JESSICA

JESSICA PUBLICATIONS LIMITED

(incorporated in the Cayman Islands with limited liability)

ANNUAL REPORT 2001

The Woman In You And Me

Magazine For Family Women

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a tract record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors
Ng Hung Sang, Robert *(Chairman)*
Ng, Jessica Yuk Mui *(Chief Executive Officer)*
Foo Kit Tak
Cheung Mei Yu

Independent non-executive directors
So George Siu Ming
Pong Oi Lan, Scarlett

COMPLIANCE OFFICER

Ng, Jessica Yuk Mui

COMPANY SECRETARY

Chin Ching Han *ACS, ACIS*

QUALIFIED ACCOUNTANT

Tong Chu Wai *ACCA, ACS, ACIS*

AUDIT COMMITTEE

So George Siu Ming
Pong Oi Lan, Scarlett

SOLICITORS

Hong Kong
Preston Gates Ellis

Cayman Islands
Maples and Calder

SPONSOR

Deloitte & Touche Corporate Finance Ltd

AUDITORS

Arthur Andersen & Co
Certified Public Accountants
21st Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

REGISTERED OFFICE

The Offices of M & C Corporate Services Limited
P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units B, C and D
17th Floor, Aik San Factory Building
14 Westlands Road
Quarry Bay
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Standard Registrars Limited
5th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL BANKER

Liu Chong Hing Bank Limited
24 Des Voeux Road Central
Hong Kong

STOCK CODE

8137

WEBSITES FOR THE GROUP'S MAGAZINES

www.jessicahk.com
www.lisahk.com

CHAIRMAN'S STATEMENT

I am pleased to report the activities of the Group for the year ended 31st December, 2001.

The Group recorded turnover of approximately HK$20.0 million, a 23.3% growth on the previous year, for the year ended 31st December, 2001. Loss from operations was approximately HK$5.7 million, as compared with approximately HK$4.1 million last year. The increase in operating loss incurred by the Group was mainly due to our extensive marketing campaigns, promotional price strategies and the investment stage of the flagship title "Jessica" that was in its first 18 months of publication during the year 2001, and a slowdown in revenues for "Lisa" magazine post September 11th. Profit attributable to shareholders was approximately HK$1.8 million as the Group recorded a waiver of amounts due to related companies for approximately HK$7.6 million.

BUSINESS REVIEW AND STRATEGY

During the year, the Group made excellent progress in marketing its magazines. "Jessica" magazine recorded an average audited circulation of approximately 67,000 copies per issue for the three months ended 30th September, 2001 and approximately 56,000 copies per issue for the six months ended 31st December, 2001; as compared with the average of approximately 30,000 to 48,000 copies per issue circulated by other women's glossy magazine publishers individually for the six months ended 30th June, 2001 (the HKABC audited circulation figures for other women's glossy magazine publishers for the corresponding period are not yet available). Therefore we are confident that "Jessica" will become the official No.1 women's glossy title when comparable audited figures for other women's glossy magazines are announced.

Through enriching the editorial contents, "Lisa" has consolidated its position as an indispensable and useful guide, which promotes a healthy and balanced lifestyle for modern female readers.

We have great confidence that the two core magazines of the Group will become the leaders in their individual market segments, and will continue to broaden our readership base, attract new readers and new advertisers in building our business.

POST YEAR-END EVENTS

On 8th January, 2002, the Company was successfully listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Investors' response to the placement of shares was enthusiastic and approximately HK$12.7 million (net proceeds: HK$9.2 million) was raised through the placement exercise.

On 27th February, 2002, the Company entered into a memorandum of understanding with Beijing Open Advertising Company Limited ("Open") and Mr. Liu Bo, an independent third party, in relation to the proposed acquisition of 50% of the registered share capital of Open, an advertising company in the PRC which is in the process of getting all relevant consents and approvals to operate the business of nine magazines (namely 《中國醫藥導刊》、《舞台與人生》、《少年文摘》、《華夏》、《視點》、《香港風情》、《多媒體世界》、《大視野》、《演藝園》). The proposed acquisition, if materialized, will enhance the Group's business potential in the PRC.

