

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

Results of operations

The Group's turnover for the year ended 31 December 2006 (the "Period") was HK\$5.4 million. Consolidated loss attributable to equity holders of the Company was HK\$39.6 million, compared with a loss of HK\$32.5 million in the same period last year.

Operating expenses increased to HK\$43.8 million in 2006 from HK\$19 million in 2005. Increase in operating expenses was attributable to additional professional and other expenses incurred by the Company in relation to the acquisition of subsidiary company, investment in Macau projects and placement of new shares.

Other income increased by HK\$5 million to HK\$8.5 million in 2006 from HK\$3.5 million in 2005. Other income was mainly represented by rental income received from the Group's investment properties and interest income from fixed deposits in banks.

Business review

Signal Media completed the acquisition of Jovian Financial Communications Ltd ("Jovian") on 12 April 2006. For the year under review, turnover was mainly contributed by Jovian amounting to HK\$5.4 million. After the change in ownership, Jovian maintained its retainer client base while securing additional projects during the year. The Company has been making strategic investments in Jovian to expand its capacity and capability to offer a complete range of PR services to its clients. In the second half of the year, Jovian expanded its office space and PR team resulting in an increase of rental and staff cost. This investment was expensed during the second half of the year. In addition, 2006 was a tight year for the small to medium size IPO and the necessary change in service mix to non-IPO projects impacted the margin.

經營業績

截至二零零六年十二月三十一日止年度（「本期間」），本集團之營業額為5,400,000港元。本公司之權益股東應佔綜合虧損為39,600,000港元，而上年同期則虧損32,500,000港元。

經營開支由二零零五年19,000,000港元增加至二零零六年43,800,000港元。經營開支增加是由於本公司收購附屬公司、投資於澳門之項目及配售新股份而產生額外專業及其他費用所致。

其他收入由二零零五年3,500,000港元增加5,000,000港元至二零零六年8,500,000港元。其他收入主要為來自本集團投資物業的租金收入，以及銀行定期存款的利息收入。

業務回顧

烽火傳媒於二零零六年四月十二日完成收購溢星財經傳播有限公司（「溢星」）。於回顧年度內，營業額主要來自溢星，金額為5,400,000港元。於轉換擁有權後，溢星於本年度維持其原有客戶基礎及取得額外項目。本公司於溢星進行策略性投資以提升其產量和生產能力，務求為其客戶提供廣泛之公共關係服務。於本年度下半年，溢星擴充其辦公室空間及公共關係團隊，導致租金及員工成本上升。該投資金額於本年度下半年支付。此外，二零零六年對中小型首次公開發售而言為艱難的一年，因此而必須將服務組合之重點放在非首次公開發售項目影響利潤率。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

On 26 May 2006, Performing Investments Limited (“Performing Investment”), a wholly owned subsidiary of the Company, made a HK\$100 million investment in a landmark luxury residential development project in Macau. The project is on a south-facing site situated on the prime waterfront area at Baia de Praia Grande (Nam Van Lakes District). The remarkable location is opposite the Macau Tower and within 10 minutes walk from Wynn Macau and Lisboa. This super-luxury project is being designed to the highest international standard and will be amongst the tallest buildings in Macau at 54 floors.

On 11 September 2006, Winning Elite Investments Limited (“Winning Elite”), a wholly owned subsidiary of the Company, entered into a subscription agreement whereby Winning Elite agreed to subscribe for and purchase an interest in LCF Macau Co-Investors, L.P., (“LCF Macau”), a limited partnership formed under the Partnership Act 1996 of the BVI, at a total capital commitment of HK\$100 million, which has been fully drawn. Details of the aforesaid subscription are set out in the announcement dated 14 September 2006. Since the announcement, LCF Macau has invested in a prime site on the Taipa strip suitable for development into a large scale residential and/or commercial project over the next several years.

On 24 November 2006, the Company announced a HK\$30 million investment into CMM International Group (“CMM International”), the cosmetics and beauty business founded by Professor Cheng Ming Ming. Professor Cheng had already built the CMM brand into a widely recognised and respected name in the PRC and it was felt that the business was ready for an expansion phase. Subsequent to the period, the Company was pleased to announce on 15 February 2007 that it had agreed to a closer partnership with Professor Cheng by purchasing the entire share capital of CMM International for 670 million new shares in the Company and HK\$33 million cash. Subject to completion, Professor Cheng will become the Company’s second largest shareholder at 19%, will join the Company’s Board and will continue to oversee CMM International for a number of years. Completion of the revised agreement is expected within several weeks and plans are well advanced for a very significant expansion of the business.

