MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is principally engaged in the media advertising business, including recruitment, inflight magazine and statutory announcement, and printing business.

The Group provides both print and online advertising to job seekers and recruitment advertisers in Hong Kong and Shanghai. Besides, the Group is the exclusive advertising market consultant and production services provider for the major inflight magazines and newspapers of two airlines, namely CEA and CSA, in the PRC. The Group has also been the exclusive sales agent for legal and public notices of China Daily since 2003. The Group's printing business involves manufacturing of high quality printed products.

The Group's revenue and turnover is derived from its advertising business and its printing business.

Key factors affecting results and financial condition of the Group

Economic conditions

The Group's performance is directly affected by the economic conditions in Hong Kong, the PRC and the international markets. The PRC market contributed 28.7%, 34.0% and 37.2% to the Group's turnover for each of the three years ended 31st December, 2006, respectively. Starting from the year 2005, the source of revenue of the Group has been diversified through sales of books in overseas markets including Australia, New Zealand, the UK and the US. For each of the two years ended 31st December 2006, 29.1% and 33.4% respectively of the Group's turnover were generated from these foreign countries. By exploring to the international markets, the earnings base of the Group has been broadened. The turnover of the Group grew by 118.4% from HK$103.4 million for the year ended 31st December, 2004 to HK$227.1 million for the year ended 31st December, 2005 and increased further by 31.4% to HK$298.3 million for the year ended 31st December, 2006.

Gross profit margins

The gross profit margins for each of the three years ended 31st December, 2006 were 53.3%, 39.9% and 38.8%, respectively. The reason for the drop of gross profit margin is mainly due to the establishment of the printing business in 2005, which has in general a lower profit margin than that of the Group's advertising business. Nonetheless, the printing business of the Group has broadened the revenue base of the Group and diversified the business risk of the Group.

Increase in production capacity

The Group's capital expenditures for the property, plant and equipment for each of the three years ended 31st December, 2006 were HK$2.4 million, HK$43.7 million and HK$45.1 million, respectively. The increases in capital expenditure were mainly due to the purchase of machineries in relation to the printing business of the Group. Such capital expenditures have expanded the Group's production capacity and upgraded the Group's technology employed for production.

Fluctuation in costs of raw materials and supplies

Printing cost and direct production cost in relation to the printing business of the Group and the publication of the Group's recruitment and inflight magazines constituted 48.1%, 62.5% and 58.4% of the direct operating costs of the Group for each of the three years ended 31st December, 2006, respectively. The raw materials and supplies consumed by the Group are mainly paper, ink and fuel for printing. During the Track Record Period, the market price for raw materials and supplies had been stable. However, potential increment in the future may dampen the Group's profit margin.

Apart from the above, potential investors should be aware that there are many factors which are beyond the control of the Group and might affect the Group's future performance. Further details are set out in the section headed "Risk factors" in this document.

Critical accounting policies and estimates

The Group's financial statements have been prepared in compliance with Hong Kong Financial Reporting Standards, which require the Group's management to adopt relevant accounting policies. In applying these accounting policies, the Group's management is required to make subjective judgements that frequently require estimates and assumptions about future matters that are inherently uncertain. Consequently, actual results could differ from those estimates. The Group's estimates and judgements are continually evaluated and based on historical experience and other factors that are believed to be reasonable under the circumstances.

The accounting policies and accounting estimates and judgements are set out in notes 3 and 4 respectively to the accountants' report contained in Appendix I to this document. The following paragraphs discuss those that are most critical in preparing the financial statements of the Group:

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.

Specifically, 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, which 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; and dividend income is recognised when the right to receive payment is established.

In respect of financial assets classified as held for trading, subsequent to initial recognition, such financial assets are measured at fair value with changes in fair value recognised in income statement.

Impairment for accounts receivables

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. Instead, the Group identifies specific accounts receivables which aged over the credit period granted. If the financial conditions of debtors were to deteriorate, impairment of such specific accounts receivables will be made.

Depreciation for property, plant and equipment

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

The Group depreciated the property, plant and equipment on a straight-line basis over the estimated useful lives. 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. The assets' useful lives are also reviewed, and adjusted if appropriate, at each balance sheet date.

Results of operations

The following table summarises the Group's income statements for the Track Record Period as set out in the accountants' report contained in Appendix I to this document.

	Year ended 31st December,		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Revenue and turnover	103,995	227,103	298,333
Direct operating costs	(48,598)	(136,496)	(182,526)
Gross profit	55,397	90,607	115,807
Other operating income *(Note 1)*	4,418	11,633	14,977
Gain on disposal of investment properties	–	–	12,114
Selling and distribution costs	(14,067)	(34,943)	(41,333)
Administrative expenses	(11,444)	(27,732)	(32,598)
Other operating expenses	(290)	(698)	(2,087)
Operating profit	34,014	38,867	66,880
Finance costs	–	(539)	(2,618)
Profit before income tax	34,014	38,328	64,262
Income tax expense	(28)	(1,060)	(5,982)
Profit for the year	33,986	37,268	58,280
Attributable to:			
Equity holders of the Company	33,986	37,094	55,102
Minority interests	–	174	3,178
Profit for the year	33,986	37,268	58,280
Dividends	–	10,969	26,106
Earnings per Share for profit attributable to the equity holders of the Company during the year *(Note 2)*			
Basic *(HK cents)*	14.54	13.57	20.07
Diluted *(HK cents)*	14.47	13.46	19.94

Notes:

1. Other operating income comprised certain non-recurring items, including gain from changes in fair value of investment properties and gain on partial disposal of investments in subsidiaries.

2. The calculation of the basic earnings per Share is based on the profit attributable to the equity holders of the Company divided by the weighted average number of Shares for the purpose of basic earnings per Share.

   The calculation of the diluted earnings per Share is based on the profit attributable to the equity holders of the Company divided by the sum of weighted average number of Shares for the purpose of basic earnings per Shares and effect of dilutive potential Shares in respect of share options granted.