OUTLOOK

We are confident that the Hong Kong economy will recover in the second half of 2002, following the footsteps of the rebound in the economy of the United States and it is expected that the business of the Group would benefit. We will continue to strengthen our core magazine business and build upon this platform to push our business to higher levels, and to expand into other market segments and the PRC. The Directors and management of the Company are highly positive about the future prospects of the Company. We will continue to seek opportunities to expand prudently and to tightly control our operating and capital spending to enhance shareholders' value.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our readers, advertisers and shareholders for their continued support and all our staff members for their creativity, hard work and dedicated service.

On behalf of the Board
Ng Hung Sang, Robert
Chairman

Hong Kong Special Administrative Region of the People's Republic of China
25th March, 2002

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

"Jessica" magazine

The Group made excellent progress in marketing its magazines and increasing its revenues. Total revenues for this title was approximately HK$11.2 million, with significant growth in revenues on the first year of launch. A promotional price campaign was launched in June and July, where the original cover price of HK$35 was reduced to HK$10, demonstrating the aggressiveness of our marketing strategies. This was accompanied by an image-building television commercial and an array of multi-media promotions, and the circulation of "Jessica" magazine reached a record-breaking of approximately 84,000 copies for women's glossies in July 2001. The cover price was raised to HK$20 in August and continues to be at this price.

During the year, the magazine introduced new sections targeting executive women in Hong Kong and presented the "2001 Most Successful Executive Woman" award to eight women in Hong Kong from different industries and backgrounds, further strengthening "Jessica" magazine's position as a magazine for influential executive women in Hong Kong. In December 2001, "Jessica" magazine was successfully marketed to Hang Seng Bank Limited in the launch of its private banking product "Femina", as the medium through which the bank's monthly newsletter is communicated to account holders.

"Lisa" magazine

Total revenues for this title were approximately HK$8.8 million. A promotional price campaign was launched in September and October, where the original cover price of HK$35 was reduced to HK$10 and HK$20 respectively, again demonstrating the aggressiveness of our marketing strategies. This was accompanied by multi-media promotions and the cover price was resumed to HK$35 in November 2001. The September issue was the record high in terms of circulation and successfully attracted many new readers.

Several events were organised by "Lisa" magazine during 2001 to raise awareness of the magazine amongst advertisers and enable interaction with readers. We organized the third "Hong Kong Secondary School Cooking Competition" from April to July which ultimately helped to promote the magazine within schools. Both the "Mother's Day Dinner" in May as well as the "12th Anniversary Dinner" in December generated additional advertising revenue and helped to maintain a close relationship with readers.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2001, the Group had net current liabilities of approximately HK$2.5 million (2000-HK$4.2 million). The current assets comprised bank balances and cash of approximately HK$0.6 million, accounts receivable of approximately HK$3.3 million, prepayments of approximately HK$0.3 million and deferred share issuance expenses of approximately HK$3.1 million. The current liabilities comprised trade creditors, accruals and other payables of approximately HK$8.3 million, receipts in advance of approximately HK$0.9 million, amount due to related companies of approximately HK$0.5 million and taxation payable of approximately HK$0.1 million. During the year, three related companies waived the payment of approximately HK$7.6 million due from the Group at no consideration.

LIQUIDITY AND FINANCIAL RESOURCES (Cont'd)

As at 31st December, 2001, the Group had aggregate banking facilities granted under corporate guarantee by the Company in respect of revolving term loan of HK$1 million (2000 - Nil), all of which had not been utilised.

The Group generally finances its operations with internally generated resources. Following the placement of shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 8th January, 2002 (the "New Issue"), the Directors also expect to finance the Group's future operations from the net proceeds of the New Issue, the available unutilised banking facilities and the Group's internally generated resources.

The Directors are of the opinion that, taking into account the internal financial resources of the Group, the available unutilised banking facilities and the estimated net proceeds of the New Issue, the Group has sufficient working capital for its present requirements. To the extent that the Group's cash resources are not immediately required for its ongoing operating and development requirements, such amounts are placed on short-term deposit with banks in Hong Kong.

