

Results of operations

During the year under review, the Group was principally engaged in the provision of chemical pesticides in the PRC.

For the year ended 31 December 2005, the Group reported turnover of approximately HK\$3 million (2004: HK\$25 million), the decrease was primarily due to the decrease in sales volume and increased competition. Net loss was approximately HK\$32 million as compared to net loss of HK\$12.7 million in 2004. Principal factors affecting these changes, which were discussed further in the following, were the decreased sales and impairment loss from certain production assets and intangible assets as a result of continued deterioration in the Group's income, which was particularly marked in the third to fourth quarter of 2004.

Total expenses increased by approximately HK\$9 million to approximately HK\$34 million in 2005 as compared to approximately HK\$25 million in 2004. Major differences in total expenses were as follows:

- Selling expenses were increased by approximately HK\$0.7 million to approximately HK\$5.4 million in 2005.
- General and administrative expenses were increased by approximately HK\$12.6 million to approximately HK\$23 million in 2005 from HK\$10.3 million in 2004, which was attributable mainly to the increase in professional fees associated with the General Offer, the issue of Convertible Bonds and other Company matters;
- Impairment losses were approximately HK\$5.5 million in 2005 as compared to approximately HK\$9.6 million in 2004 which was related to property, plant and equipment and intangible assets. The impairment charges of assets were necessary to reduce the carrying value of these assets to the management's estimate of their net realisable value, based on valuation made by an independent professional valuer, in light of the current market conditions.

營運業績

於回顧年度，本集團主要於中國從事農藥。

截至於二零零五年十二月三十一日止，本集團錄得營業額約3,000,000港元(二零零四年：25,000,000港元)，銷售減少主要由於競爭日趨劇烈導致銷售額減少。虧損淨額約32,000,000港元，相對二零零四年則錄得虧損淨額約12,700,000港元。導致此等變動之主要因素為銷售下降，加上本集團收入持續減少，當中以二零零四年第三至第四季之情況尤其明顯，以致若干生產資產及無形資產出現減損，有關進一步論述載於下文。

開支總額由二零零四年25,000,000港元增加約9,000,000港元至二零零五年34,000,000港元。開支總額之差異如下：

- 銷售費用增加約700,000港元至二零零五年約5,400,000港元；
- 一般及行政費用由二零零四年10,300,000港元增加約12,600,000港元至二零零五年約23,000,000港元，主要與全面收購建議、發行可換股債券及其他公司事宜有關的專業費用有所增加；
- 二零零五年之減損約5,500,000港元，相對二零零四年之9,600,000港元。減損包括與物業、廠房及設備以及無形資產有關之減損撥備。鑑於現行市況，必須就有關資產作出減值以將此等資產之賬面值下調至管理層按獨立專業估值師之估值所評估資產可變現淨值。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

Business review

Following the change of major shareholder in October 2005, the newly appointed directors Mr. Isao Matsushima, Mr. Kwok King Yan, Edmund, Mr. Osamu Nakano, Mr. Sosuke Kawanishi, Mr. Ryutaro Okada and three independent non-executive Directors, namely Mr. Sun Juyi, Ms. Hin Yat Ha and Ms. Chiu Ching, Katie conducted a review of the Group's business.

To bring growth and increase returns to shareholders, the Company has decided to seek investment opportunities in the high growth media, advertising and communications sectors in the PRC and elsewhere. To signify this important development, the Company changed its name to "Signal Media and Communications Holdings Limited". At the same time, the Company has recruited a new management team with international experience in these new sectors and believes that the new strategy will bring opportunity, growth and better returns to shareholders.

With the new direction, the Company successfully attracted corporate investor in November 2005, namely Power Multi Equity No. 3 Investment Partnership in the form of Convertible Bonds in the principal amount of HK\$51 million, convertible at HK\$0.2713 per Share.

Liquidity and capital resources

As at 31 December 2005, the Group had cash and bank balances of HK\$180 million (2004: HK\$151 million) placed in bank mainly as fixed deposit. The directors believe that the Group has sufficient working capital to meet its present requirements.

Capital structure of the company

The Group is financed by the shares issued and retained earnings. There was no change in the capital structure of the Company during the year.