Discussion of income statement components

Turnover

The following table illustrates the breakdown of the Group's turnover by business segments during the Track Record Period:

	For the year ended 31st December,					
	2004		2005		2006	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Advertising income	103,995	100.0	160,570	70.7	192,622	64.6
Printing income	–	–	66,533	29.3	105,711	35.4
Total	103,995	100.0	227,103	100.0	298,333	100.0

The Group's turnover showed a continuous growing trend, from HK$104.0 million in 2004 to HK$227.1 million in 2005 and further to HK$298.3 million in 2006.

The Group's advertising business contributed 100.0%, 70.7% and 64.6% to the Group's turnover for each of the three years ended 31st December, 2006, respectively. Although the percentage attributable to the Group's advertising business has decreased as a result of the growing importance of the printing business, the advertising business has contributed a rising stream of revenue of HK$104.0 million, HK$160.6 million and HK$192.6 million for each of the three years ended 31st December, 2006, respectively, primarily due to the expansion of inflight magazine business.

In respect of the Group's advertising income, it mainly comprised income from recruitment, inflight magazine and statutory announcement. The recruitment segment contributed HK$58.2 million, HK$67.8 million and HK$73.3 million to the Group's turnover for each of the three years ended 31st December, 2006, representing 56.0%, 29.9% and 24.6% of the Group's turnover, respectively. The inflight magazine segment contributed HK$32.3 million, HK$80.0 million and HK$104.9 million to the Group's turnover for each of the three years ended 31st December, 2006, representing 31.0%, 35.2% and 35.2% of the Group's turnover, respectively. The statutory announcements segment contributed HK$13.5 million, HK$12.8 million and HK$14.4 million to the Group's turnover for each of the three years ended 31st December, 2006, representing 13.0%, 5.6% and 4.8% of the Group's turnover, respectively.

The Group's printing business commenced operation in March 2005. It contributed HK$66.5 million to the Group's turnover for the year ended 31st December, 2005, representing 29.3% of the Group's turnover and HK$105.7 million to the Group's turnover for the year ended 31st December, 2006, representing 35.4% of the Group's turnover.

The following table illustrates the breakdown of the Group's turnover by reference to the location of customers during the Track Record Period:

	For the year ended 31st December,					
	2004		2005		2006	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Hong Kong	74,111	71.3	83,790	36.9	87,657	29.4
The PRC	29,884	28.7	77,246	34.0	111,052	37.2
Australia	–	–	52,494	23.1	72,843	24.4
The US	–	–	6,485	2.9	2,938	1.0
The UK	–	–	5,064	2.2	21,930	7.4
New Zealand	–	–	2,024	0.9	1,598	0.5
Others	–	–	–	–	315	0.1
Total	103,995	100.0	227,103	100.0	298,333	100.0

Direct operating costs

Direct operating costs mainly represent printing cost, direct production cost, cost of advertising space and direct staff costs. Set out below are the Group's cost components of direct operating costs during the Track Record Period:

	For the year ended 31st December,					
	2004		2005		2006	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Printing cost	23,372	48.1	34,894	25.6	41,127	22.5
Direct production cost	–	–	50,372	36.9	65,530	35.9
Cost of advertising space	19,010	39.1	37,662	27.6	49,058	26.9
Direct staff costs	4,839	10.0	8,397	6.2	12,972	7.1
Other operating costs	1,377	2.8	5,171	3.7	13,839	7.6
Total	48,598	100.0	136,496	100.0	182,526	100.0

Gross profit

The following table illustrates the breakdown of the Group's gross profit and gross profit margin by business segments during the Track Record Period:

	For the year ended 31st December,					
	2004		2005		2006	
		Gross profit margin		Gross profit margin		Gross profit margin
	HK$'000	*(%)*	*HK$'000*	*(%)*	*HK$'000*	*(%)*
Advertising	55,397	53.3	76,791	47.8	87,273	45.3
Printing	–	–	13,816	20.8	28,534	27.0
Total	55,397	53.3	90,607	39.9	115,807	38.8

The gross profit margin of the Group decreased from 53.3% for the year ended 31st December, 2004 to 39.9% for the year ended 31st December, 2005 and further decreased to 38.8% for the year ended 31st December, 2006. The drop in gross profit margin of the Group for each of two years ended 31st December, 2006 was mainly due to the diversification into the printing industry which generally had a lower gross profit margin than that of the Group's advertising business.

Other operating income

Other operating income mainly consists of gain from changes in fair value of investment properties, rental income from investment properties and gain on trading of investment securities.

Gain on disposal of investment properties

For the year ended 31st December, 2006, the Group recorded a gain on disposal of investment properties of approximately HK$12.1 million, which is expected to be a non-recurrent income.

Selling and distribution costs

Selling and distribution costs primarily consist of salaries of sales persons, delivery charges, promotion and marketing expenses. The Group conducts its marketing and promotional activities mainly by way of participating recruitment exhibitions and seminars as well as advertising on newspapers, public transports and the Internet. The selling and distribution costs represented 13.5%, 15.4% and 13.9% of the Group's turnover for each of the three years ended 31st December, 2006, respectively.

Administrative expenses

Administrative expenses primarily consist of staff costs and rental for office premises. The administrative expenses represented 11.0%, 12.2% and 10.9% of the Group's turnover for each of the three years ended 31st December, 2006, respectively.

Other operating expenses

Other operating expenses represent impairment of receivables. The Group recorded impairment of receivables of HK$290,000, HK$698,000 and HK$2.1 million, representing approximately 0.3%, 0.3% and 0.7% of the Group's turnover for each of the three years ended 31st December, 2006, respectively.

Finance costs

Finance costs mainly represent finance lease charges.

Income tax expense

Income tax expense mainly represents tax arising from assessable profits generated from Hong Kong. No tax was arisen from assessable profits generated from the PRC as the PRC subsidiaries either incurred tax losses or were entitled to tax concession during the Track Record Period.

The Group apportions the profits from the manufacture of goods on a 50:50 basis with 50% of the profits not being subject to the Hong Kong Profits Tax in accordance with DIPN21. Further details are set out in the paragraph headed "Hong Kong taxation" in "Risk factors" section in this document.

