will continue to operate in a steady trading environment with single digit growth. The Group's objective is to build on its share in the market and its profitability by offering more tailor-made solutions to clients and by enhancing its web presence.

The recruitment advertising market in China is becoming more competitive with foreign investment and overseas operators entering the arena. The Group is currently reviewing its operations.

The prospect of economic growth in China for the next few years makes the Group believe that its inflight magazine advertising business will continue to grow at a satisfactory rate.

The printing business of the Group is expected to contribute steady growth in terms of both revenue and profit by expanding its client base and the geographic coverage of its services.

The Group will continue to explore investment opportunities in which the Group management resources can add value. Regarding financial investment in listed stocks, the Group will maintain its prudent investment strategies.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Lau Chuk Kin, aged 54, was appointed as Chairman and an Executive Director of the Group in October 2002. Mr. Lau was formerly the Managing Director of a leading executive search consultancy in Hong Kong. He also founded a main board listed printing company. Mr. Lau holds a Bachelor of Arts degree from the US and a Master of Business Administration Degree from The Chinese University of Hong Kong.

Ms Ho Suk Yi, aged 39, was appointed as an Executive Director of the Company in June 2004. She is also the Qualified Accountant and the Company Secretary of the Group. Ms Ho holds a bachelor's and a master's degree in accountancy and is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. She has extensive experience in auditing, finance and accounting.

NON-EXECUTIVE DIRECTORS

Mr. Lee Ching Ming, Adrian, aged 55, was appointed as a Non-Executive Director in June 2002. Mr. Lee graduated from The University of Hong Kong with a Bachelor of Social Sciences Degree. He is an Assistant Director of Great Eagle Holdings Limited and has more than 31 years of experience in banking, finance, investment, marketing and general management.

Mr. Wan Siu Kau, aged 55, joined the Group in January 2003 as a Non-Executive Director. Mr. Wan has over 19 years of experience in the executive search industry and holds a Master of Business Administration Degree from The Chinese University of Hong Kong. He is currently the Managing Partner of Amrop Hever, a global executive search firm and an independent non-executive director of Wai Kee Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Peter Stavros Patapios Christofis, aged 62, was appointed as a Non-Executive Director in March 2000. Mr. Christofis is a consultant – International Transport Media to JCDecaux SA. Prior to taking on this role, he was the Managing Director of JCDecaux Pearl & Dean – Hong Kong from where he retired in 2003. Mr. Christofis has over 36 years of advertising sales and general management experience gained in Europe, Africa and South East Asia.

Ms Lam Mei Lan, aged 40, was appointed as an Executive Director in October 2002. She resigned her executive role but continues to serve on the board as a Non-Executive Director in July 2003. Ms Lam holds a Master of Business Administration Degree from The Chinese University of Hong Kong. She is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants respectively. Ms Lam has over 18 years of experience in finance and had held senior financial position in various main board listed companies in Hong Kong. Ms Lam is now the Financial Administrator of The Salvation Army Hong Kong and Macau Command.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mrs. Ling Ching Man, Eleanor, SBS, OBE, JP, aged 59 was appointed as an Independent Non-Executive Director in April 2000. Mrs. Ling has over 30 years of experience in management and is a Fellow of the Institute of Chartered Management. Mrs. Ling is now an Adviser to Jardine Matheson Limited and also serves on a number of statutory bodies including the Medical Council, the Standing Commission on Civil Service Salaries and Conditions of Service. Mrs. Ling is also a Council Member of the Employers' Federation of Hong Kong and a Vice Patron of the Community Chest.

Mr. Cheng Ping Kuen, Franco, aged 53, was appointed as an Independent Non-Executive Director in January 2003. Mr. Cheng has over 27 years of experience in the management of private banking and investment businesses both in Hong Kong and Canada. Mr. Cheng holds a Master Degree in Business Administration from The Chinese University of Hong Kong and is now the Chief Representative of Rothschild Bank AG in Hong Kong.

Mr. Tyen Kan Hee, Anthony, aged 51, was appointed as an Independent Non-Executive Director of the Company in September 2004. Mr. Tyen holds a Doctoral degree in Philosophy and a Master degree in Business Administration, both from The Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of both the Association of Chartered Certified Accountants and the Institute of Chartered Secretaries and Administrators, and a member of the Chinese Institute of Certified Public Accountants. He is currently a practising certified public accountant in Hong Kong and has over 29 years of experience in auditing, accounting, management and company secretary. Mr. Tyen is currently an independent non-executive director of Value Convergence Holdings Limited, a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong.

SENIOR MANAGEMENT

Mr. Chan Shu To, Camus, aged 36, is the MIS Manager of the Group. Mr. Chan holds a master degree in E-Commerce and a bachelor degree in Information Engineering from The Chinese University of Hong Kong. He has nearly 10 years of experience in the information technology field. Prior to joining the Group in June 2005, he had worked for three listed companies in Hong Kong.

Ms Choi Ching Kam, Dora, aged 42, is the Chief Editor of the Group and is responsible for the editorial content of Recruit. Ms Choi has over 15 years experience in mainstream publishing having held senior editorial positions in a number of leading newspapers and magazines in Hong Kong. She joined the Group in July 2002.

Ms Chow So Chu, Rita, aged 34, is the General Manager of inflight magazine advertising division of the Group. Ms Chow holds a bachelor degree in Language and Communication from The Hong Kong Polytechnics University and has over 10 years experience in sales and marketing. She joined the Group in March 2004.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Ms Lai Wing Ting, Jacklen, aged 36, is the General Sales Manager of the Group. She is responsible for the recruitment and display advertising business of the Group. She joined the Group in 1995.

Mr. Peh Tun Lu Jefferson, aged 47, joined the Group in March 2006 and is taking the office of Chief Operating Officer of the Group. Mr. Peh holds a master degree in business and is a certified accountant in Hong Kong and Australia. Mr. Peh has over 24 years of experience in finance, accounting and management from listed and private companies in Hong Kong and Australia.

Ms Shao Yang, Amy, aged 38, joined the Group in May 2004. Ms Shao is the Project Director of the Group. She has nearly 15 years of China-related experience gained from the financial and direct investment fields. Ms Shao is responsible for the Group's business expansion in Mainland China and other regions. Ms Shao holds a master degree in Business Administration and a bachelor degree in English Literature.

Mr. Tsoi Chit Shun, Roger, aged 47, joined the Group in September 2005. Mr. Tsoi is the Chief Operation Officer of 1010 Printing International Limited, the printing division of the Group. Mr. Tsoi has extensive experience in factory management. Prior to joining the Group, he was the General Manager of an ink plant in Mainland China.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries and associates are set out in notes 41 and 19 respectively to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 23.

The Directors recommended a final dividend of HK$0.05 per share and a special dividend of HK$0.025 per share (collectively the "Final Dividend") for the year ended 31 December 2006 payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 13 April 2007. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, the Final Dividend will be payable on 18 April 2007.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on pages 26 and note 32 to the financial statements respectively.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 75 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

INVESTMENT PROPERTIES

During the year, the Group disposed of its investment properties with a carrying value of approximately HK$39.8 million, resulting in a gain on disposal of approximately HK$12.1 million.

Details of movements in investment properties are set in note 17 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 30 to the financial statements.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors

Mr. Lau Chuk Kin
Ms Ho Suk Yi

Non-executive Directors

Mr. Lee Ching Ming Adrian
Mr. Peter Stavros Patapios Christofis
Ms Lam Mei Lan
Mr. Wan Siu Kau

Independent Non-executive Directors

Mrs. Ling Ching Man, Eleanor
Mr. Cheng Ping Kuen, Franco
Mr. Tyen Kan Hee, Anthony

In accordance with No. 87 of the Company's bye-laws, Mr. Peter Stavros Patapios Christofis, Ms. Lam Mei Lan and Mrs. Ling Ching Man, Eleanor will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

DIRECTORS' SERVICES CONTRACT

Each of the non-executive directors has entered into a service contract with the Company for a term of two years commenced on 1 January 2006 and is subject to termination by either party giving not less than one month's prior written notice to the other.

The Company confirms that it has received from each of its independent non-executive directors a confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company considers the independent non-executive directors to be independent.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

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.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December, 2006, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any associated corporations, within the meaning of Part XV the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the required standard of dealing by the Directors under Rule 5.46 of the GEM Listing Rules, were as follows:

(a) Long Position in the shares of the Company

Name of Directors	Personal Interests *(Shares)*	Family Interests *(Shares)*	Corporate Interests *(Shares)*	Total Interests *(Shares)*	Percentage to the issued share capital of the Company *(%)*
Mr. Lau Chuk Kin *(Note 1)*	Nil	Nil	178,894,000	178,894,000	65.10
Mr. Lee Ching Ming, Adrian *(Note 2)*	100,500	50,000	Nil	150,500	0.05
Mr. Peter Stavros Patapios Christofis	670,500	Nil	Nil	670,500	0.24
Mr. Cheng Ping Kuen	204,000	Nil	Nil	204,000	0.07

(b) Options to subscribe for shares of the Company

	Number of share options				
Name of Director	Outstanding at 1.1.2006	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding at 31.12.2006
Ms Ho Suk Yi *(Note 3)*	500,000	–	–	–	500,000

Notes:

1. Of 178,894,000 shares, 940,000 shares and 177,954,000 shares are beneficially owned by ER2 Holdings Limited ("ER2") and City Apex Limited respectively. As at 31 December 2006, Mr. Lau Chuk Kin beneficially owned 67% of the issued share capital of ER2, which is the ultimate holding company of City Apex Limited. Accordingly, Mr. Lau Chuk Kin is deemed to be interested in the said shares pursuant to Part XV of the SFO.

2. Of 150,500 shares, 50,000 shares are beneficially owned by the wife of Mr. Lee Ching Ming, Adrian, who is deemed to be interested in the said shares under Part XV of the SFO.

DIRECTORS' REPORT

3. Details of the share options granted to Ms Ho Suk Yi are set out below:

Date of grant	Number of share options granted	Exercise price per share (HK$)	Vesting period	Exercisable period	Percentage to the issued share capital of the Company (%)
17.5.2004	250,000	0.28	17.5.2004 – 16.5.2005	17.5.2005 – 2.7.2013	0.09
9.12.2004	250,000	0.43	9.12.2004 – 8.12.2005	9.12.2005 – 2.7.2013	0.09

Saved as disclosed above, as at 31 December 2006, to the knowledge of the Company, none of the directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

SHARE OPTIONS

Details of the movements in the share options of the Company during the year are set out in note 31 to the financial statements.