As at 31st December, 2001, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

CONTINGENT LIABILITIES

As at 31st December, 2001, the Group and the Company had the following contingent liabilities:

1. In May 2001, an independent third party ("the Landlord") filed a claim against Axewood Limited, a wholly owned subsidiary, for unpaid rental from April 2001 to May 2001, as well as forfeiture of the tenancy. Axewood Limited settled the unpaid rental in June 2001 and issued summonses to apply for relief against forfeiture of the tenancy. In February 2002, the court granted to Axewood Limited a relief against forfeiture of the tenancy. The Directors are of the opinion that Axewood Limited is able to recover the related legal costs of approximately HK$250,000 from the plaintiff, and accordingly, no provision has been made in the financial statements with respect to such claim and the related legal costs. In addition, in the event that the Group incurs any liability as a result of this claim, such liability would fall within the indemnity given by Mr. Ng Hung Sang, Robert, Parkfield Holdings Limited, Fung Shing Group Limited, Ronastar Investments Limited, Earntrade Investments Limited and Bannock Investment Limited, shareholders of the Company, in favour of the Group.

2. On 30th June, 2001, three related companies waived certain balances due to them by the Group amounting to approximately HK$7,611,000 at no consideration (the "Waiver"). As advised by the Group's legal counsel, in the event of winding up of any one of these related companies by reason of insolvency or the Waiver is ordered by courts or other competent authorities to be restored to the related companies, the Group may be required to compensate these related companies. In the opinion of the Directors, the risk of winding up of these related companies by reason of insolvency or restoring the balances to these related companies is remote and accordingly, it is not probable that the Group will compensate those related companies. No provision has been made in the financial statements with respect to such compensation. In addition, in the event that the Group incurs any liability as a result of the Waiver, such liability would fall within the indemnity given by Mr. Ng Hung Sang, Robert, Parkfield Holdings Limited, Fung Shing Group Limited, Ronastar Investments Limited, Earntrade Investments Limited and Bannock Investment Limited, shareholders of the Company, in favour of the Group.

CONTINGENT LIABILITIES (Cont'd)

3. As at 31st December, 2001, the Company had provided a corporate guarantee to a bank to secure banking facilities granted to a subsidiary.

As at 31st December, 2000, the Group and the Company had no contingent liabilities.

EMPLOYEES

As at 31st December, 2001, the Group had 33 (2000: 31) full-time employees. The total of employee remuneration, including that of the Directors, for the year ended 31st December, 2001 increased to approximately HK$6.2 million (2000: HK$4.4 million) due to the launch of "Jessica" magazine in July 2000. Performance of the staff is normally reviewed on an annual basis with adjustment compatible to the market. Incentive schemes linked to the performance of the respective magazine to reward employees performance are also offered.

SHARE OPTION SCHEME

On 20th December, 2001, the directors of the Company conditionally approved a share option scheme. The summary of the terms of the share option scheme has been set out in Appendix IV of the Prospectus dated 31st December, 2001 under the section headed "Share Option Scheme". The share option scheme became unconditional on 8th January, 2002. At the date of this report, no share options have been granted under the share option scheme.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary of the actual progress made in comparison with the business objectives that were set out in the Prospectus from 27th December, 2001 to 31st December, 2001:

Business Objectives	Actual Business Progress
• Launch of new titles in local market	The launch of "Jessica Girl" magazine continues to be at the preparation stage. Further studies are being made on the specific market segment.
• Expand into other Chinese-speaking markets	On 27th February, 2002, the Company entered into a memorandum of understanding with Beijing Open Advertising Company Limited ("Open") and Mr. Liu Bo, an independent third party, in relation to the proposed acquisition of 50% of the registered capital of Open, an advertising company in the PRC which is in the process of getting all relevant consents and approvals to operate the business of nine magazines (namely 《中國醫藥導刊》、《舞台與人生》、《少年文摘》、《華夏》、《視點》、《香港風情》、《多媒體世界》、《大視野》、《演藝園》). The proposed acquisition, if materialised, will enhance the Group's business potential in the PRC.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS (Cont'd)

Continue to study the feasibility of developing the Group's business in other Chinese-speaking markets such as the PRC and Taiwan and launching the Group's publishing titles in such markets.

PROSPECTS

Looking ahead, we will continue with the improvement of editorial and enriching of the contents of the magazine, introducing new sections and columns to further enhance reader value, maintain a high quality of reading and capture the tastes of our readers. We will seek to strengthen the brand names of our titles through different media and loyalty programs. Each magazine individually will increase publicity through holding events to further strengthen their position in the market, including the continuation of events such as the "Most Successful Women Award" for "Jessica" magazine, and the "Hong Kong Secondary School Cooking Competition" for Lisa magazine. We will continue to expand our advertisers portfolio by developing other advertising categories integrated with marketing programs. The Group will continue to seek to increase the circulation and advertising income through these measures and broaden its readership base.