Non-taxable revenue during the Track Record Period mainly included gain on disposal of investment properties, gain on disposal of property, plant and equipment, gain on disposal of interests in subsidiaries, interest income and income related to the 50:50 claims under DIPN 21.

Non-tax deductible expenses during the Track Record Period mainly included expenses incurred by companies without generating assessable income in the normal course of business and expenses related to the 50:50 claims under DIPN 21.

Discussion of operating results

For the year ended 31st December, 2004

Turnover

For the year ended 31st December, 2004, the Group's turnover was HK$104.0 million, comprising turnover of advertising business from recruitment of HK$58.2 million, inflight magazine of HK$32.3 million and statutory announcement of HK$13.5 million. During the year ended 31st December, 2004, the Group's recruitment advertising business had benefited from the economic rebound in Hong Kong during the year. The Group had also established its inflight magazine business during the year.

Gross profit

Gross profit for the year ended 31st December, 2004 was HK$55.4 million, while gross profit margin was approximately 53.3%. Such a relatively high profit margin was mainly contributed by the Group's recruitment advertising business in Hong Kong, which has the highest gross profit margin among the Group's various operations, especially when it benefited from the economic recovery and the booming employment market in Hong Kong during 2004, and in particular the retail, tourism, trade and financial sectors.

Other operating income

For the year ended 31st December, 2004, other operating income amounted to HK$4.4 million, which primarily consisted of HK$1.9 million gain from changes in fair value of investment properties.

Selling and distribution costs

For the year ended 31st December, 2004, selling and distribution costs amounted to HK$14.1 million, representing 13.5% of the Group's turnover. The selling and distribution costs for the year were mainly incurred for the Group's distribution of publications, brand promotion activities and events held such as career exhibitions and staff costs for sales persons.

Administrative expenses

For the year ended 31st December, 2004, administrative expenses amounted to HK$11.4 million, representing 11.0% of the Group's turnover. The administrative expenses for the year primarily consisted of HK$5.8 million staff costs and HK$2.0 million rental expenses for office premises.

Finance costs

The Group did not incur any finance costs for the year ended 31st December, 2004 as it did not have any borrowings during the year.

Income tax expense

Income tax expense for the year ended 31st December, 2004 amounted to approximately HK$28,000, representing an underprovision of taxation for the prior year. The effective tax rate was only approximately 0.1% as a result of the assessable profits for the year were fully absorbed by tax losses brought forward from prior years.

Profit attributable to equity holders of the Company

The Group achieved a net profit of HK$34.0 million for the year ended 31st December, 2004, representing a net profit margin of 32.7%. The profit was mainly generated from operations of the Group and the gain arising from changes in fair value of investment properties.

For the year ended 31st December, 2005

Turnover

The Group's turnover increased by 118.4% from HK$104.0 million for the year ended 31st December, 2004 to HK$227.1 million for the year ended 31st December, 2005. The increase was mainly due to the growth in the turnover from inflight magazine business and the printing business newly developed in 2005. The growth in turnover was mainly contributed from the inflight magazine business, which increased by 147.7%, from HK$32.3 million to HK$80.0 million. The printing business, which commenced operations during the year, provided turnover of HK$66.5 million to the Group. Turnover contributed by the recruitment advertising business increased by 16.5% to HK$67.8 million, while turnover contributed from the statutory announcement business decreased by HK$0.7 million to HK$12.8 million.

Gross profit

Gross profit of the Group increased by 63.6% from HK$55.4 million for the year ended 31st December, 2004 to HK$90.6 million for the year ended 31st December, 2005. Gross profit margin, however, decreased from 53.3% for the year ended 31st December, 2004 to 39.9% for the year ended 31st December, 2005. The drop in gross profit margin was mainly due to the diversification of the Group's business into printing operations, whose gross profit margin was the lowest among the rest of the Group's business operations. Apart from the above, the gross profit margin of the Group's recruitment advertising was dampened due to the initial set up cost incurred for the establishment of operations in Shanghai. At the same time, the inflight magazines business, which has a relative lower gross profit margin than that of recruitment advertising, has recorded a decrease in gross profit margin despite a significant growth in turnover during the year. The gross profit margin of the statutory announcement business slightly increased during 2005. As it only contributed a small part of the Group's turnover, there was no material effect on the Group's overall gross profit margin.

Other operating income

Other operating income increased by 163.3%, from HK$4.4 million for the year ended 31st December, 2004 to HK$11.6 million for the year ended 31st December, 2005. The increase was mainly attributable to the gain from changes in fair value of investment properties of HK$3.1 million and the gain on partial disposal of investments in subsidiaries of HK$6.0 million. During the year, the Group disposed of 5% interest in RHRG, which is principally engaged in the recruitment business, at a consideration of HK$6.0 million to an Independent Third Party investor. Such disposal has broadened the capital base of the Group's recruitment business and has also resulted in a gain of HK$6.0 million. Further details of the disposal are set out in the paragraph headed "History and development" in "Business" section in this document.

Selling and distribution costs

Selling and distribution costs increased by 148.4% from HK$14.1 million for the year ended 31st December, 2004 to HK$34.9 million for the year ended 31st December, 2005. The increase was due to higher freight costs for shipping printed products to overseas, staff costs for sales persons and advertising expenses were incurred in the course of the expansion of recruitment advertising business in the PRC and the establishment of the printing business.

Administrative expenses

Administrative expenses increased by 142.3%, from HK$11.4 million for the year ended 31st December, 2004 to HK$27.7 million for the year ended 31st December, 2005, mainly as a result of the Group's expansion in operations and increase in staff costs. The increase in staff costs for the year was owing to the increment in headcount for development of the Group's recruitment advertising business in the PRC.

Finance costs

Finance costs, representing the finance lease charges, increased from nil for the year ended 31st December, 2004 to HK$0.5 million for the year ended 31st December, 2005. The finance lease was arranged for the purchase of machinery for the production lines of the Group's printing business.