ARRANGEMENT TO PURCHASE 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 arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the directors, chief executive or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

FINANCIAL ASSISTANCE TO AFFILIATED COMPANIES

On 1 December 2006, the Group acquired a further 30% equity interest in PPG Investments Limited ("PPGI") from independent third parties at a total cash consideration of HK$18 million, comprising the consideration of 30% equity interest and their benefits associated with shareholders' loans of approximately HK$16.6 million. Upon completion of the acquisition, the Group's interest in PPGI increased from 20% to 50%.

As at 31 December 2006, the Group's advance to PPGI, net of allowance, was approximately HK$19 million (2005: HK$5.4 million). The amount is unsecured, interest-free and has no fixed terms of repayment. The Directors believe that no further allowance for the amount due from PPGI is required.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, the following persons, other than a director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company, being 5% or more in the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Number of shares	Percentage to the issued share capital of the Company %
Mr. Lau Chuk Kin *(Note 1)*	178,894,000	65.10
ER2 Holdings Limited *(Note 1)*	178,894,000	65.10
City Apex Limited *(Note 1)*	177,954,000	64.76
Tai Wah Investment Company Limited *(Note 2)*	22,000,000	8.01
Chan Family Investment Corporation Limited *(Note 2)*	26,677,333	9.71
Great Eagle Holdings Limited *(Note 3)*	21,962,000	7.99
Jolly Trend Limited *(Note 3)*	21,962,000	7.99
The Great Eagle Company, Limited *(Note 3)*	21,962,000	7.99
Dr. Lo Ka Shui *(Note 4)*	21,944,000	7.99
JAIC-Somerley Corporate Development Fund Limited *(Note 5)*	16,788,178	6.11
Japan Asia Investment Company Limited *(Note 5)*	16,788,178	6.11

Notes:

1. Of the 178,894,000 shares, Mr. Lau Chuk Kin is deemed to be interested in the 940,000 shares directly held by ER2. Each of Mr. Lau Chuk Kin and ER2 is deemed to be interested in the 177,954,000 shares owned by City Apex Limited.

2. Of these shares, 3,679,333 shares are directly owned by Chan Family Investment Corporation Limited, 998,000 shares and 22,000,000 shares are respectively held by Earnyear Limited and Tai Wah Investment Company Limited. Both Earnyear Limited and Tai Wah Investment Company Limited are wholly-owned subsidiaries of Chan Family Investment Corporation Limited.

3. Each of Great Eagle Holdings Limited and Jolly Trend Limited is deemed to be interested in the 21,962,000 shares owned by The Great Eagle Company, Limited.

4. Of these shares, 21,962,000 shares are duplicated in the interest described in note 3, as The Great Eagle Company, Limited is a wholly-owned subsidiary of Great Eagle Holdings Limited. Dr. Lo Ka Shui was interested and/or deemed to be interested in the issued share capital of Great Eagle Holdings Limited. In addition, Dr. Lo Ka Shui has personal interest in 150,000 shares.

5. Japan Asia Investment Company Limited is deemed to be interested in the 16,788,178 shares owned by JAIC-Somerley Corporate Development Fund Limited.

Save as disclosed above, as at 31 December 2006, the Company had not been notified of any other person (other than a director or chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company and was required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' REPORT

MAJOR SUPPLIERS AND CUSTOMERS

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 48% and 22% for the Group's total purchases for the year ended 31 December 2006 respectively.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 46% and 17% for the Group's total sales for the year ended 31 December 2006 respectively.

At no time during the year did a director, an associate of a director, within the meaning of the GEM Listing Rules, or a shareholder of the Company which to the knowledge of the directors owns more than 5% of the Company's share capital have any interest in the Group's five largest suppliers and five largest customers.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

COMPETING INTERESTS

Interests of the directors of the Company in competing businesses required to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules are as follows:

Name of director	Name of companies	Nature of competing business	Nature of interest
Mr. Lau Chuk Kin	International Resources Group Limited	Executive search in the United Kingdom	As a director and shareholder
	Amrop Hever Hong Kong and Shanghai	Executive search in Hong Kong and the PRC	As a shareholder
Mr. Wan Siu Kau	Amrop Hever Hong Kong and Shanghai	Executive search in Hong Kong and the PRC	As a director and shareholder

Having considered (i) the nature, geographical market, scope and size of the above businesses; and (ii) the nature and extent of the above-named directors' respective interest in these businesses, the directors of the Company believe that there is unlikely to be any significant competitions caused to the businesses of the Group.

Save as disclosed in this section, none of directors or the management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has any business or interest that competes or may compete with the business of the Group.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 17 to 20 of the annual report.

AUDIT COMMITTEE

The audit committee has three members comprising the three independent non-executive directors, namely, Mrs. Ling Ching Man, Eleanor, Mr. Cheng Ping Kuen, Franco and Mr. Tyen Kan Hee, Anthony, with terms of reference in compliance with the GEM Listing Rules.

During the year, the audit committee met from times to times to review the Company's draft annual report and accounts, half-yearly report, quarterly reports and circulars, and providing advice and comments thereon to the Company's board of directors, meeting with external auditors to discuss audit matters of governance interest that arise from the annual audit of the Company's financial statements.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2006, the Group had around 200 employees (2005: 165). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employees benefits include provident fund, insurance and medical cover. Options to subscribe for an aggregate of 2,974,000 shares of the Company pursuant to the Company's share option scheme were outstanding as at 31 December 2006.

AUDITORS

A resolution will be proposed at the forthcoming annual general meeting to appoint Messrs. Grant Thornton as auditors of the Company.

On behalf of the Board

Lau Chuk Kin
Chairman

Hong Kong, 27 February 2007

CORPORATE GOVERNANCE REPORT

The Group has complied with most of the code provisions on Corporate Governance Practices as set out in the GEM Listing Rules ("CG Code"). This report describes its corporate governance practices, explains the applications of the principles of the CG Code and deviations, if any.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard as set out in the code of conduct regarding securities transactions by the directors throughout the year ended 31 December 2006.

BOARD OF DIRECTORS

The Board comprises nine directors, of whom two are executive directors, four are non-executive directors and three are independent non-executive directors. The participation of non-executive directors in the Board brings independent judgement on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

Each of the non-executive directors has entered into a service contract with the Company for a term of two years and is subject to termination by either party giving not less than one month's prior written notice to the other.

The Board considers that all of the independent non-executive directors are independent and has received from each of them the annual confirmation of independence required by the GEM Listing Rules.

The Board members for the year ended 31 December 2006 were:

Chairman

Mr. Lau Chuk Kin

Executive directors

Mr. Lau Chuk Kin
Ms Ho Suk Yi

Non-executive directors

Mr. Lee Ching Ming, Adrian
Mr. Wan Siu Kau
Mr. Peter Stavros Patapios Christofis
Ms Lam Mei Lan

Independent non-executive directors

Mrs. Ling Ching Man, Eleanor
Mr. Cheng Ping Kuen, Franco
Mr. Tyen Kan Hee, Anthony

CORPORATE GOVERNANCE REPORT

The Board is responsible to the approval and monitoring of the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management. It is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs.

The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to executive directors and senior management, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through executive directors who have attended at Board meetings.

The Board held a board meeting for each quarter. Details of the attendance of the Board are as follows:

Directors	**Attendance**
Mr. Lau Chuk Kin	4/4
Ms Ho Suk Yi	4/4
Mr. Lee Ching Ming, Adrian	3/4
Mr. Wan Siu Kau	3/4
Mr. Peter Stavros Patapios Christofis	2/4
Ms Lam Mei Lan	4/4
Mrs. Ling Ching Man, Eleanor	4/4
Mr. Cheng Ping Kuen, Franco	4/4
Mr. Tyen Kan Hee, Anthony	4/4

ACCOUNTABILITY AND AUDIT

The Directors were responsible for overseeing the preparation of the financial statements for the year ended 31 December 2006.

The Directors' responsibilities in the preparation of the financial statements and the auditors' responsibility are set out in the Auditors' Report.

INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interest of the shareholders and the Group's assets.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Mr. Lau Chuk Kin assumes the role of both the chairman and the chief executive officer of the Company. While serving as the chairman of the Group, Mr. Lau leads the Board and is responsible for the proceedings and workings of the Board. He ensures that:

– the Board acts in the best interests of the Group; and

– the Board functions effectively, and that all key and appropriate issues are properly briefed and discussed by the Board.

The role of chairman and chief executive officer of the Group rests on the same individual which deviates from the code provision in the CG Code of not having a clear division of responsibilities. The Board is of the view that this has not compromised accountability and independent decision making for the following reasons:

– the non-executive directors form the majority of the Board of which three out of seven are independent;

– Audit Committee composed exclusively of independent non-executive directors; and

– The independent directors have free and direct access to the Company's external auditors and independent professional advice when considered necessary.

Mr. Lau, the executive chairman, is a substantial shareholder of the Group and has considerable industry experience. He is motivated to contribute to the growth and profitability of the Group. The Board is of the view that it is in the best interests of the Group to have an executive chairman so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues and developments to facilitate open dialogue between the Board and the management.

REMUNERATION COMMITTEE

The Remuneration committee is established and comprising three independent non-executive directors, namely Mrs. Ling Ching Man, Eleanor, Mr. Cheng Ping Kuen, Franco and Mr. Tyen Kan Hee, Anthony.

The terms of reference of the Remuneration committee are posted on the Company's website. The principal functions include:

– to recommend to the Board on the Company's policies and structure for the remuneration of the directors and senior management of the Group;

– to determine the remuneration packages of all executive directors and senior management of the directors and senior management of the Group; and

– to review and approve their performance-based remuneration.

CORPORATE GOVERNANCE REPORT

The principal elements of executive remuneration package include basic salary, discretionary bonus and share option. The emoluments of executive directors are based on skill, knowledge and involvement in the Company's affairs of each director and are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

The Remuneration committee consults the chairman and chief executive officer about its proposals relating to the remuneration of other executive directors. During the year, a meeting of the Remuneration committee was duly convened and held. A meeting of the Remuneration committee will be convened in 2007.

NOMINATION OF DIRECTORS

The Board is empowered under the Company's Bye Laws to appoint any person as a director either to fill a casual vacancy on or, subject to authorization by the shareholders of the Company in general meeting, as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business.

There was no nomination of directors during the year.

AUDITORS' REMUNERATION

An amount of approximately HK$1 million (2005: HK$0.5 million) was charged to the Group's income statement for the year ended 31 December 2006. The amount comprised non-audit services fee of approximately HK$0.3 million (2005: Nil) which covered the services rendered for the possible migration of the Company to the Main Board of Stock Exchange.

AUDIT COMMITTEE

The Audit Committee was established in April 2000 to review the Group's financial reporting, internal controls and make relevant recommendations to the Board. The terms of reference of the Audit Committee are posted on the Company's website.