The advertising revenues for "Jessica" magazine for April 2002 is expected to reach a new high, and we are confident that this upward trend with continue that "Jessica" will grow to a whole new level of performance to bring in greater returns to shareholders. Likewise, we are working on plans to lift "Lisa" magazine to a higher level of performance and returns.

The launch of Jessica Girl continues to be at the preparation stage, with further studies being made on the specific market segment, to enable a successful launch in the rapidly changing economic environment.

The proposed equity investment in Beijing Open Advertising Company Limited, subject to the execution of a definitive agreement, board and shareholders' approval and the GEM Listing Rules, is in line with the Group's business objectives to increase revenue from advertising and circulation; to launch new titles to access other different market segments; and to expand its business into other Chinese-speaking markets such as the PRC and Taiwan. This is the Company's first step into the Greater China market and we are now actively preparing for the licensing and launch of our publishing titles in the PRC. We shall continue to aggressively seek opportunities of further developing the Group's business in the PRC and Taiwan.

The Directors and management of the Company are highly positive about the future prospects and developments of the Company. Going forward, the Group will continue to strengthen its position as a leading publisher of magazines targeted at female readers, as well as expand into other different market segments, and expand its business into other Chinese-speaking markets.

All members of the Directors and staff are fully committed to achieving the laid down objectives. We are confident that the Group would yield satisfactory returns to our shareholders and will continue to provide quality magazines and services to our valued readers and advertisers.

Ng, Jessica Yuk Mui
Chief Executive Officer

The Directors have the pleasure of presenting the first annual report together with the audited financial statements of Jessica Publications Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31st December, 2001.

GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 29th June, 2001 as an exempted company under the Companies Law (2001 Revision) of the Cayman Islands. On 10th September, 2001, the Company became the holding company of other companies comprising the Group pursuant to a group reorganisation which included exchanges of shares to prepare for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited. Details of the group reorganisation scheme and basis of presentation of the financial statements are set out in Note 1 to the accompanying financial statements.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in magazine publishing and advertising activities carried out in Hong Kong.

An analysis of the Group's turnover by principal activity and geographical location for the year ended 31st December, 2001 is as follows:

Turnover	"Jessica" magazine		"Lisa" magazine	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
a. By principal activity -				
Sales of magazines	**4,848**	3,242	**2,763**	2,860
Advertising	**6,358**	2,525	**5,698**	6,699
Promotion and marketing income	**22**	171	**345**	747
	11,228	5,938	**8,806**	10,306

	2001	2000
	HK$'000	HK$'000
b. By geographical location* -		
Hong Kong	**19,830**	15,906
Taiwan	**204**	338
	20,034	16,244

* Turnover by geographical location is determined on the basis of the destination of delivery of magazines and publication of advertisements.

No analysis of profit (loss) attributable to shareholders by geographical location is presented as it was generally in line with the distribution of turnover as set out above.

The Directors considered there is only one business and geographical segment and no analysis of segmental assets and liabilities by geographical location is presented.

CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2001, the five largest customers accounted for approximately 9.3% of the Group's total turnover and the five largest suppliers of the Group accounted for approximately 99.1% of the Group's total purchases. Success Production Limited, a member of South China Holdings Limited ('South China Holdings"), is one of the top five suppliers. The Initial Management Shareholders hold interests and directorship in South China Holdings and its subsidiaries ("South China Group"). Ms. Ng, Jessica Yuk Mui, a Director, is also a director of certain members of South China Information and Technology Limited ("South China IT") and South China Media Limited, subsidiaries of South China Holdings. Save as disclosed above, none of the Directors, their respective associates and shareholders who own more than 5% of the issued share capital of the Company has any interest in any of the five largest suppliers of the Group.

The largest customer of the Group accounted for approximately 2.4% of the Group's turnover while the largest supplier accounted for approximately 67.8% of the Group's total purchases. None of the Directors, their respective associates and shareholders who own more than 5% of the issued share capital of the Company has any interest in any of the five largest customers of the Group.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31st December, 2001 are set out in the consolidated income statement on page 24 of this annual report. The Directors do not recommend the payment of a dividend and recommend that the accumulated deficit of approximately HK$2,365,000 as at 31st December, 2001 be carried forward.