於二零零六年五月二十六日，本公司之全資附屬公司Performing Investments Limited (「Performing Investment」)投資100,000,000港元於澳門一個地標高尚住宅發展項目。該項目建於一個向南之地盤，並位於沿岸優越地點Baia de Praia Grande(南灣湖區)。該優越地點位於澳門旅遊塔彼岸，距離永利酒店(Wynn Macau)和葡京酒店(Lisboa)十分鐘步行路程。此超級豪華項目以頂級國際標準設計，樓高54層，將成為澳門最高的建築物之一。

於二零零六年九月十一日，Winning Elite Investments Limited (「Winning Elite」) (本公司之全資附屬公司)訂立一項認購協議，據此，Winning Elite同意認購及購買LCF Macau Co-Investors, L.P., (「LCF Macau」) (根據英屬處女群島合法(1996)成立之有限責任合夥企業)之權益，總資本承擔為100,000,000港元，並已全數提取。上述認購之詳情載於本公司於二零零六年九月十四日刊發之公佈。自刊發該公佈後，LCF Macau投資於氹仔一個適合於未來數年發展為大型住宅及／或商業項目之黃金地段。

於二零零六年十一月二十四日，本公司公佈投資30,000,000港元於CMM國際集團 (「CMM國際」)，其為由鄭明明教授創辦之化妝及美容業務。鄭教授已成功令CMM品牌於中國廣為人知及備受推崇，而CMM國際集團之業務已踏入可進一步擴充之階段。本公司於二零零七年二月十五日欣然宣佈其同意以670,000,000股本公司新股份及33,000,000港元現金購買CMM國際全部股本，藉此與鄭教授建立更緊密之夥伴關係。完成後，鄭教授將擁有本公司19%權益，成為本公司第二大股東，彼將加入本公司之董事會，並將於未來數年繼續管理CMM國際。修訂協議預期於數周內完成，本公司現已擬定大幅擴充其業務之計劃。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

The Company has been actively developing a number of other high growth consumer spending related investments in the PRC and Macau.

On 5 June 2006, the Company announced a HK\$62 million investment into the XS-EXES brand of smart casual wear. Management believed XS-EXES smart casuals were ideal for the fast expanding white collar workforce in the PRC and sales were increasing at more than 50% per annum. The transaction failed to complete as all the waivers of right of first refusal could not be obtained and the deposit has been fully returned.

On 11 September 2006, the Company entered into a subscription agreement whereby the Company agreed to issue to LCF II Holdings Limited ("LCF II") warrants to subscribe for new shares at the price of HK\$0.1999 each provided LCF II successfully introduced high-quality investments to the Company according to set performance criteria. The performance criteria were designed for sustainable growth of the Company's earnings and share price. Details of the aforesaid placing are set out in the announcement dated 13 September 2006.

The pesticide business continued to operate but failed to make any financial contribution.

The Period has seen significant activity in the Company's transformation. The increasingly proactive growth strategy has attracted new funding from international investors. The Group successfully conducted a fund raising exercise in April 2006 with the placing of new shares, which raised HK\$191.8 million.

Prospects

In the search for high growth consumer related sectors, the PRC continues to provide the bulk of the opportunities and the run up to the Beijing Olympics will provide exceptional growth. Our management team continues to select, assess and negotiate business opportunities with a view of gaining exposure to the growth trends in the PRC over the next several years and deliver superior returns to shareholders.

本公司於中國及澳門積極進行若干其他高增長消費相關投資。

於二零零六年六月五日，本公司公佈投資62,000,000港元於時尚便服XS-EXES品牌。管理層相信，XS-EXES是中國日漸增長之白領階層之理想服飾，銷售額每年增長超過50%。由於未能取得所有優先權之豁免，因此交易未能完成，而本公司已取回全部按金。

於二零零六年九月十一日，本公司已訂立一項認購協議，據此，本公司同意向LCF II Holdings, Limited (「LCF II」)發行可以每股0.1999港元之價格認購新股份之認股權證，惟LCF II須成功根據已訂定之表現標準向本公司作出高質素投資。設計有關表現標準旨在令本公司之盈利及股價持續增長。上述配售之詳情載於本公司於二零零六年九月十三日刊發之公佈。