The Audit Committee comprises three independent non-executive directors, namely Mrs. Ling Ching Man, Eleanor, Mr. Cheng Ping Kuen, Franco and Mr. Tyen Kan Hee, Anthony. The chairman of the Audit Committee is Mr. Tyen Kan Hee, Anthony.

The Audit Committee held four meetings in 2006, which were attended by all members. The Group's 2006 quarterly report, 2006 half-yearly report and 2005 annual report have been reviewed by the Audit Committee, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. For 2005 annual report, the Audit Committee met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending it to the Board for approval. The committee also monitored the Company's progress in implementing the code provisions on corporate governance practices as required under the GEM Listing Rules.

INDEPENDENT AUDITORS' REPORT

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

TO THE MEMBERS OF RECRUIT HOLDINGS LIMITED
才庫媒體集團有限公司
(Incorporated in Cayman Islands and redomiciled to Bermuda with limited liability)

We have audited the consolidated financial statements of Recruit Holdings Limited (the "Company") set out on pages 23 to 74, which comprise the consolidated and Company balance sheets as at 31 December 2006 and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 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.

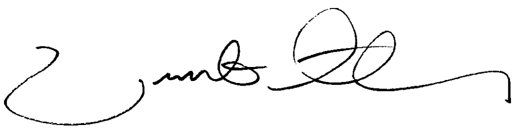
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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.

INDEPENDENT AUDITORS' REPORT

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's 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

27 February 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Revenue and turnover	5	**298,333**	227,103
Direct operating costs		**(182,526)**	(136,496)
Gross profit		**115,807**	90,607
Other operating income		**14,977**	11,633
Gain on disposal of investment properties		**12,114**	–
Selling and distribution costs		**(41,333)**	(34,943)
Administrative expenses		**(32,598)**	(27,732)
Other operating expenses		**(2,087)**	(698)
Operating profit		**66,880**	38,867
Finance costs	7	**(2,618)**	(539)
Profit before income tax	8	**64,262**	38,328
Income tax expense	11	**(5,982)**	(1,060)
Profit for the year		**58,280**	37,268
Attributable to:			
Equity holders of the Company	12	**55,102**	37,094
Minority interests		**3,178**	174
Profit for the year		**58,280**	37,268
Dividends	13	**26,106**	10,969
Earnings per share for profit attributable to the equity holders of the Company during the year	14		
Basic		**HK20.07 cents**	HK13.57 cents
Diluted		**HK19.94 cents**	HK13.46 cents

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**74,257**	41,971
Prepaid land lease payments	16	**1,034**	–
Investment properties	17	**–**	39,800
Interests in associates	19	**1,411**	–
		76,702	81,771
Current assets			
Inventories	22	**15,455**	8,599
Trade and other receivables and deposits	23	**75,724**	77,746
Financial assets at fair value through profit or loss	24	**11,452**	162
Advances to associates	19	**18,978**	5,365
Cash and cash equivalents	25	**55,157**	44,934
		176,766	136,806
Current liabilities			
Trade and other payables	26	**43,611**	50,446
Finance lease liabilities	27	**3,691**	3,808
Provision for taxation		**2,855**	–
		50,157	54,254
Net current assets		**126,609**	82,552
Total assets less current liabilities		**203,311**	164,323
Non-current liabilities			
Finance lease liabilities	27	**13,714**	16,586
Loans from minority shareholders	28	**–**	9,476
Deferred tax liabilities	29	**1,990**	1,060
		15,704	27,122
Net assets		**187,607**	137,201
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	30	**54,960**	54,844
Reserves	32	**100,028**	71,209
Proposed final and special dividends	13	**20,610**	10,969
		175,598	137,022
Minority interests		**12,009**	179
Total equity		**187,607**	137,201

Director *Director*

BALANCE SHEET

As at 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	18	–	–
Interest in an associate	19	–	–
		–	–
Current assets			
Amounts due from subsidiaries	20	146,435	126,494
Advance to an associate	19	70	70
Other receivables		221	683
Cash and cash equivalents	25	10,814	226
		157,540	127,473
Current liabilities			
Other payables		22	55
Amounts due to subsidiaries	21	12,666	188
		12,688	243
Net current assets		144,852	127,230
Net assets		144,852	127,230
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	30	54,960	54,844
Reserves	32	69,282	61,417
Proposed final and special dividends	13	20,610	10,969
Total equity		144,852	127,230

Director *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

	Equity attributable to the equity holders of the Company									Minority interests	Total
	Share capital HK$'000	Share premium HK$'000	Employee compensation reserve HK$'000	Exchange reserve HK$'000	Merger reserve HK$'000	Contributed surplus HK$'000	Capital contribution HK$'000	Proposed final and special dividends HK$'000	(Accumulated losses)/ Retained earnings HK$'000	HK$'000	HK$'000
At 1 January 2005	54,500	53,970	382	5	(43,897)	45,000	–	–	(11,621)	–	98,339
Currency translation	–	–	–	60	–	–	–	–	–	5	65
Fair value change on loans from minority shareholders	–	–	–	–	–	–	521	–	–	–	521
Net results recognised directly in equity	**–**	**–**	**–**	**60**	**–**	**–**	**521**	**–**	**–**	**5**	**586**
Profit for the year	–	–	–	–	–	–	–	–	37,094	174	37,268
Total recognised income and expense for the year	**–**	**–**	**–**	**60**	**–**	**–**	**521**	**–**	**37,094**	**179**	**37,854**
Shares issued at premium	344	116	–	–	–	–	–	–	–	–	460
Share issue expenses	–	(21)	–	–	–	–	–	–	–	–	(21)
Equity-settled share-based payment expenses (Note 10)	–	–	569	–	–	–	–	–	–	–	569
Proposed final 2005 dividend (Note 13)	–	–	–	–	–	(10,969)	–	10,969	–	–	–
At 31 December 2005	**54,844**	**54,065**	**951**	**65**	**(43,897)**	**34,031**	**521**	**10,969**	**25,473**	**179**	**137,201**
At 1 January 2006	54,844	54,065	951	65	(43,897)	34,031	521	10,969	25,473	179	137,201
Currency translation	–	–	–	(20)	–	–	–	–	–	(4)	(24)
Net results recognised directly in equity	**–**	**–**	**–**	**(20)**	**–**	**–**	**–**	**–**	**–**	**(4)**	**(24)**
Profit for the year	–	–	–	–	–	–	–	–	55,102	3,178	58,280
Total recognised income and expense for the year	**–**	**–**	**–**	**(20)**	**–**	**–**	**–**	**–**	**55,102**	**3,174**	**58,256**
Shares issued at premium	116	35	–	–	–	–	–	–	–	–	151
Share issue expenses	–	(3)	–	–	–	–	–	–	–	–	(3)
Equity-settled share-based payment expenses (Note 10)	–	–	332	–	–	–	–	–	–	–	332
Final 2005 dividend paid (Note 13)	–	–	–	–	–	(8)	–	(10,969)	–	–	(10,977)
Interim 2006 dividend paid (Note 13)	–	–	–	–	–	(5,488)	–	–	–	–	(5,488)
Proposed final and special 2006 dividends (Note 13)	–	–	–	–	–	(20,610)	–	20,610	–	–	–
Transfer to minority shareholders	–	–	–	–	–	–	(521)	–	–	521	–
Capitalisaion of loan by minority shareholders of a subsidiary (Note 28)	–	–	–	–	–	–	–	–	–	8,389	8,389
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	–	(254)	(254)
At 31 December 2006	**54,960**	**54,097**	**1,283**	**45**	**(43,897)**	**7,925**	**–**	**20,610**	**80,575**	**12,009**	**187,607**

The merger reserve of the Group arose as a result of a group reorganisation in 2000 and represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capital of Recruit (BVI) Limited.

The contributed surplus of the Group arose as a result of the reduction in share capital in accordance with the Group's capital reorganisation in 2003.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006

	2006	2005
	HK$'000	HK$'000
Cash flows from operating activities		
Profit before income tax	**64,262**	38,328
Adjustments for:		
Amortisation of prepaid land lease payments	**21**	–
Depreciation	**11,978**	4,946
Dividend income from equity investments	**(1)**	(18)
Equity-settled share-based payment expenses	**332**	569
Excess over the costs of acquisition of additional interests in a subsidiary	**(254)**	–
Gain from changes in fair value of investment properties	**–**	(3,140)
Gain on disposal of investment properties	**(12,114)**	–
Gain on financial assets at fair value through profit or loss	**(9,149)**	(239)
Gain on partial disposal of investments in subsidiaries	**–**	(6,000)
Impairment of receivables	**2,087**	698
Interest element of finance lease payments	**2,618**	539
Interest income	**(827)**	(405)
Loss on disposal and write off of property, plant and equipment	**392**	226
Operating profit before working capital changes	**59,345**	35,504
Increase in inventories	**(6,856)**	(8,599)
Increase in trade and other receivables and deposits	**(65)**	(56,972)
(Decrease)/Increase in trade and other payables	**(6,987)**	41,655
Cash generated from operations	**45,437**	11,588
Income taxes paid	**(2,197)**	–
Net cash from operating activities	**43,240**	11,588
Cash flows from investing activities		
Dividend income received	**1**	18
Increase in investment in an associate	**(1,411)**	–
Increase in prepaid land lease payments	**(1,055)**	–
Interest received	**827**	405
Net (advances)/repayments of advances to associates	**(13,613)**	1,986
Proceeds on disposal of financial assets at fair value through profit or loss	**39,763**	2,852
Proceeds on disposal of property, plant and equipment	**502**	–
Proceeds on disposal of investment properties	**51,914**	–
Proceeds on partial disposal of investments in subsidiaries	**–**	6,000
Purchase of property, plant and equipment	**(22,780)**	(17,842)
Purchase of financial assets at fair value through profit or loss	**(41,904)**	(2,775)
Net cash generated from/(used in) investing activities	**12,244**	(9,356)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006

	2006 HK$'000	2005 HK$'000
Cash flows from financing activities		
Capital element of finance lease liabilities paid	**(25,329)**	(3,440)
(Decrease)/Increase in loans from minority shareholders	**(997)**	9,997
Interest element of finance lease payments	**(2,618)**	(539)
Proceeds from shares issued on exercise of share options	**151**	460
Share issue expenses paid	**(3)**	(21)
Dividends paid to equity holders of the Company	**(16,465)**	–
Net cash (used in)/generated from financing activities	**(45,261)**	6,457
Net increase in cash and cash equivalents	**10,223**	8,689
Cash and cash equivalents at 1 January	**44,934**	36,245
Cash and cash equivalents at 31 December	**55,157**	44,934

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company on 13 March 2000 and redomiciled to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda, with limited liability on 29 January 2003. The address of the Company's registered office is 26/F, 625 King's Road, North Point, Hong Kong. The Company's shares have been listed on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 20 July 2000.