FINANCIAL SUMMARY

A summary of the published results of the Group for the last three financial years is set out below:

	For the year ended 31st December,		For the period from 17th March, 1999 to 31st December,
	2001	2000	1999
Results	HK$'000	HK$'000	HK$'000
Turnover	20,034	16,244	8,181
Other income	437	200	—
Printing and other production costs (other than staff costs)	(11,383)	(7,688)	(2,520)
Staff costs	(6,238)	(4,425)	(1,724)
Selling and distribution expenses	(2,338)	(2,440)	(812)
Operating lease rentals	(986)	(469)	(186)
Other operating expenses	(5,185)	(5,547)	(3,016)
Loss from operations	(5,659)	(4,125)	(77)
Waiver of amounts due to related companies	7,611	—	—
Interest income	—	1	1
Profit (Loss) before taxation	1,952	(4,124)	(76)
Taxation	(117)	—	—
Profit (Loss) attributable to shareholders	1,835	(4,124)	(76)

FINANCIAL SUMMARY (Cont'd)

A summary of the assets and liabilities of the Group for the last three financial years is set out below:

Assets and liabilities

	As at 31st December,		
	2001	2000	1999
	HK$'000	HK$'000	HK$'000
Non-current assets	90	—	—
Current assets	7,265	11,728	6,453
Current liabilities	(9,720)	(15,928)	(6,529)
Net current liabilities	(2,455)	(4,200)	(76)
Net liabilities	(2,365)	(4,200)	(76)

Note: The Company became the holding company of the companies comprising the Group on 10th September, 2001 and became listed on the GEM on 8th January, 2002. Refer to Note 1 to the accompanying consolidated financial statements for details of the reorganisation.

SHARE CAPITAL

Details of movements in share capital and the share option scheme of the Company are set out in Notes 15 and 16, respectively, to the accompanying financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in Note 17 to the accompanying financial statements.

CONVERTIBLE SECURITIES OPTIONS, WARRANTS OR OTHER SIMILAR RIGHTS

The Company had no outstanding convertible securities options, warrants or other similar rights as at 31st December, 2001.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31st December, 2001.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws and the laws in the Cayman Islands.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 12 to the accompanying financial statements.

FIXED ASSETS

Details of movements in fixed assets of the Group during the year are set out in Note 11 to the accompanying financial statements.

PENSION SCHEMES

Details of the pension schemes are set out in Note 22 to the accompanying financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors who held office during the year and up to the date of this report were:

Executive directors

Mr. Ng Hung Sang, Robert, Chairman	(Appointed on 24th August, 2001)
Ms. Ng, Jessica Yuk Mui, Chief Executive Officer	(Appointed on 24th August, 2001)
Ms. Foo Kit Tak	(Appointed on 24th August, 2001)
Ms. Cheung Mei Yu	(Appointed on 1st October, 2001)
Mr. Yuen Kam Tim, Francis	(Appointed on 29th June, 2001 and resigned on 24th August, 2001)
Mr. Lau Ho Kit, Ivan	(Appointed on 24th August, 2001 and resigned on 4th September, 2001)
Ms. Leung Mabel	(Appointed on 4th September, 2001 and resigned on 1st October, 2001)

Independent non-executive directors

Mr. So George Siu Ming	(Appointed on 4th September, 2001)
Ms. Pong Oi Lan, Scarlett	(Appointed on 4th September, 2001)

In accordance with the Bye-laws of the Company, Mr. Ng Hung Sang, Robert and Ms. Foo Kit Tak will retire from office and, being eligible, offer themselves for re-election. All other remaining directors continue in office.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (Cont'd)

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of one year commencing from 1st October, 2001 (for Ms. Cheung Mei Yu) and 24th August, 2001 (for Mr. Ng Hung Sang, Robert, Ms. Ng, Jessica Yuk Mui and Ms. Foo Kit Tak), and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each non-executive Director is appointed for an initial term of 2 years commencing from 4th September, 2001 and will thereafter be subject to retirement at the annual general meeting according to the articles of association of the Company.