Income tax expense

Income tax expense for the year ended 31st December, 2005 was HK$1.1 million, which represents wholly deferred taxation. No current income tax was payable because the assessable profits were absorbed by the tax losses brought forward from prior years. The income tax expenses for the year were deferred taxation, which was primarily provided for the revaluation gain on investment properties according to Hong Kong Accounting Standard 40 "Investment Property".

Profit attributable to equity holders of the Company

Profit attributable to equity holder of the Company for the year ended 31st December, 2005 amounted to approximately HK$37.1 million, registered a growth of 9.1% over the prior year. The growth was mainly attributable to the increase in the total sales volume of the Group as it expanded the inflight magazine business during the year. The net profit margin was 16.3% for the year ended 31st December, 2005 compared with 32.7% for the year ended 31st December, 2004. The profit margin dropped because the two new businesses, i.e. recruitment advertising in Shanghai and printing, developed by the Group during 2005 generally had a lower profit margin.

For the year ended 31st December, 2006

Turnover

Compared to that for the year ended 31st December, 2005, the Group's turnover increased by 31.4% from HK$227.1 million to HK$298.3 million for the year ended 31st December, 2006. During the year, growth in turnover was mainly contributed by the printing business, which has completed its first full year of operation, with turnover increased by 58.9% and reached HK$105.7 million. Turnover from both the recruitment advertising business and the inflight magazine business increased and reached HK$73.3 million and HK$104.9 million, respectively. Turnover from statutory announcement business was HK$14.4 million.

Gross Profit

Gross profit of the Group for the year ended 31st December, 2006 was HK$115.8 million, representing a 27.8% increase from the previous year. The increase of gross profit was in line with the increase in turnover. However, the gross profit margin of the Group decreased from 39.9% for the year ended 31st December, 2005 by 1.1% to 38.8% for the year ended 31st December, 2006 due to the expansion of the printing business, which has a lower gross profit margin than the advertising business. Apart from the above, the gross profit margin of the recruitment advertising improved and continued to be the Group's highest margin business during the year. The gross profit margin of inflight magazine business decreased owing to the costs incurred for the introduction of a new inflight magazine during the year. The gross profit margin of the statutory announcement business continued to enhance but it did not have any significant effect on the gross profit margin of the Group as its turnover contribution was limited.

Other operating income

For the year ended 31st December, 2006, other operating income amounted to HK$15.0 million, comprised gain on financial assets at fair value through profit or loss of approximately HK$9.1 million and net foreign exchange gain of HK$1.5 million. The remaining HK$4.4 million mainly represented sale of scrap paper and plate and rental income from investment properties. The gain on financial assets at fair value through profit or loss represents investment income from the trading and appreciation of value of the Group's investment in equity securities listed in Hong Kong. In respect of the net foreign exchange gain of HK$1.5 million, it was mainly arisen from the appreciation of Australian dollars during 2006 when revenue from Australia of HK$72.8 million was recognised during the year.

Gain on disposal of investment properties

For the year ended 31st December, 2006, the Group disposed of its investment properties in Hong Kong at a consideration of HK$52.3 million, resulting in a gain of HK$12.1 million. However, the Group does not expect such gain will be recurrent.

Selling and distribution costs

Selling and distribution costs for the year ended 31st December, 2006 was HK$41.3 million, representing an 18.3% increase from that of 2005. Selling and distribution costs increase at a lower rate than that of turnover because the Group has implemented more stringent controls on advertising and promotion costs for the Group's PRC operation.

Administrative expenses

The increase of HK$4.9 million in administrative expenses from HK$27.7 million for the year ended 31st December, 2005 to HK$32.6 million for the year ended 31st December, 2006 was mainly resulted from expansion of business in both the advertising and the printing businesses.

Finance costs

Finance costs for the year increased by nearly four times due to the finance lease charges incurred in relation to the purchase of machinery for the Group's printing business.

Income tax expense

Income tax expense for the year ended 31st December, 2006 amounted to HK$6.0 million, of which HK$5.1 million represented provision for profits tax and the remaining HK$0.9 million represented provision for deferred taxation. The effective tax rate was 9.3% for the year ended 2006 compared to 2.8% for the year ended 31st December, 2005. The increase in effective tax rate for the year ended 31st December, 2006 was mainly due to the fact that the tax losses brought forward of certain subsidiaries which earned taxable profit in the year was almost utilised.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company for the year ended 31st December, 2006 was HK$55.1 million, demonstrating a 48.5% increase from that for the year ended 31st December, 2005. The increase was contributed by the printing business and the inflight magazine business. The net profit margin was 18.5% for the year ended 31st December, 2006, compared with 16.3% for the year ended 31st December, 2005. In addition to the 31.4% growth in turnover, the gain on disposal of investment properties of HK$12.1 million and the gain from investment in equity securities of HK$9.1 million had led to the increase in net profit and net profit margin for the year ended 31st December, 2006.

Unaudited consolidated results for the three months ended 31st March, 2007

Set out below is the unaudited consolidated results of the Group for the three months ended 31st March, 2007 together with the comparative unaudited figures for the corresponding period in 2006, as extracted from the 2007 first quarterly report of the Company:

	(Unaudited) Three months ended 31st March,	
	2007	**2006**
	HK$'000	*HK$'000*
Revenue and turnover	73,692	62,748
Direct operating costs	(48,185)	(35,789)
Gross profit	25,507	26,959
Other operating income *(Note 1)*	13,298	1,324
Selling and distribution costs	(13,013)	(10,933)
Administrative expenses	(8,372)	(7,359)
Other operating expenses	(388)	–
Operating profit	17,032	9,991
Finance costs	(255)	(369)
Profit before income tax	16,777	9,622
Income tax expense	(1,162)	–
Profit for the period	15,615	9,622
Attributable to:		
Equity holders of the Company	15,113	9,066
Minority interests	502	556
Profit for the period	15,615	9,622
Earnings per Share for profit attributable to the equity holders of the Company during the period *(Note 2)*		
Basic *(HK cents)*	5.50	3.31
Diluted *(HK cents)*	5.46	3.29

Notes:

1. Other operating income mainly comprised a gain on partial disposal and dilution of interest in a subsidiary, which is non-recurring in nature.