The Company acts as an investment holding company, provides corporate management services and is engaged in investment trading activities. Details of the activities of its principal subsidiaries are set out in Note 41 to the financial statements.

The financial statements on pages 23 to 74 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 financial statements comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

The financial statements for the year ended 31 December 2006 were approved by the board of directors on 27 February 2007.

2. ADOPTION OF NEW OR AMENDED HKFRSs

2.1 During the year, the Group has applied, for the first time, a number of new and amended HKFRSs, which are effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. These include the following:

HKAS 1, HKAS 27 & HKFRS 3 (Amendments)	Presentation of Financial Statements, Consolidated and Separate Financial Statements & Business Combinations – Amendments as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

2. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

HKFRS 1 & HKFRS 6 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a lease
HK(IFRIC) – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

The adoption of the above new and amended HKFRSs has resulted in changes to the Group's accounting policies as set out below, but these had no material effect on the amounts reported for the current and prior accounting periods:

(a) Financial guarantee contracts

In the current year, the Group has adopted the amendments to HKAS 39 "Financial Instruments: Recognition and Measurement – Financial Guarantee Contracts" which is effective for annual period beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 "Financial Instruments: Recognition and Measurement" as a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Company acts as the issuer of financial guarantee contracts

Prior to 1 January 2006, financial guarantee contracts were not accounted for in accordance with HKAS 39 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the adoption of these amendments, a financial guarantee contract issued by the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Company measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

In connection with a financial guarantee granted to a bank over the repayment under finance leases by a subsidiary, this change in accounting policy has had no material effect on the Company's or Group's amounts reported for the current and prior accounting periods.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

2. ADOPTION OF NEW OR AMENDED HKFRSs (Continued)

(b) Leases

In the current year, the Group has adopted HK(IFRIC) - Int 4 which concludes that an arrangement may contain a lease if the substance of the transaction (for a series of transactions) is the transfer of the right to use a specific asset or assets for an agreed period of time in return for a payment (or a series of payments) even if there is no legal form of a lease. The Group's accounting policy on leases has been changed accordingly, i.e. to account for a transaction (or a component of a transaction) as a lease even in the absence of a legal form of a lease.

The Group has followed the guidance in HK(IFRIC) - Int 4 and identified that processing arrangement for manufacturing of printed products in the PRC contains a lease. According to HK(IFRIC) - Int 4, the Group's payments under this arrangement have been separated into amounts attributable to the lease component and the manufacturing services performed by the manufacturer under the processing arrangement. Both charges are included in the direct operating costs. This change has had no material effect on the Group's results for the current and prior accounting periods.

2.2 The Group has not early adopted the following new and amended HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of these HKFRSs will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC)-Int 8	Scope of HKFRS 2[3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[6]

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

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.

The financial statements have been prepared on the historical cost basis except for the revaluation of investment properties and certain financial assets and liabilities. The measurement bases are fully described in the accounting policies below.

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

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.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

3.3 Subsidiaries

Subsidiaries are entities over which the Company has the power to control, directly or indirectly, 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 are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Acquired subsidiaries (other than combining entities under common control) are subject to the application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. If the cost of acquisition is less than the fair value of the net assets and contingent liabilities of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Subsidiaries (Continued)

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

3.4 Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture. In consolidated financial statements, investments in associates are initially recognised at cost and subsequently accounted for using the equity method. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) or fair value adjustment attributable to the share in the associate identified on acquisition.

Goodwill represents the excess of the cost of the investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The cumulative post– acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in the associates equals or exceeds its interests in the associates, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associates.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, investments in associates are stated at cost less any impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

3.5 Foreign currencies

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. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Foreign currencies (Continued)

In the consolidated financial statements, all individual financial statements of subsidiaries and associates, 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 in the exchange reserve in equity.

3.6 Revenue recognition

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

- 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 displayed in the website.

- Printing income and publication sales are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

- Service 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.

- Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

- Interest income is recognised on a time-proportion basis using the effective interest rate method.

- Dividend income is recognised when the right to receive payment is established.

- Advertising and promotion expenses are charged to the income statement when incurred.

The policies on financial assets at fair value through profit or loss are dealt with in Note 3.11(i) to the financial statements.

3.7 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

The gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in 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 period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Property, plant and equipment (Continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs over their estimated useful lives, at the following rates per annum:

Buildings	Over 50 years or the lease term, whichever is shorter
Furniture and fixtures	20%
Office equipment	20%
Leasehold improvements	20%–50% or over the lease term, whichever is shorter
Computer equipment and systems	33%
Motor vehicles	20%
Machinery	10%

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

Assets held under finance leases are depreciated over their estimated useful lives or where shorter the term of the lease using the same method as owned assets in the same category.

3.8 Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undeterminable future use.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, the investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the balance sheet reflect the prevailing market conditions at the balance sheet date.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is included in the income statement for the period in which they arise.

3.9 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Leases (Continued)

(i) *Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except for property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see Note 3.8 to the financial statements).

(ii) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments (the "initial value"), of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance lease charges, are recorded as finance lease liabilities.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance lease charges.

Finance lease charges implicit in the lease payments are charged to income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the finance lease liabilities for each accounting period. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

(iii) *Operating lease charges as the lessee*

Where the Group has the use of 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. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

3.10 Impairment

Goodwill, property, plant and equipment, prepaid land lease payments, and interests in subsidiaries and associates are subject to impairment testing.

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). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which goodwill is monitored for internal management purpose.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Impairment (Continued)

Cash-generating units that include goodwill are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other individual assets or cash-generating units are tested for impairment whenever there are indications that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use. 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.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit except that the carrying amount 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.

3.11 Financial assets

The Group classifies its financial assets into the following categories: loans and receivables and financial assets at fair value through profit or loss. 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. Regular way purchases of financial assets are recognised on settlement date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, 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 the financial asset.

(i) Financial assets at fair value through profit or loss

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Financial assets (Continued)

(ii) 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 rate method, less any 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.

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost 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 income statement of the period in which the impairment occurs.

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 income statement of the period in which the reversal occurs.

(ii) Financial assets carried at cost

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

3.12 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Cost comprises direct materials and, where applicable, direct labour costs and those overhead costs that have been incurred in bringing the inventories to their present condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and applicable selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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.

3.14 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, such as bank deposits.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Employee benefits

(i) *Retirement benefit schemes*

The Group participates in several staff retirement benefit schemes for employees in Hong Kong and the People's Republic of China, except Hong Kong (the "PRC"), comprising defined contribution retirement schemes and a Mandatory Provident Fund scheme (the "MPF Scheme"). The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and by the relevant group companies. The retirement benefit scheme costs charged to the income statement represents contributions payable by the Group to the schemes.

The subsidiaries operating in the PRC are required to participate in the defined contribution retirement schemes for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement benefit schemes at a specified percentage of employees' relevant income and there are no other further obligations to the Group.

Before 1 December 2000, the Group operated a defined contribution retirement scheme (the "ORSO Scheme") in Hong Kong for all qualified employees. The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 7.5% of the employees' basic salary, depending on the length of service with the Group. The Group's contributions under the ORSO Scheme were reduced by contributions forfeited by those employees who left the ORSO Scheme prior to vesting fully in the contributions.

The Mandatory Provident Fund Schemes Authority has approved the ORSO Scheme as a Mandatory Provident Fund Exempted Occupational Retirement Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Schemes Ordinance"). With effect from 1 December 2000, the MPF Scheme was set up under the MPF Schemes Ordinance for existing staff who opt for this scheme and eligible staff recruited on or after that date. When the underlying staff elect the MPF Scheme, retirement scheme benefits attributed to the staff under the ORSO Scheme remain unchanged in the MPF Scheme. Under the MPF Scheme, eligible employees are required to contribute 5% of their monthly basic salaries whereas the Group's contribution will be 5% of the relevant income with a maximum monthly contribution of HK$1,000 and there are no other legal or constructive obligations to the Group.

(ii) *Share-based employee compensation*

All share-based payment arrangements granted after 7 November 2002 and had not yet vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans to remunerate its employees and directors.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Employee benefits (Continued)

(ii) *Share-based employee compensation* (Continued)

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

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

When the share options are exercised, forfeited or are still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will continue to be held in employee compensation reserve.

(iii) *Bonus plans*

The Group recognises a liability and an expense for bonuses where it has a contractual obligation or where there is a past practice that has created a constructive obligation.

3.17 Related parties

Parties are considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

– controls, is controlled by, or is under common control with, the Group;

– has an interest in the Group that gives it significant influence over the Group;

– has joint control over the Group;

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

(iii) the party is an associate;

(iv) the party is a member of the key management personnel of the Group or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial liabilities

The Group's financial liabilities include trade and other payables, finance lease liabilities and amounts due to group companies.

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.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see Note 3.9(ii) to the financial statements).

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction cost) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Trade and other payables and amounts due to group companies

Trade and other payables and amounts due to group companies are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

3.19 Contingent liabilities

Where 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 amortisaton, if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3.21 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment assets consist primarily of inventories, receivables and property, plant and equipment and operating cash but exclude corporate assets, interests in associates and investment properties. Segment liabilities consist primarily of operating liabilities but exclude deferred tax liabilities and liabilities incurred for financing rather than operating purposes. Segment revenue, expenses, assets and liabilities are determined before intra-group balance and intra-group transactions are eliminated as part of the consolidation process unless the group entities are in the same segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Unallocated items mainly comprise investment properties, deferred tax liabilities, corporate assets and liabilities, corporate and financing expenses.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to the changes in market condition. Management reassess these estimations at the balance sheet date.

(ii) Estimated impairment of receivables and advances

The policy for the impairment of receivables and advances of the Group is based on, where appropriate, the evaluation of collectibility and ageing analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables and advances, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

(iii) Valuation of share options granted

The fair value of share options granted was calculated using the Black-Scholes valuation model based on certain estimates and assumptions made by Group's management. Some of the significant estimates and assumptions made by management include the estimated life of share options granted to be five years based on exercise restrictions and behavioural considerations; and the volatility of share price which was determined by reference to historical data and weighted average share prices. Details of the inputs are set out in Note 31 to the financial statements.

(iv) Depreciation

The Group depreciated the property, plant and equipment on a straight-line basis over the estimated useful lives, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(v) Current taxation and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the amount of the provision of taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. REVENUE AND TURNOVER

	2006	2005
	HK$'000	HK$'000
Advertising income	**192,622**	160,570
Printing income	**105,711**	66,533
	298,333	227,103

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

6. SEGMENT INFORMATION

Primary reporting format – Business segments

The Group is organised on a worldwide basis into three main business segments:

Advertising – providing advertising services on different publications and magazines.