Save as aforesaid, none of the directors has an unexpired service contract with the Company which is not terminable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES

As at 31st December, 2001, the directors of the Company had the following beneficial interests in the shares of HK$0.001 each in the capital of the Company within the meaning of the Securities (Disclosure of Interests) Ordinance ("the SDI Ordinance"), as recorded in the Register of Directors' Interests required to be kept by the Company pursuant to Section 29 of the SDI Ordinance:

	Number of Shares				
Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total
Ng Hung Sang, Robert	17,886,800	—	318,132,403 *(Note 1)*	—	336,019,203

Note 1:

The 318,132,403 shares referred to above include 92,966,000 shares held by Parkfield Holdings Limited ("Parkfield"), 99,012,563 shares held by Fung Shing Group Limited ("Fung Shing"), 4,166,400 shares held by Ronastar Investments Limited ("Ronastar") and 121,987,440 shares held by Earntrade Investments Limited ("Earntrade"). Earntrade is owned as to 60%, 20% and 20% by Mr. Ng Hung Sang, Robert, Ms. Cheung Choi Ngor, Christina and Mr. Richard Howard Gorges, directors of South China Holdings, respectively. The 121,987,440 shares referred to be held by Earntrade includes the 59,325,840 shares held by Bannock Investment Limited which is a wholly owned subsidiary of Earntrade. Each of Parkfield, Fung Shing and Ronastar is wholly owned by Mr. Ng Hung Sang, Robert.

Save as disclosed above, none of the Directors of the Company or any of their associates had any interests in the securities of the Company or its associated corporations as defined in the SDI Ordinance.

CONNECTED TRANSACTIONS

1. Provision of photofinishing and processing services by Success Production Limited ("Photo-processing Services")

Pursuant to an agreement entered into between Success Production Limited ("Success Production"), a 70% owned subsidiary of South China Holdings, and Jessica Management Limited ("Jessica Management") dated 7th September, 2001, Success Production has agreed to continue to provide colour separation, photofinishing and other related processing services such as typesetting to the Group at a fee calculated on arm's length basis and by reference to pricing that can be readily compared with transacted prices or quotes from independent third party service providers. The Photo-processing Services are provided to the Group in the ordinary and usual course of business of the Group.

The amount incurred by the Group to the South China Group in relation to the Photo-processing Services in the period from 17th March, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the year ended 31st December, 2001 were approximately HK$402,000, HK$624,000 and HK$894,000 respectively. The Directors are of the view that the cost of the above services has been made on a fair and reasonable basis.

2. Sharing of marketing services and expenses ("Marketing Services Sharing Arrangement")

Pursuant to an agreement entered into between South China Media Management Limited ("South China Media Management"), a wholly owned subsidiary of South China Holdings, and Jessica Management dated 7th September, 2001, the Group has agreed to continue to share certain marketing services and expenses with the South China Group. The marketing services provided under the arrangement are required by the Group in its ordinary and usual course of business.

The amount incurred by the Group to the South China Group in relation to the Marketing Services Sharing Arrangement in the period from 17th March, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the year ended 31st December, 2001 were approximately HK$111,000, HK$282,000 and HK$235,000 respectively. The Directors are of the view that the cost of the above services is ascertainable and has been made on a fair and reasonable basis.

3. Sharing of phototaking services and expenses ("Phototaking Services Sharing Arrangement")

Pursuant to an agreement entered into between South China Media Management and Jessica Management dated 7th September, 2001, the Group has agreed to continue to share certain phototaking services and expenses with the South China Group. The phototaking services provided under the arrangement are required by the Group in its ordinary and usual course of business.

The amount incurred by the Group to the South China Group in relation to the Phototaking Services Sharing Arrangement in the period from 17th March, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the year ended 31st December, 2001 were approximately HK$47,000, HK$166,000 and HK$723,000 respectively. The Directors are of the view that the cost of the above services is ascertainable and has been made on a fair and reasonable basis.

CONNECTED TRANSACTIONS (Cont'd)

4. Sharing of support services and expenses ("Support Services Sharing Arrangement")

Pursuant to an agreement entered into between South China Media Management and Jessica Management dated 7th September, 2001, the Group has agreed to continue to share certain support services, including administrative, accountancy, information technology, legal services and human resources with the South China Group. The support services provided under the arrangement are required by the Group in its ordinary and usual course of business.

The amount incurred by the Group to the South China Group in relation to the Support Services Sharing Arrangement in the period from 17th March, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the year ended 31st December, 2001 were approximately HK$206,000, HK$803,000 and HK$832,000 respectively. The Directors are of the view that the cost of the above services is ascertainable and has been made on a fair and reasonable basis.