2. The calculation of the basic earnings per Share is based on the profit attributable to the equity holders of the Company divided by the weighted average number of ordinary Shares for the purpose of basic earnings per Share.

   The calculation of the diluted earnings per Share is based on the profit attributable to the equity holders of the Company divided by the sum of weighted average number of ordinary Shares for the purpose of basic earnings per Share and effect of dilutive potential ordinary Shares in respect of share options granted.

Turnover

The Group recorded a turnover of HK$73.7 million for the three months ended 31st March, 2007, representing an increase of approximately 17.4% over that of HK$62.7 million for the corresponding period in 2006. The growth was mainly attributable to the inflight magazine business which brought an additional revenue of approximately HK$11.5 million in the first quarter of 2007.

Gross profit

Gross profit of the Group for the three months ended 31st March, 2007 was HK$25.5 million, representing a 5.4% decrease from the corresponding period in 2006. The decrease was due to the competitive environment pressurising the profit margin of the existing sales as well as the Group's strategy to expand customer portfolio of the printing business by offering cheaper services with a lower profit margin. Furthermore, the printing division received orders in the first quarter of 2007 involving significant amount of handworks, which resulted in higher variable costs and, therefore, reduced the gross profit margin of the printing segment.

Other operating income

For the three months ended 31st March, 2007, other operating income amounted to HK$13.3 million, which primarily consisted of HK$9.5 million gain on partial disposal and dilution of interest in RGL and HK$1.8 million exchange gain. Details of the partial disposal of RGL to Jobstreet has been set out in the paragraph headed "History and development" in "Business" section in this document.

Selling and distribution costs

Selling and distribution costs for the three months ended 31st March, 2007 amounted to HK$13.0 million, representing a 19.0% increase from that of 2006. The increment was in line with the increase in turnover.

Administrative expenses

Administrative expenses for the three months ended 31st March, 2007 amounted to HK$8.4 million, representing a 13.8% increase from that of 2006. The increment was mainly resulted from the recognition of listing expenses in relation to the Introduction.

Finance costs

Finance costs decreased by 30.9% from HK$369,000 for the three months ended 31st March, 2006 to HK$255,000 for the corresponding period in 2007. The decrease was mainly due to the repayment of obligation under finance leases.

Income tax expense

Income tax expense for the three months ended 31st March, 2007 amounted to HK$1.2 million. The effective tax rate was 6.9%. The increase in income tax expense was mainly resulted from the increase in taxable profit during the period. No profits tax has been provided for the three months ended 31st March, 2006 as the Group had losses brought forward from previous years.

Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company for the three months ended 31st March, 2007 was HK$15.1 million, representing an increase of approximately 66.7% over that of HK$9.1 million in the same quarter in 2006. The net profit margin was 20.5% for the three months ended 31st March, 2007, compared with 14.4% in the corresponding period in 2006. The increment was mainly resulted from the gain on partial disposal and dilution of interest in a subsidiary.

LIQUIDITY AND CAPITAL RESOURCES

Overview

In general, the Group has relied primarily on cash generated from operations and trade credits from suppliers to fund the working capital and other capital requirements.

Net current assets

The Group had net current assets of approximately HK$48.9 million, HK$82.6 million and HK$126.6 million as at 31st December, 2004, 2005 and 2006, respectively.

As at 31st December, 2006, current assets comprised inventories of HK$15.5 million, trade and other receivables and deposits of HK$75.7 million, financial assets at fair value through profit or loss (representing equity securities listed in Hong Kong) of HK$11.5 million, advances to associates of HK$19.0 million and cash and cash equivalents of HK$55.2 million. The current liabilities comprised trade and other payables of HK$43.6 million, finance lease liabilities (current portion) of HK$3.7 million and provision for taxation of HK$2.9 million.

As at 30th April, 2007, the Group's net current assets were HK$124.8 million, comprising current assets of HK$177.5 million and current liabilities of HK$52.7 million. Current assets of the Group as at 30th April, 2007 largely comprised cash and cash equivalents of HK$72.1 million, trade and other receivables and deposits of HK$63.8 million, advances to associates of HK$16.5 million and inventories of HK$24.9 million. Current liabilities of the Group as at 30th April, 2007 mainly consisted of trade and other payables of HK$43.2 million.

Based on the current and anticipated levels of operations and conditions in the market and industry of the Group, the Board believes that with cash on hand, cash inflow from operations, availability of credit facilities and trade credits from suppliers, the Group will be able to meet its working capital, capital expenditures and other funding requirements for the foreseeable future.

Analysis of inventory

The Group actively and closely monitors its inventory levels to ensure that the Group's working capital position will not be tied-up by the high level of inventory. The following table sets forth a breakdown of inventories of the Group by nature:

	As at 31st December,		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	–	6,972	13,647
Work-in-progress	–	1,432	1,382
Finished goods	–	195	426
Total	–	8,599	15,455

The Group has had inventories since 2005 when its printing business commenced operations in that year. The inventories are all related to the Group's printing business, and over 90% of them are aged within one year. Raw materials are largely papers, while the work-in-progress is mainly unfinished books in the production lines and the finished goods are printed books. The increase in inventory as at 31st December, 2006 was required to cope with the sales orders of the Group's printing business in 2007. Since finished goods are usually shipped out once the production is finished, finished goods are maintained at a low level in the Group's inventory.

The Group's inventories which comprised largely paper, are not subject to frequent obsolescence and technological changes. No material obsolescence of inventory has been identified during the Track Record Period. Nevertheless, procedures are in place to control the status and stock level of the inventory of the Group. The majority of the Group's raw materials are purchased only when confirmed orders are received from customers. For materials that are frequently used, the Group maintains a certain level of inventory. In addition, stock counts on all inventories are carried out on a periodical basis in order to identify any obsolete and defective inventory. In general, the Group is not subject to significant exposure of inventory obsolescence.

As at 31st December, 2006, raw materials, work-in-progress and finished goods accounted for about 88.3%, 8.9% and 2.8% respectively of the Group's inventory. As at Latest Practicable Date, all work-in-progress and finished goods of the Group as at 31st December, 2006 were utilised and sold out respectively. Among the raw materials of the Group as at 31st December, 2006, about 85% were papers, of which about 45.1% were utilised as at the Latest Practicable Date. The balance (about 15%) of the raw materials represents consumables which are used by the Group frequently.