Printing – printing of books and magazines.

Investment – trading of financial assets at fair value through profit or loss.

	Advertising		Printing		Investment		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue								
– External sales	**192,622**	160,570	**105,711**	66,533	**–**	–	**298,333**	227,103
Segment results	**36,076**	29,422	**13,984**	(347)	**7,910**	257	**57,970**	29,332
Unallocated operating income							**15,525**	10,881
Unallocated operating expenses							**(6,615)**	(1,346)
Operating profit							**66,880**	38,867
Finance costs							**(2,618)**	(539)
Profit before income tax							**64,262**	38,328
Income tax expense							**(5,982)**	(1,060)
Profit for the year							**58,280**	37,268
Segment assets	**65,327**	74,998	**127,296**	97,022	**28,846**	162	**221,469**	172,182
Interests in associates							**20,389**	5,365
Unallocated assets							**11,610**	41,030
Total assets							**253,468**	218,577
Segment liabilities	**24,987**	21,128	**35,975**	58,601	–	–	**60,962**	79,729
Unallocated liabilities							**4,899**	1,647
Total liabilities							**65,861**	81,376
Other information								
Amortisation of prepaid land lease payments	**21**	–	**–**	–	**–**	–	**21**	–
Capital expenditure	**3,001**	5,797	**43,174**	37,880	**–**	–	**46,175**	43,677
Depreciation	**3,276**	3,303	**8,702**	1,643	**–**	–	**11,978**	4,946
Impairment of receivables	**2,087**	698	**–**	–	**–**	–	**2,087**	698

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

6. SEGMENT INFORMATION (Continued)

Secondary reporting format – Geographical segments

The Group's operations are located in six main geographical areas. The following table provides an analysis of the Group's sales by geographical market based on the country in which the customer is located.

Sales by geographical markets:

	2006	2005
	HK$'000	HK$'000
Hong Kong	**87,657**	83,790
Mainland China	**111,052**	77,246
Australia	**72,843**	52,494
United States	**2,938**	6,485
United Kingdom	**21,930**	5,064
New Zealand	**1,598**	2,024
Others	**315**	–
	298,333	227,103

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and prepaid land lease payments, analysed by the geographical area in which the assets are located.

	Segment assets		**Capital expenditure**	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**126,611**	119,732	**3,704**	1,909
Mainland China	**94,858**	52,450	**42,471**	41,768
	221,469	172,182	**46,175**	43,677

7. FINANCE COSTS

	2006	2005
	HK$'000	HK$'000
Finance lease charges	**2,618**	539

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

8. PROFIT BEFORE INCOME TAX

	2006	2005
	HK$'000	HK$'000
Profit before income tax is arrived at after charging:		
Amortisation of prepaid land lease payments	**21**	–
Auditors' remuneration		
– Audit services	**653**	549
– Other services	**350**	–
Cost of inventories recognised as an expense	**47,797**	23,153
Depreciation (Note):		
– Owned assets	**10,302**	4,350
– Leased assets	**1,676**	596
Employee benefit expense (Note 10)	**43,059**	33,016
Impairment of receivables	**2,087**	698
Loss on disposal and write off of property, plant and equipment	**392**	226
Minimum lease payments paid under operating leases or leases defined under HK(IFRIC)-Int 4 in respect of:		
– Rented premises and production facilities	**5,704**	3,073
– Internet access line	**156**	84
Net foreign exchange loss	**–**	734
and after crediting:		
Dividend income from equity investments	**(1)**	(18)
Excess over the costs of acquisition of additional interests in a subsidiary	**(254)**	–
Gain from changes in fair value of investment properties (Note 17)	**–**	(3,140)
Gain on financial assets at fair value through profit or loss, included in other operating income	**(9,149)**	(239)
Gain on partial disposal of investments in subsidiaries	**–**	(6,000)
Interest income	**(827)**	(405)
Net foreign exchange gain	**(1,524)**	–
Operating lease rental income from investment properties	**(953)**	(1,334)

Note: Depreciation expenses of HK$9,785,000 (2005: HK$3,523,000) and HK$2,193,000 (2005: HK$1,423,000) have been included in direct operating costs and administrative expenses respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	Fee HK$'000	Salaries and allowances HK$'000	Retirement benefit scheme contributions HK$'000	Equity-settled share-based payment expenses (Note) HK$'000	Total HK$'000
Year ended 31 December 2006					
Executive directors					
Ms Ho Suk Yi	**–**	**870**	**12**	**–**	**882**
Mr. Lau Chuk Kin	**–**	**3,000**	**–**	**–**	**3,000**
Non-executive directors					
Ms Lam Mei Lan	**50**	**–**	**–**	**–**	**50**
Mr. Lee Ching Ming, Adrian	**50**	**–**	**–**	**–**	**50**
Mr. Peter Stavros Patapios Christofis	**50**	**–**	**–**	**–**	**50**
Mr. Wan Siu Kau	**50**	**–**	**–**	**–**	**50**
Independent non-executive directors					
Mr. Cheng Ping Kuen, Franco	**110**	**–**	**–**	**–**	**110**
Mrs. Ling Ching Man, Eleanor	**110**	**–**	**–**	**–**	**110**
Mr. Tyen Kan Hee, Anthony	**110**	**–**	**–**	**–**	**110**
	530	**3,870**	**12**	**–**	**4,412**
Year ended 31 December 2005					
Executive directors					
Ms Ho Suk Yi	–	750	12	79	841
Mr. Lau Chuk Kin	–	–	–	–	–
Non-executive directors					
Ms Lam Mei Lan	45	–	–	–	45
Mr. Lee Ching Ming, Adrian	45	–	–	–	45
Mr. Peter Stavros Patapios Christofis	45	–	–	–	45
Mr. Wan Siu Kau	45	–	–	–	45
Independent non-executive directors					
Mr. Cheng Ping Kuen, Franco	100	–	–	–	100
Mrs. Ling Ching Man, Eleanor	100	–	–	–	100
Mr. Tyen Kan Hee, Anthony	78	–	–	–	78
	458	750	12	79	1,299

Note: The amount of equity-settled share-based payment expenses is measured according to the Group's accounting policies for share-based employee compensation transactions as set out in Note 3.16(ii) to the financial statements. Particulars of share options granted to the directors under the Company's share option scheme are set out in Note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2005: one) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2005: four) individuals during the year are as follows:

	2006	2005
	HK$'000	HK$'000
Salaries, allowances and other benefits	**5,920**	5,330
Retirement benefit scheme contributions	**31**	72
Equity-settled share-based payments	**–**	24
	5,951	5,426

The emoluments fell within the following bands:

	Number of individuals	
	2006	2005
Emolument bands		
Nil – HK$1,000,000	**–**	3
HK$1,000,001 – HK$3,000,000	**2**	–
HK$3,000,001 – HK$3,500,000	**1**	1

During each of the two years ended 31 December 2006 and 2005, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during each of the two years ended 31 December 2006 and 2005.

10. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2006	2005
	HK$'000	HK$'000
Wages and salaries	**39,977**	29,809
Equity-settled share-based payments (Note 31)	**332**	569
Retirement benefit scheme contributions (Note 37)	**1,872**	1,282
Other benefits	**878**	1,356
	43,059	33,016

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% on the Company's estimated assessable profits for the year ended 31 December 2006. No Hong Kong profits tax had been provided as the Group had tax deductible losses brought forward from previous years for the year ended 31 December 2005. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2006 **HK$'000**	2005 HK$'000
Hong Kong profits tax		
Current year	**5,019**	–
Underprovision in prior years	**33**	–
Deferred taxation		
Current year (Note 29)	**930**	1,060
	5,982	1,060

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

	2006 **HK$'000**	2005 HK$'000
Profit before income tax	**64,262**	38,328
Notional tax on the profit before income tax, calculated at the rates applicable to the profits in the tax jurisdictions concerned	**10,249**	4,720
Tax effect of non-taxable revenue	**(6,450)**	(1,381)
Tax effect of non-deductible expenses	**2,362**	2,286
Tax effect of tax losses not recognised	**2,736**	2,691
Tax effect of temporary differences not recognised	**(470)**	60
Utilisation of previously unrecognised tax losses	**(2,478)**	(7,316)
Underprovision in prior years	**33**	–
Income tax expense	**5,982**	1,060

12. PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to the equity holders of the Company of HK$55,102,000 (2005: HK$37,094,000), a profit of HK$33,607,000 (2005: HK$38,590,000) has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

13. DIVIDENDS

(a) Dividends attributable to the year:

	2006 **HK$'000**	2005 HK$'000
Interim dividend of HK$0.02 (2005: Nil) per share	**5,488**	–
Proposed final dividend of HK$0.05 (2005: HK$0.04) per share	**13,740**	10,969
Proposed special dividend of HK$0.025 (2005: Nil) per share	**6,870**	–
Additional final dividend in respect of the previous financial year	**8**	–
	26,106	10,969

The final and special dividends proposed after the balance sheet date has not been recognised as a liability at the balance sheet date, but reflected as an appropriation of contributed surplus for each of the two years ended 31 December 2006 and 2005 and a proposed final and special dividends reserve has been set up.

The proposed final and special dividends are to be distributed subsequent to the balance sheet date and are subject to the approval of the Company's equity holders in the forthcoming annual general meeting.