農藥業務持續經營，惟未能帶來任何財務貢獻。

本公司於本期間進行重大轉型，更為積極之發展策略吸引到國際投資者之新資金。本集團於二零零六年四月成功透過發行新股份籌得資金，並籌得191,800,000港元。

前景

在本公司物色高增長之消費相關業務的同時，中國將繼續提供大量商機，北京奧運亦將為經濟蓬勃增長之動力。我們的管理團隊將繼續搜尋、評估及洽談商機，以受惠於中國未來數年之增長趨勢及為股東帶來豐厚回報。

Liquidity and Financial Resources

As at 31 December 2006, the Group had cash and bank balances of HK\$112 million placed in bank mainly as fixed deposits and one of the subsidiaries of the Group had an overdraft facility of HK\$0.8 million. 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 issue of convertible bonds shares issued during the Period and the Group's cash reserves. In April 2006, as part of the consideration for the Acquisition of Jovian, the Company issued an aggregate of 28,441,949 Shares. In May 2006, the Company issued an aggregate of 959,000,000 new Shares to independent investors to raise an aggregate of HK\$191.8 million in cash. Save as the aforesaid, there was no change in the capital structure of the Company during the Period.

Material acquisitions and disposals of investments

During the Period, the Group acquired a financial communications services provider Jovian and invested in Macau property projects. Other than these investments, the Group had no other material acquisitions or disposals of subsidiaries or affiliated companies during the Period.

Significant capital expenditures

Save as mentioned above, there were no significant capital expenditures during the Period.

Details of charges on the Group's assets

The Group had a charge on the fixed deposit of HK\$7 million made to a bank for a guarantee granted by that bank to the landlord of one of the Group's rental premises.

Contingent liabilities

The Group had no material contingent liabilities at 31 December 2006.

流動資金及財務資源

於二零零六年十二月三十一日，本集團現金及銀行結餘為112,000,000港元，主要為存於銀行之定期存款，另外本集團其中一家附屬公司有透支額度800,000港元。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

於本期間，本集團透過發行可換股債券及股份及本集團之現金儲備籌集資金。於二零零六年四月，作為收購溢星之代價一部份，本公司發行合共28,441,949股股份。於二零零六年五月，本公司已向獨立投資者發行合共959,000,000股新股份，以籌集合共191,800,000港元現金。除上述者外，本公司於本期間之資本架構並無任何變動。

重大投資收購及出售

本期間內，本集團收購一家財經傳播服務供應商溢星，並投資於一項澳門物業項目。除此兩項投資外，本集團並無進行其他重大收購或出售附屬公司或聯屬公司。

重大資本開支

除以上所述者外，本期間內並無任何重大資本開支。

本集團抵押資產詳情

本集團就一間銀行向本集團之其中一個租賃物業之業主作出擔保，向該銀行抵押本集團之固定存款7,000,000港元。

或然負債

於二零零六年十二月三十一日，本集團並無任何重大或然負債。

MANAGEMENT DISCUSSION AND ANALYSIS

管理層討論及分析

Indebtedness

Borrowings and Gearing ratio

As at 31 December 2006, one of the subsidiaries of the Group had an overdraft facility of HK\$0.8 million in place. HK\$189,000 of the facility had been utilized by the subsidiary and there were no other bank borrowings outstanding. The Group's gearing ratio, measured by total borrowings to the shareholders' fund, was nearly zero (2005: 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 denominated in Hong Kong Dollars, which is the reporting currency of the Group.

Employees

As at 31 December 2006, the Group had 30 employees. Employees receive competitive remuneration packages including salary and medical benefits. Key staff may also be entitled to performance bonus and share options to provide extra incentive to increase shareholder value.

Audit Committee

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

The Committee has reviewed the Group's annual results for the year ended 31 December 2006.

債務

借貸及資本負債比率

於二零零六年十二月三十一日，本集團其中一家附屬公司有透支額度800,000港元。該附屬公司已動用之額度為189,000港元，且概無其他未償還銀行借貸。本集團按借貸總額相對股東資金計算之資本負債比率為接近零（二零零五年：零）。

外匯風險

董事相信，由於本集團之業務交易主要以港元結算並以港元為呈報貨幣，故本集團面對之匯率風險甚微。

僱員

於二零零六年十二月三十一日，本集團約有30名僱員。本集團提供具競爭力之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。

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之審閱。目前，成員為孫聚義先生、軒一震女士及趙菁女士，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二零零六年十二月三十一日止年度之全年業績。