The following table sets forth the turnover of the Group's inventory:

	For the year ended 31st December,		
	2004	**2005**	**2006**
Inventory turnover days *(Note)*	—	68	92

Note: The inventory turnover days are calculated as the average of the beginning and ending inventory balance for the year, divided by cost of inventories recognised as an expense for the year and multiplied by 365 days.

The inventory turnover days for the year ended 31st December, 2005 was comparatively lower than that for the year ended 31st December, 2006 as the Group did not have any inventory at the beginning of 2005. The increase in inventory turnover days for the year ended 31st December, 2006 was mainly in line with the growth of business and more sales orders are expected for 2007.

Analysis of trade and other receivables and deposits

Trade and other receivables and deposits constitute a major component of the Group's current assets throughout the Track Record Period. The increase in the amount of trade and other receivables and deposits of the Group was mainly due to the expansion of business and has been in line with the growth of revenue and turnover.

Trade receivable turnover days increased as the businesses of the Group, in particular the printing business, expanded but have remained in line with the average credit terms granted by the Group. The following table sets forth the turnover of the Group's trade receivables:

	For the year ended 31st December,		
	2004	**2005**	**2006**
Trade receivables turnover days *(Note)*	44	65	78

Note: Trade receivable turnover days are calculated as the average of the beginning and ending trade receivables balance for the year, divided by revenue and turnover for the year and multiplied by 365 days.

Trade receivables turnover days have grown from 44 days for the year ended 31st December, 2004 to 65 days for the year ended 31st December, 2005 and to 78 days for the year ended 31st December, 2006. The increase was primarily due to longer credit term offered to customers of printing business. Trade receivables turnover days were remained in line with the average credit terms granted by the Group.

An ageing analysis of the Group's trade receivables is set forth below:

	As at 31st December,		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
0–30 days	6,153	13,355	19,792
31–60 days	5,191	12,310	13,385
61–90 days	2,436	11,982	8,602
91–120 days	2,689	16,969	12,280
121–150 days	1,062	6,647	6,623
Over 150 days	250	2,249	2,605
Total	17,781	63,512	63,287

As at the Latest Practicable Date, approximately 99.6% of the trade receivables as at 31st December, 2006 was settled.

In general, credit periods from 7 to 150 days are granted to customers in the recruitment advertising business, while credit periods from 30 to 120 days are granted to customers in the printing business. For certain large advertising and publishing agencies with good payment history and frequent transactions with the Group, as an industry practice, grace periods ranging from 7 to 60 days in addition to their credit periods are given. The sales personnel of the Group are responsible for monitoring the settlement from customers. In determining the amount of impairment required, the Group takes into account the collectibility, ageing status, creditworthiness and the past collection history of each debtor. Impairment will be made for specific trade receivables which are unlikely to be collected. If the financial condition of the customers deteriorates, resulting in an impairment of their ability to make payments, additional provision may be required. For each of the three years ended 31st December, 2006, the Group recorded impairment of receivables of HK$290,000, HK$698,000 and HK$2.1 million, respectively, representing approximately 0.3%, 0.3% and 0.7% of the Group's turnover of the respective years. This indicates that most of the customers of the Group pay within the credit periods. Having assessed the recoverability of the receivables, the Directors are of the view that no further provision is necessary as to the trade receivables as at 31st December, 2006. The assessment requires the use of judgments and estimates and is based on the credit history of the customers and the current market condition.

Set out below is the breakdown of other receivables and deposits of the Group:

	As at 31st December,		
	2004	2005	2006
	HK$'000	*HK$'000*	*HK$'000*
Rental and other deposits	865	10,153	2,208
Prepayments and receivables	2,569	3,503	9,984
Others	257	578	245
Total	3,691	14,234	12,437

The increase in rental and other deposits as at 31st December, 2005 was mainly due to the inclusion of deposits paid in relation to the newly established recruitment advertising business in Shanghai and printing business. Decrease in rental and other deposits as at 31st December, 2006 was mainly due to the deposits were refunded and offset against accounts payable of printing business during the year. Increase in prepayment and receivables for 2006 was mainly due to a prepaid service fee of approximately HK$4.4 million for a new magazine title, namely “View”, being acquired by the Group’s inflight magazine business during the year.

Analysis of advances to associates

The advances to associates amounted to HK$5.4 million and HK$19.0 million as at 31st December, 2005 and 2006, respectively were largely due from PPGI. PPGI is an investment holding company and its sole asset is a 50% interest in PPGL which is engaged in printing business in Hong Kong and provides printing services for the Recruit magazine. The Group’s shareholding in PPGI has increased from 20% to 50% in 2006 by acquiring of a further 30% from two Independent Third Party vendors. The Group took up the shareholders’ loan from the vendors which resulted in the increase in the amounts advanced to PPGI during the year. The advances to associates are unsecured, interest-free and repayable on demand.

Cross Board Group Limited (“Cross Board”), a subsidiary of Sing Tao News Corporation Limited (“Sing Tao”) whose shares are listed on the Stock Exchange, became the joint venture partner of PPGL on 16th March, 2000. Cross Board holds a 50% equal equity share in PPGL as PPGI. The share capital of PPGL is HK$20 million which was equally contributed by the two shareholders. The shareholders have further contributed advances to finance the operation of PPGL in equal share, amounted to HK$70 million from each party. As of 31st December, 2006, the balance of such shareholder’s loan, net off repayment, in the accounts of PPGL was HK$55 million for each shareholder. Save as disclosed herein, there is no other relationship between Cross Board or Sing Tao and the Group.

PPGI serves as an investment vehicles and it has not been involved in any significant business transactions other than its investment in PPGL. The Directors are of the view that no further provision on the advances to PPGI was required as they expect PPGL will continue its profitable position based on the existing market and economic condition, give rise to cash inflow to the Group by way of repayment of shareholders’ loan and dividend payment through PPGI and provide synergies for further business development of the Group in printing industry.