(b) Dividends attributable to the previous financial year, approved and paid during the year:

	2006 **HK$'000**	2005 HK$'000
Final dividend in respect of the previous financial year	**10,969**	–
Additional final dividend in respect of the previous financial year	**8**	–
	10,977	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

14. EARNINGS PER SHARE

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

	2006 HK$'000	2005 HK$'000
Profit attributable to the equity holders of the Company	**55,102**	37,094

	Number of shares	
	2006 '000	2005 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**274,517**	273,431
Effect of dilutive potential ordinary shares in respect of share options granted	**1,799**	2,076
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**276,316**	275,507

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improve-ments HK$'000	Computer equipment and systems HK$'000	Motor vehicles HK$'000	Machinery HK$'000	Total HK$'000
At 1 January 2005								
Cost	–	665	1,132	256	26,472	233	–	28,758
Accumulated depreciation	–	(659)	(1,106)	(166)	(23,187)	(233)	–	(25,351)
Net book amount	**–**	**6**	**26**	**90**	**3,285**	**–**	**–**	**3,407**
Year ended 31 December 2005								
Opening net book amount	–	6	26	90	3,285	–	–	3,407
Exchange differences	–	7	2	5	45	–	–	59
Additions	–	1,201	459	11,374	5,569	856	24,218	43,677
Disposals	–	–	–	–	(226)	–	–	(226)
Depreciation	–	(129)	(60)	(1,244)	(2,832)	(82)	(599)	(4,946)
Closing net book amount	**–**	**1,085**	**427**	**10,225**	**5,841**	**774**	**23,619**	**41,971**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improve-ments HK$'000	Computer equipment and systems HK$'000	Motor vehicles HK$'000	Machinery HK$'000	Total HK$'000
At 31 December 2005								
Cost	–	1,874	1,594	11,637	31,869	1,089	24,218	72,281
Accumulated depreciation	–	(789)	(1,167)	(1,412)	(26,028)	(315)	(599)	(30,310)
Net book amount	**–**	**1,085**	**427**	**10,225**	**5,841**	**774**	**23,619**	**41,971**
Year ended 31 December 2006								
Opening net book amount	–	1,085	427	10,225	5,841	774	23,619	41,971
Exchange differences	–	6	2	2	28	–	–	38
Additions	453	491	124	1,862	1,757	108	40,325	45,120
Disposals	–	–	–	–	(574)	(320)	–	(894)
Depreciation	(9)	(296)	(113)	(2,684)	(3,240)	(233)	(5,403)	(11,978)
Closing net book amount	**444**	**1,286**	**440**	**9,405**	**3,812**	**329**	**58,541**	**74,257**
At 31 December 2006								
Cost	453	2,374	1,705	13,507	31,758	517	64,543	114,857
Accumulated depreciation	(9)	(1,088)	(1,265)	(4,102)	(27,946)	(188)	(6,002)	(40,600)
Net book amount	**444**	**1,286**	**440**	**9,405**	**3,812**	**329**	**58,541**	**74,257**

The net book amount of property, plant and equipment includes the net carrying amount of HK$20,664,000 (2005: HK$23,238,000) in respect of assets held under finance leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2006	2005
	HK$'000	HK$'000
At 1 January		
Cost	**–**	–
Accumulated amortisation	**–**	–
Net book amount	**–**	–
For the year ended 31 December		
Additions	**1,055**	–
Amortisation	**(21)**	–
Closing net book amount	**1,034**	–
At 31 December		
Cost	**1,055**	–
Accumulated amortisation	**(21)**	–
Net book amount	**1,034**	–

The Group's prepaid land lease payments represent up-front payments to acquire an interest in the usage of land situated in Hong Kong, which is held under a medium-term lease.

17. INVESTMENT PROPERTIES

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties. Details of the operating lease arrangements are set out in Note 34 to the financial statements.

Changes to the carrying amounts presented in the balance sheet can be summarised as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Carrying amount at 1 January	**39,800**	36,660
Disposals	**(39,800)**	–
Net gain from fair value adjustments (Note 8)	**–**	3,140
Carrying amount at 31 December	**–**	39,800

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

17. INVESTMENT PROPERTIES (Continued)

The investment properties were revalued as at 31 December 2005 by an independent firm of professionally qualified valuers, Dynasty Premium Asset Valuation and Real Estate Consultancy Limited. Valuations were based on current prices in an active market for the properties.

Investment properties of the Group were situated in Hong Kong and held under medium-term operating leases.

The investment properties were disposed of during the year ended 31 December 2006.

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**62,030**	62,030
Less: Impairment losses	**(62,030)**	(62,030)
	–	–

Details of principal subsidiaries are set out in Note 41 to the financial statements.

19. INTERESTS IN ASSOCIATES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current portion:				
Unlisted shares at cost, less impairment losses			**–**	–
Goodwill on acquisition (Note (a))	**1,411**	–		
Share of net assets	**–**	–		
	1,411	–	**–**	–
Current portion:				
Advances to associates (Note (b))				
– Trion Pacific Limited	**70**	70	**70**	70
– PPG Investments Limited ("PPGI")	**27,649**	14,036	**–**	–
	27,719	14,106	**70**	70
Less: Impairment losses	**(8,741)**	(8,741)	**–**	–
	18,978	5,365	**70**	70

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

19. INTERESTS IN ASSOCIATES (Continued)

Notes:

(a) Goodwill above relates to the further acquisition of an indirect interest in PPGI from 20% to 50% on 1 December 2006 by the Company. No impairment loss has been recognised at the balance sheet date.

PPGI serves as an investment vehicle and it has not been involved in any significant business transactions other than its investment of a 50% interest in Premier Printing Group Limited ("PPGL") which is engaged in printing business in Hong Kong and provides printing services to the Group (see Note 39 to the financial statements). In view of the above, the directors of the Company carried out its impairment test for goodwill primarily based on the financial information of PPGL.

Impairment tests for goodwill

The recoverable amount of the goodwill is determined based on value-in-use calculation. The value-in-use calculation uses cash flow projection based on one-year financial budget approved by management and extrapolated to cover a period of five years. The key assumptions for the value-in-use calculation are those regarding the discount rate and growth rate during the period. Management estimates the discount rate using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to PPGL. The growth rate is based on management's expectation for the market development. The discount rate used in the cash flow projection is 4 per cent. The growth rate used is assumed to be nil. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

(b) Advances to associates are unsecured, interest-free and repayable on demand.

(c) Particulars of the associates as at 31 December 2006 are as follows:

Name of company	Particulars of issued shares held	Country of incorporation/ operation and kind of legal entity	Percentage of interest held by the Company directly/indirectly *	Principal activities
Oriental Touch China Limited	45 ordinary shares of US$1 each	British Virgin Islands/ Hong Kong, limited liability company	45% *	Stock photo sales
PPG Investments Limited	5,000 ordinary shares of US$1 each	British Virgin Islands/ Hong Kong, limited liability company	50% *	Investment holding
Trion Pacific Limited 三慧顧問有限公司	35 ordinary shares of HK$1 each	Hong Kong, limited liability company	35%	Inactive

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

19. INTERESTS IN ASSOCIATES (Continued)

(d) Summarised financial information in respect of the Group's associates is set out below:

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenue HK$'000	Profit/(Loss) HK$'000
2006					
100 per cent	**28,440**	**55,856**	**(27,416)**	**17**	**(221)**
Group's effective interest	**14,182**	**27,886**	**(13,704)**	**6**	**(116)**
2005					
100 per cent	43,431	70,620	(27,189)	66	3,746
Group's effective interest	8,719	14,154	(5,435)	23	758

The financial information above is based on the unaudited management accounts for each of the two years ended 31 December 2006 and 2005.

The Group has not recognised losses of HK$116,000 (2005: profits of HK$758,000) for the Group's associates. The accumulated losses not recognised were HK$5,552,000 (2005: HK$5,436,000).

20. AMOUNTS DUE FROM SUBSIDIARIES

	Company 2006 HK$'000	2005 HK$'000
Amounts due from subsidiaries		
– interest bearing at 7% (2005: 2%) per annum	**33,047**	34,715
– interest-free	**119,717**	95,023
Sub-total	**152,764**	129,738
Less: Impairment losses	**(6,329)**	(3,244)
	146,435	126,494

The amounts due from subsidiaries are unsecured and repayable on demand.

21. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

22. INVENTORIES

	Group	
	2006	2005
	HK$'000	HK$'000
Raw materials	**13,647**	6,972
Work-in-progress	**1,382**	1,432
Finished goods	**426**	195
	15,455	8,599

23. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	Group	
	2006	2005
	HK$'000	HK$'000
Trade receivables	**63,287**	63,512
Other receivables and deposits	**12,437**	14,234
	75,724	77,746

As at 31 December 2006, the ageing analysis of trade receivables based on sales invoice date and net of provisions, is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
0 – 30 days	**19,792**	13,355
31 – 60 days	**13,385**	12,310
61 – 90 days	**8,602**	11,982
91 – 120 days	**12,280**	16,969
121 – 150 days	**6,623**	6,647
Over 150 days	**2,605**	2,249
Total trade receivables	**63,287**	63,512

The Group allows a credit period from 7 to 150 days (2005: 7 to 150 days) to its customers.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2006	2005
	HK$'000	HK$'000
Held for trading		
Equity securities, listed in Hong Kong	**11,452**	162
Market value of listed securities	**11,452**	162

25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank and cash balances	**27,707**	20,534	**775**	226
Cash at brokers	**16,450**	–	**39**	–
Short-term bank deposits	**11,000**	24,400	**10,000**	–
	55,157	44,934	**10,814**	226

The effective interest rates of short-term bank deposits of the Group ranged from 3.3% to 3.8% (2005: 3.56% to 4%). These deposits have maturity periods ranging from 1 to 3 days (2005: 3 to 13 days) on inception and are eligible for immediate cancellation without penalty but any interest for the last deposit period would be forfeited.

Included in bank and cash balances of the Group is HK$3,798,000 (2005: HK$2,031,000) of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency. However, 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 other currencies through banks authorised to conduct foreign exchange business.

26. TRADE AND OTHER PAYABLES

	Group	
	2006	2005
	HK$'000	HK$'000
Trade payables	**20,516**	33,067
Other payables	**23,095**	17,379
	43,611	50,446

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

26. TRADE AND OTHER PAYABLES (Continued)

As at 31 December 2006, the ageing analysis of trade payables based on invoice date is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
0 – 30 days	**6,554**	6,044
31 – 60 days	**4,355**	7,552
61 – 90 days	**4,466**	9,292
91 – 120 days	**1,161**	4,361
Over 120 days	**3,980**	5,818
Total trade payables	**20,516**	33,067

27. FINANCE LEASE LIABILITIES

The analysis of the obligations under finance leases is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Due within one year	**4,667**	5,168
Due in the second to fifth years	**15,181**	18,954
	19,848	24,122
Future finance charges on finance lease	**(2,443)**	(3,728)
Present value of finance lease liabilities	**17,405**	20,394

The present value of finance lease liabilities is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Due within one year	**3,691**	3,808
Due in the second to fifth years	**13,714**	16,586
	17,405	20,394
Less: Portion due within one year included under current liabilities	**(3,691)**	(3,808)
Non-current portion included under non-current liabilities	**13,714**	16,586

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

27. FINANCE LEASE LIABILITIES (Continued)

The finance lease liabilities of HK$20,394,000 at 31 December 2005 have been fully repaid in 2006. During the year ended 31 December 2006, the Group entered into finance leases for various items of machinery. The lease runs for an initial period of five years. These leases do not have options to renew or any contingent rental provisions.

28. LOANS FROM MINORITY SHAREHOLDERS

For the year ended 31 December 2005, loans from minority shareholders were unsecured, interest-free and had no fixed term of repayments. During the year ended 31 December 2006, the loans from minority shareholders of a subsidiary were deemed to be repaid by way of full capitalisation of the loans into the newly issued ordinary shares of the subsidiary. The new shares of the subsidiary rank pari passu with the existing shares in all respects.

29. DEFERRED TAX LIABILITIES

Deferred taxation is calculated on temporary differences under the liability method using the rates of taxation prevailing in the counties in which the Group operates.