業務回顧

繼於二零零五年十月主要股東變動後，新獲委任董事包括松島庸(Isao Matsushima)先生、郭敬仁先生、中野治(Osamu Nakano)先生、川西崇介(Sosuke Kawanishi)先生及岡田隆太朗(Ryutaro Okada)先生，以及三名獨立非執行董事孫聚義先生、軒一霞女士及趙菁女士已對本集團業務進行審閱。

為促進增長及提高股東回報，本公司已決定在中國及其他地區尋求高增長的媒體、廣告及通訊業的投資機遇。為反映此項重要發展，本公司已易名為「烽火傳媒控股有限公司」。與此同時，本公司已聘任在上述行業擁有國際經驗之新管理團隊，本公司相信新的策略將帶來更多機遇和增長，並為股東帶來更高回報。

在此新方向下，本公司成功吸引機構投資者 Power Multi Equity No. 3 Investment Partnership在二零零五年十一月以可換股債券形式注資，該可換股債券本金額51,000,000港元，換股價為每股0.2713港元。

流動資金及財務資源

於二零零五年十二月三十一日，本集團現金及銀行結餘為180,000,000港元（二零零四年：151,000,000港元），主要為存於銀行的定期存款。董事會相信，本集團具備充裕營運資金應付現時所需。

公司資本架構

本集團以發行股份及保留盈利撥付其經營所需。年內，本公司之資本架構並無任何變動。

Material acquisitions and disposals of investments

The Group had no material acquisitions or disposals of subsidiaries or affiliated companies during the year.

Significant capital expenditures

There were no capital expenditures during the year.

Details of charges on the Group's assets

The Group had no charge on its assets at 31 December 2005 (2004: Nil).

Contingent liabilities

The Group had no material contingent liabilities at 31 December 2005 (2004: Nil).

Indebtedness

Borrowings and gearing ratio

As at 31 December 2005, the Group did not have any bank facilities in place and there were no bank borrowings outstanding. The Group's gearing ratio, measured by total borrowings to the shareholders' funds, was zero (2004: Zero).

Foreign exchange exposure

The directors believe that the exchange rate risk of the Group is minimal because the Group's business transactions are principally in Renminbi in the PRC, which was relatively stable during the year.

Employees

As at 31st December 2005, the Group had 50 employees. Employees receive competitive remuneration packages including salary and medical benefits. Key staff may also be entitled to performance bonus and stock options to provide extra incentive to increase shareholder value.

重大投資收購及出售

年內，並無進行重大收購或出售附屬公司或聯屬公司。

重大資本開支

年內並無任何資本開支。

本集團資產抵押詳情

本集團於二零零五年十二月三十一日並無抵押任何資產(二零零四年：無)。

或然負債

於二零零五年十二月三十一日，本集團並無任何重大或然負債(二零零四年：無)。

債務

借貸及資本負債比率

於二零零五年十二月三十一日，本集團並無任何銀行借貸，亦無任何未償還銀行借貸。本集團按借貸總額相對股東資金計算的資本負債比率為零(二零零四年：零)。

外匯風險

董事相信，由於本集團之業務交易主要於中國以人民幣為單位，而人民幣匯率於年內相當穩定，故本集團面對的匯率風險甚微。

僱員

於二零零五年十二月三十一日，本集團約有50名僱員。本集團提供具競爭力的薪酬包括薪金及醫療福利。主要職員亦可享有表現花紅及購股權，以激勵彼等提高股東價值。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

Audit Committee

The Audit Committee aims at providing an independent and objective review of the financial reporting process, internal control and audit functions of the Group. The current members are Mr. Sun Juyi, Ms. Chiu Ching Katie and Ms. Hin Yat Ha and they all have extensive experience in accounting, commercial and probate matter. The Committee held periodic meeting to review the accuracy of the interim and annual financial results before the reports were sent to Board for approval.

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2005.

Closure of Register of Members

The register of members of the Company will be closed from 22 May 2006 to 25 May 2006 (both days inclusive), and during which no transfer of shares will be effected. In order to qualify the shareholders of the Company to attend, act and vote at the forthcoming Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share register and transfer office in Hong Kong, Hong Kong Registrars Limited, Hopewell Centre, 46/F., 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00p.m. on 22 May 2006.

審核委員會

審核委員會旨在對本集團之財務報告過程、內部控制及審核職能提供獨立和客觀的審閱。目前，成員為孫聚義先生、趙菁女士及軒一霞女士，彼等均有會計、商務及遺囑認證事宜之豐富經驗。委員會定期舉行會議，以在報告送呈董事會批准前審閱中期及年度財務業績之準確性。

審核委員會已審閱本集團截至二零零五年十二月三十一日止年度之全年業績。

暫停辦理股份過戶登記手續

本公司將於二零零六年五月二十二日至二零零六年五月二十五日(包括首尾兩日)暫停辦理股份過戶登記手續，於此期間將不會辦理任何股份過戶手續。為確保股東獲得將在應屆股東週年大會上出席、參與及投票的權利，所有過戶文件連同有關股票須於二零零六年五月二十二日下午四時正前送抵本公司於香港的股份過戶登記處香港證券登記有限公司香港灣仔皇后大道東183號合和中心46樓。