It is expected that the Recruit magazine in Hong Kong will be continued to be printed by PPGL. The Directors are of the view that the printing services provided by PPGL are on normal commercial terms and the terms are fair and reasonable.

Analysis of trade and other payables

Trade and other payables constitute the largest component of the Group's current liabilities throughout the Track Record Period and are primarily related to the purchase of raw materials. The increase was mainly due to the Group's expansion into the printing business which required more purchases of raw materials and supplies for production processes. Credit periods granted by the suppliers are 30 to 90 days save for the net balance payable to CSA will be settled on an annual basis in around March or April each year according to the terms of the relevant agreement between CSA and the Group. The table below sets forth the turnover of the Group's trade payables:

	For the year ended 31st December,		
	2004	**2005**	**2006**
Trade payables turnover days *(Note)*	5	44	54

Note: Trade payables turnover days are calculated as the average of the beginning and ending trade payables balance for the year, divided by direct operating costs for the year, and multiplied by 365 days.

For the year ended 31st December, 2005, trade payables turnover days increased significantly, primarily because of longer credit term offered by suppliers of raw materials of the Group's printing business. Turnover of trade payables have been generally in line with the Group's payment terms.

Set out below is the breakdown of other payables:

	As at 31st December,		
	2004	**2005**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
Accruals and provision	6,522	13,412	17,090
Other payables	1,156	2,773	4,380
Customer deposits	947	1,194	1,625
Total	8,625	17,379	23,095

The increase in accruals and provision as at 31st December, 2005 was mainly due to the inclusion of accrued expenses for the newly established recruitment advertising business in Shanghai and printing business. The increase in accruals and provision as at 31st December, 2006 was mainly due to increase in accrued expenses as a result of the expansion of the Group's business during the year. Other payables mainly represented volume rebate payables, being sales incentive, which increased year-on-year due to turnover growth and business expansion.

Capital resources

As at 31st December, 2004, the Group did not have any borrowings and its only liabilities were trade and other payables of approximately HK$8.8 million. The Group raised net proceeds of approximately HK$31.5 million through a rights issue exercise in 2004. Gearing ratio as at 31st December, 2004 was nil.

As at 31st December, 2005, the Group had finance lease liabilities of approximately HK$20.4 million and loans from minority shareholders of approximately HK$9.5 million. Gearing ratio (calculated as finance lease liabilities plus loans from minority shareholders and divided by total assets) was 13.9%. In connection with the development of the Group's printing business in the year, finance leases were arranged for the acquisition of printing machinery and equipment for its production lines in the Production Facility in the PRC, while the loan from minority shareholders was mainly used as working capital of 1010 Printing, which is the operating vehicle of the Group's printing business.

As at 31st December, 2006, finance lease liabilities of the Group amounted to approximately HK$17.4 million and gearing ratio was 6.9% as compared to 13.9% as at 31st December, 2005. The drop of gearing ratio was resulted from the repayment of finance lease liabilities. Save for the finance lease liabilities, the Group did not have any other borrowings as at 31st December, 2006.

The Group had no unutilised banking facilities as at 30th April, 2007.

Cash flow information

The table below sets out selected cash flow information during the Track Record Period:

	For the year ended 31st December,		
	2004	**2005**	**2006**
	HK$' 000	*HK$' 000*	*HK$' 000*
Net cash generated from operating activities	21,570	11,588	43,240
Net cash (used in)/generated from investing activities	(38,754)	(9,356)	12,244
Net cash generated from/(used in) financing activities	31,496	6,457	(45,261)
Net increase in cash and cash equivalents	14,312	8,689	10,223
Cash and cash equivalents at beginning of the year	21,933	36,245	44,934
Cash and cash equivalents at end of the year	36,245	44,934	55,157

Operating activities

For the year ended 31st December, 2004, net cash generated from operating activities amounted to HK$21.6 million. It was mainly attributable to operating profit before working capital changes of HK$33.9 million , which was partially offset by the increase in trade and other receivables and deposits of HK$12.3 million. The increase in trade and other receivables and deposits in 2004 was mainly due to the significant growth in turnover during the year.

For the year ended 31st December, 2005, net cash generated from operating activities amounted to HK$11.6 million. While operating profit before working capital changes amounted to HK$35.5 million and there was an increase in trade and other payables of HK$41.7 million, the net cash was offset by the increase in trade and other receivables and deposits of HK$57.0 million and the increase in inventory of HK$8.6 million and thus resulted in a net cash inflow from operating activities of HK$11.6 million. The increase in trade and other receivables and deposits was in line with the growth in revenue, while the increase in inventories was primarily due to the production need of the Group's printing business.

For the year ended 31st December, 2006, net cash generated from operating activities amounted to HK$43.2 million, representing an increase of 273.1% as compared to that for the year ended 31st December, 2005. The net cash from operating activities consisted primarily of profit before income tax of HK$64.3 million and adjustment for depreciation of HK$12.0 million, and was partially offset by the gain on disposal of investment properties of HK$12.1 million, the increase in inventories and decrease in trade and other payables of HK$6.9 million and HK$7.0 million, respectively. The growth in cash flow was principally owing to the 67.7% increase in profit before income tax for the year ended 31st December, 2006 as compared to year ended 31st December, 2005.

Investing activities

Net cash used in investing activities amounted to HK$38.8 million and HK$9.4 million for each of the two years ended 31st December, 2005, respectively, and net cash generated from investing activities was HK$12.2 million for the year ended 31st December, 2006. The cash used for the year ended 31st December, 2004 was mainly for the acquisition of an investment property in Hong Kong of HK$34.7 million, while the cash used for the year ended 31st December, 2005 was mainly for the purchase of property, plant and equipment amounting to HK$17.8 million. For the year ended 31st December, 2006, net cash generated from investing activities was HK$12.2 million, which was mainly contributed from the proceeds on disposal of investment properties of HK$51.9 million.