Group

The movement on the deferred tax liabilities is as follows:

	2006	2005
	HK$'000	HK$'000
At 1 January	**1,060**	–
Deferred taxation charged to income statement (Note 11)	**930**	1,060
At 31 December	**1,990**	1,060

The following are the major deferred tax liabilities/(assets) recognised in the balance sheet and the movements during the current and prior years:

	Accelerated tax depreciation		Fair value gains		Tax losses		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**2,438**	566	**890**	–	**(2,268)**	(566)	**1,060**	–
Charged/(Credited) to income statement	**2,527**	1,872	**(890)**	890	**(707)**	(1,702)	**930**	1,060
At 31 December	**4,965**	2,438	**–**	890	**(2,975)**	(2,268)	**1,990**	1,060

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

29. DEFERRED TAX LIABILITIES (Continued)

Company

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

At the balance sheet date, the major components of unrecognised deductible temporary differences are as follows:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Difference between depreciation and depreciation allowance	**1,448**	1,176	**–**	–
Unutilised tax losses	**6,974**	15,446	**2,720**	1,042
	8,422	16,622	**2,720**	1,042

The deductible temporary differences have not been recognised in the financial statements as it is not probable that future taxable profit will be available against which these deductible temporary differences can be utilised. All tax losses and deductible temporary differences of the Group and the Company have no expiry dates under the current tax legislation except for the tax losses amounting to HK$4,222,000 (2005: HK$7,622,000) incurred by two (2005: three) subsidiaries in the PRC which will expire after 5 years from the year in which the tax losses were incurred.

30. SHARE CAPITAL

	2006		2005	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	**HK$'000**	'000	HK$'000
Authorised:				
Ordinary shares of HK$0.20 each	**500,000**	**100,000**	500,000	100,000
Issued and fully paid:				
Ordinary shares of HK$0.20 each				
At 1 January	**274,218**	**54,844**	272,500	54,500
Shares issued on exercise of share options (Note)	**582**	**116**	1,718	344
At 31 December	**274,800**	**54,960**	274,218	54,844

Note: The increase in share capital in 2006 and 2005 represented the shares issued on exercise of share options, granted under the Company's share option scheme as stated in Note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

31. SHARE-BASED EMPLOYEE COMPENSATION

GEM Share option scheme

The Company's GEM share option scheme (the "GEM Share Option Scheme") was adopted pursuant to a resolution passed on 3 July 2000 for the purpose of providing incentives to directors and eligible employees, and will expire on 2 July 2010. The committee of the board of directors constituted to administer the GEM Share Option Scheme may, at its discretion, offer to full time employees, including executive directors in the full time employment of the Company or any of its subsidiaries, options to subscribe for shares in the Company at a price not less than the highest of: (i) the closing price of the shares of the Company on the Stock Exchange on the date of offer of the option; (ii) the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of the grant of the options; and (iii) the nominal value of a share. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

Pursuant to Chapter 23 of the GEM Listing Rules, unless shareholders' prior approval otherwise is obtained, the maximum number of shares in respect of which options may be granted shall not exceed 10% of the issued share capital of the Company and the maximum number of shares in respect of which options may be granted to any one employee in any 12 month period shall not exceed 1% of the issued share capital.

The share-based employee compensation will be settled by issue of the Company's ordinary shares. The Group has no legal or constructive obligation to repurchase or settle the options other than in the Company's ordinary shares.

Details of the share options granted under the GEM Share Option Scheme are as follows:

Share option type	Date of grant	Number of options granted	Vesting period	Exercisable period	Exercise price per share HK$
2003	2.7.2003	1,875,000	2.7.2003 to 1.7.2004	2.7.2004 to 2.7.2013	0.24 (Note)
2004(a)	17.5.2004	3,000,000	17.5.2004 to 16.5.2005	17.5.2005 to 2.7.2013	0.28 (Note)
2004(b)	9.12.2004	250,000	9.12.2004 to 8.12.2005	9.12.2005 to 2.7.2013	0.43
2005	7.7.2005	1,250,000	7.7.2005 to 6.7.2006	7.7.2006 to 2.7.2013	0.80

Note: Following the Share Consolidation in 2004, the exercise prices of the share options were adjusted to HK$0.24 and HK$0.28 from the initial exercise price of HK$0.012 and HK$0.014 respectively. The number of share options was also adjusted as a result of Share Consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

31. SHARE-BASED EMPLOYEE COMPENSATION (Continued)

GEM Share option scheme (Continued)

The following table discloses movements in the outstanding options granted under the GEM Share Option Scheme:

			Number of share options				
Year	Grantees	Share option type	Outstanding at 1 January	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding at 31 December
2006	Director	2004(a)	250,000	–	–	–	250,000
		2004(b)	250,000	–	–	–	250,000
			500,000	–	–	–	500,000
	Employees	2003	585,000	–	–	(260,000)	325,000
		2004(a)	1,322,000	–	(1,000)	(322,000)	999,000
		2005	1,150,000	–	–	–	1,150,000
	Sub-total		3,057,000	–	(1,000)	(582,000)	2,474,000
	Total		**3,557,000**	**–**	**(1,000)**	**(582,000)**	**2,974,000**
2005	Director	2004(a)	250,000	–	–	–	250,000
		2004(b)	250,000	–	–	–	250,000
			500,000	–	–	–	500,000
	Employees	2003	1,125,000	–	–	(540,000)	585,000
		2004(a)	2,500,000	–	–	(1,178,000)	1,322,000
		2005	–	1,250,000	(100,000)	–	1,150,000
	Sub-total		3,625,000	1,250,000	(100,000)	(1,718,000)	3,057,000
	Total		**4,125,000**	**1,250,000**	**(100,000)**	**(1,718,000)**	**3,557,000**

Notes:

(i) No new share options were granted during the year ended 31 December 2006. Total consideration received during the year ended 31 December 2005 from employees for taking up the options granted amounted to HK$7.

(ii) There are 351,000 ordinary shares, which represent 0.1% of the issued share capital, available for issue under the GEM Share Option Scheme at the date of this annual report.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

31. SHARE-BASED EMPLOYEE COMPENSATION (Continued)

GEM Share option scheme (Continued)

(iii) The closing price of the shares of HK$0.20 each of the Company quoted on the Stock Exchange on 30 June 2003, 14 May 2004, 8 December 2004 and 6 July 2005, being the business date immediately before the date on which share options were granted, was HK$0.24 (adjusted), HK$0.28 (adjusted), HK$0.43 and HK$0.80 respectively.

(iv) The closing price of the shares of HK$0.20 each of the Company quoted on the Stock Exchange on 1 February 2006 and 11 September 2006, being the business day immediately before the date on which the options were exercised, was HK$0.82 and HK$1.15, respectively.

(v) The fair values of options granted under the relevant Share Option Scheme on 2 July 2003, 17 May 2004, 9 December 2004 and 7 July 2005, measured at the date of grant, were approximately HK$170,000, HK$467,000, HK$69,000 and HK$663,000 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	**7.7.2005**	**9.12.2004**	**17.5.2004**	**2.7.2003**
Expected volatility (based on the annualised historical volatility of the closing price of the shares in the Company from 1 July 2000 to the date of grant)	80.80%	77.90%	80.52%	74.33%
Expected life (in years)	5	5	5	5
Risk-free interest rate (being the approximate yield of 5-year Exchange Fund on the grant date)	3.32%	2.68%	3.77%	2.95%
Expected dividend yield	Nil	Nil	Nil	Nil

In total, HK$332,000 (2005: HK$569,000) of share-based employee compensation expense has been included in the consolidated income statement for the year ended 31 December 2006 with a corresponding credit in equity. No liabilities were recognised as they were all equity-settled share-based payment transactions.

32. RESERVES

	Group	
	2006	2005
	HK$'000	HK$'000
Share premium	**54,097**	54,065
Employee compensation reserve	**1,283**	951
Exchange reserve	**45**	65
Merger reserve	**(43,897)**	(43,897)
Contributed surplus	**7,925**	34,031
Capital contribution	**–**	521
Retained earnings	**80,575**	25,473
	100,028	71,209

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

32. RESERVES (Continued)

Details of the movements in the above reserves during the year are set out in the consolidated statement of changes in equity on page 26.

	Company				
	Share premium HK$'000	Employee compensation reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2005	53,970	382	62,919	(84,139)	33,132
Shares issued on exercise of share options	116	–	–	–	116
Share issue expenses	(21)	–	–	–	(21)
Equity-settled share-based payment expenses	–	569	–	–	569
Profit for the year	–	–	–	38,590	38,590
Proposed final 2005 dividend (Note 13)	–	–	(10,969)	–	(10,969)
At 31 December 2005 and 1 January 2006	54,065	951	51,950	(45,549)	61,417
Shares issued on exercise of share options	35	–	–	–	35
Share issue expenses	(3)	–	–	–	(3)
Equity-settled share-based payment expenses	–	332	–	–	332
Profit for the year	–	–	–	33,607	33,607
Additional final dividend paid relating to 2005 (Note 13)	–	–	(8)	–	(8)
Interim 2006 dividend paid (Note 13)	–	–	(5,488)	–	(5,488)
Proposed final and special 2006 dividends (Note 13)	–	–	(20,610)	–	(20,610)
At 31 December 2006	**54,097**	**1,283**	**25,844**	**(11,942)**	**69,282**

The contributed surplus of the Company comprises:

(i) an amount of HK$17,919,000 arose as a result of a group reorganisation in 2000 and represents the difference between the excess of the value of the consolidated shareholders' funds of Recruit (BVI) Limited at the date when the group reorganisation became effective over the nominal amount of the share capital of the Company issued under the group reorganisation, and

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

32. RESERVES (Continued)

(ii) an amount of HK$45,000,000 which represents reduction in share capital in accordance with the Company's capital reorganisation in 2003, which involved (a) a reduction of the nominal value of the shares from HK$0.05 each to HK$0.01 each by cancelling the issued capital to the extent of HK$0.04 paid up on each of the issued shares and the sub-division of each unissued share into five unissued new shares; and (b) maintaining, after implementation of the reduction in nominal value of each share as referred to above, the authorised share capital of the Company at HK$100,000,000 but divided into 10,000,000,000 new shares of HK$0.01 each;

and is reduced by:

(iii) an amount of HK$35,701,000 (2005: HK$10,969,000) representing the accumulated proposed dividend to be distributed or dividend distributed.

The Company's reserves available for distribution comprise its the contributed surplus and retained earnings.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

33. OPERATING LEASE COMMITMENTS

Group

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

	Rented premises and production facilities		Internet access line	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**5,117**	5,419	**276**	49
In the second to fifth years inclusive	**12,444**	13,333	**172**	–
After five years	**8,921**	22,589	**–**	–
	26,482	41,341	**448**	49

The Group leases a number of properties and production facilities and internet access line under operating leases or leases as defined under HK(IFRIC)-Int 4. The leases run for an initial period from one to ten years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

33. OPERATING LEASE COMMITMENTS

Company

As at 31 December 2006, the Company had no commitments under non-cancellable operating leases (2005: Nil).