Financing activities

The Group generated net cash from financing activities of HK$31.5 million and HK$6.5 million for each of the two years ended 31st December, 2005, respectively, and used net cash in financing activities of HK$45.3 million for the year ended 31st December, 2006. The cash flow generated from financing activities for the year ended 31st December, 2004 mainly represented the net proceeds from a rights issue of the Company in April 2004 while the cash flow generated for the year ended 31st December, 2005 was mainly contributed by the increase in loans from minority shareholders of HK$10.0 million. For the year ended 31st December, 2006, HK$45.3 million was used in financing activities chiefly for the payment of dividends of HK$16.5 million and the repayment of finance lease liabilities and interest of HK$27.9 million.

Cash and cash equivalents

As at 31st December, 2006, the Group's cash at brokers of HK$16.5 million included in the balance of cash and cash equivalents represented cash held by two Independent Third Party brokers, on the Group's behalf, primarily for trading of investment securities purpose.

Capital commitments

As at 31st December, 2004, the Group had no capital commitment. As at 31st December, 2005 and 2006, the Group had capital commitments contracted but not provided for of approximately HK$1.9 million and HK$0.5 million, respectively, which were mainly related to purchase of machinery for the production lines of the Group's printing operation.

Contingent liabilities

As at 31st December, 2006, the Group had no significant contingent liabilities or outstanding litigation.

Foreign exchange risk

The Group's revenue are mainly denominated in US dollars, Australian dollars, Renminbi and Hong Kong dollars, while its costs and expenses are mainly denominated in Hong Kong dollars and Renminbi. The Group's exposure to exchange rate fluctuations results primarily from revenue generated from overseas sales and the operating costs incurred in the PRC. In view of the large volume of transactions involving foreign currencies especially in its printing business, the Group uses forward exchange contracts to hedge its foreign currency exposure in trading activities when appropriate. The Group adopts a centralised treasury policy in cash and financial management.

DIVIDENDS

Dividends attributable to each of the three years ended 31st December, 2006 were nil, HK$11.0 million and HK$26.1 million, respectively, representing dividend payout ratios of nil, 29.6% and 47.4% respectively. Excluding the special dividend of HK$0.025 per Share, the dividend payout ratio attributable to the year ended 31st December, 2006 was approximately 34.9%. The Group intends to maintain a dividend payout ratio after its listing on the Main Board at the range of 30% to 40%, subject to the profitability of the Group. Nevertheless, the historical dividend distribution record of the Group should not be used as a reference or basis to determine the level of dividends that may be declared or paid by Group in the future.

PROPERTY INTERESTS

Property interests in Hong Kong

As at the Latest Practicable Date, the Group rented the whole floor of 26th Floor, 625 King's Road, North Point, Hong Kong with a gross floor area of approximately 11,821 sq. m.. The Group uses the property as its principal office. The Group also rents factory units at Nos. 2013-2016, 20/F, Tsuen Wan Industrial Centre, Nos. 220-248 Texaco Road, Tsuen Wan, New Territories, Hong Kong with a gross floor area of 1,009 sq. m. as an office for its printing business.

As at the Latest Practicable Date, the Group owned workshop 3, 9th Floor, Technology Plaza, No. 651 King's Road, North Point, Hong Kong with a gross floor area of approximately 77.48 sq. m.. The property is held by the Group for its own occupation and is used as a storage.

In October 2004, the Group purchased offices 2601 and 2602 on 26th Floor, K. Wah Centre, No. 191 Java Road, Hong Kong at a consideration of HK$33.4 million. The Group originally intended to use the property as its principal office upon the expiry of the lease of the existing principal office at 26th Floor, 625 King's Road, North Point, Hong Kong. As the lease of the existing principal office was subsequently renewed, the property was sold for HK$52.3 million in August 2006. After deducting relevant selling and legal expenses, a gain of approximately HK$12.1 million was recorded.

Property interests in the PRC

As at the Latest Practicable Date, the Group also rented certain office units in Guangzhou and Shanghai, with a total gross floor area of 140.74 sq. m. and 823.16 sq. m., respectively. The property rented in Guangzhou serves as the office of the Group's PRC sales office of its inflight magazine business; while the properties rented in Shanghai serve as the office of the Group's recruitment advertising business in Shanghai.

Further details of the Group's property interests are set out in the valuation report issued by CB Richard Ellis Limited, independent professional surveyors and valuers, the full text of which is contained in Appendix III to this document.

A reconciliation of the net book values of the property interests from the audited financial statements of the Group as at 31st December, 2006 to the valuation of the property intersest as at 30th April, 2007 is set out below:

	HK$'000
Net book value as at 31st December, 2006 included in the accountants' report set out in Appendix I to this document	
Buildings	444
Prepaid land lease payments	1,034
	1,478
Movements for the four months ended 30th April, 2007	
Depreciation on buildings (unaudited)	(3)
Amortisation on prepaid land lease payments (unaudited)	(7)
Net book value as at 30th April, 2007	1,468
Valuation surplus	112
Valuation as at 30th April, 2007 included in valuation report set out in Appendix III to this document	1,580

INDEBTEDNESS

As at the close of business on 30th April, 2007, being the latest practicable date for the purpose of ascertaining certain information contained in this indebtedness statement prior to the printing of this document, the Group had finance lease liabilities of approximately HK$16.2 million.

Save for the aforesaid or otherwise disclosed herein and apart from intra-group liabilities, the Group did not have, at the close of business on 30th April, 2007, any debt securities authorised or otherwise created but unissued, or term loans or bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, obligations under hire purchase contracts or finance leases, guarantees, or other material contingent liabilities.

For the purpose of this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate rate of exchange prevailing as at 30th April, 2007.

The Directors confirm that there is no material adverse changes in the Group's indebtedness position and contingent liabilities since 30th April, 2007.

WORKING CAPITAL

The Directors are of the opinion that after taking into account the existing financial resources available to the Group and the expected internally generated funds, the Group has sufficient working capital for its present requirements for the next 12 months from the date of this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

At the Latest Practicable Date, the Directors confirm that there are no circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

There has been no material adverse change in the Group's financial or trading position or prospects since 31st December, 2006, being the date to which the Group's latest published audited financial statements were made up.