34. OPERATING LEASE ARRANGEMENTS

Group

As at 31 December 2006, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2006	2005
	HK$'000	HK$'000
Within one year	**–**	953

The Group leased its investment properties, as set out in Note 17 to the financial statements, under operating lease arrangements which ran for an initial period of two years, without an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The terms of the leases generally also required the tenants to pay security deposits.

Company

As at 31 December 2006, the Company had no operating lease arrangements under non-cancellable operating leases (2005: Nil).

35. CAPITAL COMMITMENTS

	Group		**Company**	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Capital expenditure in respect of:				
Acquisition of property, plant and equipment contracted but not provided for in the financial statements	**499**	1,884	**–**	–

36. CORPORATE GUARANTEES

	Group		**Company**	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Corporate guarantees given and utilised*	**–**	–	**14,000**	16,000

* As at 31 December 2006, the Company has given corporate guarantees to its non wholly owned subsidiary to the extent of HK$24,700,000 (2005: HK$33,060,000) in relation to payments for certain finance leases to financial institutions as set out in Note 27 to the financial statements, HK$14,000,000 (2005: HK$16,000,000) of which was utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

36. CORPORATE GUARANTEES (Continued)

In the opinion of the directors of the Company, no material liabilities will arise from the above guarantees which arose in the ordinary course of business and the fair value of the corporate guarantees granted by the Company is immaterial.

37. RETIREMENT BENEFIT SCHEMES

The amount of retirement benefit contributions for the Group's employees, net of forfeited contributions, which has been dealt with in the income statement of the Group for each of the two years ended 31 December 2006 and 2005 are as follows:

	2006	2005
	HK$'000	HK$'000
Gross retirement benefit scheme contributions	**1,872**	1,329
Less: Forfeited contributions for the year	**–**	(47)
Net retirement benefit scheme contributions (Note 10)	**1,872**	1,282

There was no significant amount of forfeited contributions available to reduce future contributions payable by the Group as at 31 December 2006 and 2005.

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

(a) During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$22,340,000 (2005: HK$23,834,000).

(b) Details of the capitalisation of the loans from minority shareholders are set out in Note 28 to the financial statements.

39. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Save as disclosed in Notes 19, 20 and 21 to the financial statements, details of the other significant transactions between the Group and other related parties during the year ended 31 December 2006 are disclosed as follows:

(a) Related party transactions

The Group paid printing costs of HK$12,536,000 (2005: HK$12,861,000) to Premier Printing Group Limited, a related company in which an associate company of the Group (PPGI) holds a 50% interest. The transactions were carried out in the normal course of the Group's business and were charged at prices mutually agreed by the Group and the contracting party.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

39. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Compensation of key management personnel

The key management personnel of the Group are the directors of the Company. The remuneration of the key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends. Details of the remuneration paid to them are set out in Note 9(a) to the financial statements.

40. HOLDING COMPANIES

As at 31 December 2006, the Company's ultimate holding company is ER2 Holdings Limited which was incorporated in Hong Kong and the Company's immediate holding company is City Apex Limited, which was incorporated in British Virgin Islands.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of company	Date of incorporation/ establishment	Place/Country of incorporation/ establishment and kind of legal entity	Class of shares	Issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company ^	Principal activities and place of operations
1010 Group Limited	10 January 2005	Hong Kong, limited liability company	Ordinary	HK$33,000,000	73%	Investment holding, Hong Kong
1010 Printing International Limited 匯星印刷國際有限公司	10 January 2005	Hong Kong, limited liability company	Ordinary	HK$1	73%	Printing, Hong Kong
Central Publisher Limited 卓越出版社有限公司	26 September 1997	Hong Kong, limited liability company	Ordinary	HK$1,000	100%	Publishing and investment trading, Hong Kong
Easking Limited 宜勁有限公司	15 September 2004	Hong Kong, limited liability company	Ordinary	HK$1	100%	Investment holding, Hong Kong
Recruit Advertising Limited 才庫廣告有限公司	23 April 1991	Hong Kong, limited liability company	Ordinary	HK$105,000	95%	Provision of advertising services, Hong Kong
Recruit (BVI) Limited	15 March 2000	British Virgin Islands, limited liability company	Ordinary	US$10,000	100%	Investment holding, Hong Kong
Recruit (China) Holdings Limited 才庫(中國)控股有限公司	3 November 2004	British Virgin Islands, limited liability company	Ordinary	US$1	95%	Investment holding, Hong Kong
Recruit Company Limited 才庫媒體有限公司	18 January 1994	Hong Kong, limited liability company	Ordinary	HK$213,536	100%	Investment holding, Hong Kong

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of company	Date of incorporation/ establishment	Place/Country of incorporation/ establishment and kind of legal entity	Class of shares	Issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company ^	Principal activities and place of operations
Recruit Human Resources Group Limited 才庫招聘資源有限公司	7 April 2005	British Virgin Islands, limited liability company	Ordinary	US$2,564,102	95%	Investment holding, Hong Kong
Recruit Information Technology Limited 才庫資訊科技有限公司	7 November 2003	Hong Kong, limited liability company	Ordinary	HK$1,000	95%	Provision of website development and information technology services, Hong Kong
Recruit Media Limited (formerly known as Recruit (China Investment) Limited 才庫(中國投資)有限公司)	26 July 2004	Hong Kong , limited liability company	Ordinary	HK$1	100%	Provision of advertising services, Hong Kong
Recruit Online Advertising Limited 才庫網絡廣告有限公司 (formerly known as The Recruit Publishing Company Limited 才庫出版有限公司)	30 April 1999	Hong Kong, limited liability company	Ordinary	HK$52,000,000	95%	Publishing and provision of advertising services, Hong Kong
SAR Media Limited 文化特區出版有限公司	4 June 1997	Hong Kong, limited liability company	Ordinary	HK$10,000	100%	Provision of advertising services, Hong Kong
廣州海螢廣告有限公司* Arabesque Advertising Limited	1 February 2005	PRC, limited liability company	N/A	HK$1,900,000 (registered capital)	100%	Provision of advertising services, the PRC
才庫企業管理顧問(上海)有限公司* Recruit Management Consulting (Shanghai) Company Limited	5 January 2005	PRC, limited liability company	N/A	US$2,000,000 (registered capital)	95%	Investment holding and provision of corporate management service, the PRC

* The statutory accounts of these companies have been audited by firms other than Grant Thornton. The English translation of Chinese names is included for identification only should not be regarded as their official English translation.

^ All principal subsidiaries are indirectly held by the Company except for Recruit (BVI) Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

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

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

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate strategies to manage and monitor the Group's exposure to a variety of risks associated with financial instruments. Generally, the Group employs conservative strategies regarding its risk management to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the policies on how to mitigate these risks are briefly described as follows:

(a) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. The Group limits its exposure to credit risk by prudently selecting its customers. The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk. The Group also continually evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit is extended to customers based on the evaluation of individual customer's financial conditions. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider the Group's credit risk is significantly reduced.

The Group has deposited their cash with various banks and brokers. The credit risk on cash and bank balances is limited because most of the Group's bank deposits are deposited with major banks and financial institutions located in Hong Kong and the PRC.

(b) Currency risk

The sales transactions of the Group are mainly denominated in United States Dollars, Australian Dollars, RMB and Hong Kong Dollars and there are expenses and acquisition of plant and machinery that are required to be settled in United States Dollars, RMB and Hong Kong Dollars. Certain trade receivables and trade payables of the Group are denominated in foreign currencies, mainly United States Dollars, Australian Dollars and RMB. The Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(c) Interest rate risk

The Group does not have any significant exposure to interest rate risk, as the Group has no financial assets and liabilities with floating interest rates except for certain finance lease contracts. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense. The terms of repayment of obligations under finance leases are set out in Note 27 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk

The Group manages its funds conservatively by maintaining a comfortable level of cash and cash equivalents in order to meet its operational needs.

(e) Other pricing risk

The Group is exposed to commodity price risk such as for paper and ink. The management monitors commodity price exposure and will consider hedging significant commodity price exposure when the need arises.

The Group has invested in listed equity securities and they are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity price risk. The Group will monitor the price movements and take appropriate actions when it is required.

(f) Fair values

The directors of the Company consider the fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments.

43. POST BALANCE SHEET EVENT

Subsequent to the year end, the Group entered into a Subscription and Sale and Purchase agreement with Jobstreet Corporation Berhad ("Jobstreet"), a Malaysian listed company, which would acquire a 20% interest in Recruit Group Limited ("RGL"), an indirect non wholly-owed subsidiary of the Company, for a total cash consideration of HK$15,000,000 (the "Acquisition"). The Acquisition comprised two parts: (1) Jobstreet purchased 10% of equity interest of RGL from a subsidiary of the Company at a consideration of HK$7,500,000, and (2) Jobstreet subscribed for 10% share capital of RGL at a subscription price of HK$7,500,000. The net proceeds from the Acquisition was intended to be used as the Group's general working capital. Upon completion of the Acquisition, effective interest held by the Company in RGL was decreased from 95% to 75.5%. The Acquisition was completed on 15 February 2007. Further details of the transaction are set out in the Company's announcement dated 7 February 2007.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated upon the adoption of the new and revised HKFRSs as appropriate, is set out below:

FINANCIAL RESULTS

	Financial year ended 31 December				
	2002	2003	2004	2005	**2006**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue and turnover	70,138	50,293	103,995	227,103	**298,333**
(Loss)/Profit from operations after finance costs	(30,149)	2,483	34,014	38,328	**64,262**
Allowance for advances to associates	(6,032)	–	–	–	**–**
(Loss)/Profit before income tax	(36,181)	2,483	34,014	38,328	**64,262**
Income tax expense	–	–	(28)	(1,060)	**(5,982)**
(Loss)/Profit for the year	(36,181)	2,483	33,986	37,268	**58,280**
Attributable to:					
Equity holders of the Company	(36,181)	2,483	33,986	37,094	**55,102**
Minority interests	–	–	–	174	**3,178**
(Loss)/Profit for the year	(36,181)	2,483	33,986	37,268	**58,280**

ASSETS AND LIABILITIES

	As at 31 December				
	2002	2003	2004	2005	**2006**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	28,158	41,262	107,136	218,577	**253,468**
Total liabilities	(23,116)	(8,787)	(8,797)	(81,376)	**(65,861)**
Total equity	5,042	32,475	98,339	137,201	**187,607**