5. Advertising services

From time to time, the South China Group may place advertisements on the magazines published by the Group and vice versa, which has been made on the Group's ordinary trading terms and in the ordinary course of business.

No costs are required to be paid by the South China Group in the period from 17th March, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the year ended 31st December, 2001 in respect of advertisements placed on the magazines published by the Group.

6. Hyperlink

The Group currently allows the South China Group to place a "hyperlink" on the websites of the Group, "www.jessicahk.com" and "www.lisahk.com", enabling visitors of such websites to enter the websites of the South China Group and vice versa. No cost is required to be paid by either of the groups to the other in respect of such arrangement which can be terminated by either of the groups at any time by giving written notice to the other.

Details of the related party transactions for the year are also set out in Note 3 to the accompanying financial statements. Save as disclosed therein, there were no other transactions to be disclosed as connected and related party transactions in accordance with the requirements of the GEM Listing Rules and accounting principles generally accepted in Hong Kong.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company has a share option scheme, under which it may grant options to employees of the Group (including executive directors of the Company) to subscribe for shares in the Company. Details of the scheme are set out in Note 16 to the accompanying financial statements. As at 31st December, 2001, no option has been granted to the Company's directors under the share option scheme.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries or holding companies a party to any arrangements to enable any of the Company's directors or members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the preceding paragraph, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries or holding companies was a party and in which any of the Company's directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2001, the following entities (not being a director or chief executive of the Company) had registered an interest in 10% or more of the issued share capital of the Company:

Name	Number of issued shares	Percentage holding
Parkfield Holdings Limited	92,966,000 *(Note a)*	18.4%
Fung Shing Group Limited	99,012,563 *(Note a)*	19.5%
Earntrade Investments Limited	121,987,440 *(Note b)*	24.1%
Bannock Investment Limited	59,325,840 *(Note b)*	11.7%

Note:

(a) Each of Parkfield Holdings Limited and Fung Shing Group Limited is wholly owned by Mr. Ng Hung Sang, Robert.

(b) Earntrade Investments Limited is the holding company of Bannock Investment Limited. The 121,987,440 shares referred to above include the 59,325,840 shares held by Bannock Investment Limited. Earntrade Investments Limited is owned as to 60%, 20% and 20% by Mr. Ng Hung Sang, Robert, Ms. Cheung Choi Ngor, Christina and Mr. Richard Howard Gorges, directors of South China Holdings, respectively.

Save as disclosed above, the Company had no notice of any interests to be disclosed under Section 16(1) of the SDI Ordinance as at 31st December, 2001.

MANAGEMENT SHAREHOLDERS

So far as the directors are aware, other than those disclosed under the sections headed "Directors' Interests in Shares" and "Substantial Shareholders" above, there is no other person who is directly or indirectly interested in 5% or more of the share capital of the Company then issued and who is able, as a practical matter, to direct or influence the management of the Company.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

SPONSOR'S INTEREST

As at 31st December, 2001, neither Deloitte & Touche Corporate Finance Ltd. (the "Sponsor"), nor its directors, employees or associates (as referred to in note 3 of Rules 6.35 of the GEM Listing Rules) had any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any members of the Group.

Pursuant to the agreement dated 31st December, 2001 entered into between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company's retained sponsor for the period from 8th January, 2002 to 31st December, 2004.

COMPETING INTEREST

Save as disclosed in the prospectus of the Company dated 31st December, 2001, none of the Directors or chief executives of the Company and its subsidiaries, the initial management shareholders or the substantial shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete with the business of the Group.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Ng, Hung Sang, Robert, aged 52, is the chairman of the Group. Mr. Ng is actively involved in the overall corporate policies, strategic planning and business development of the Group. Mr. Ng is also the chairman and chief executive of South China IT, the chairman of South China Holdings, South China Brokerage Company Limited, South China Industries Limited and Wah Shing International Holdings Limited. He holds a Master degree in marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. He has extensive experience in the media industry. Mr. Ng was the founder of the Group's business. He has been involved in the overall corporate policies, strategic planning, nomination of Directors and business development of the Group. Mr. Ng has been the chairman of South China Holdings since 1992. He is the father of Ms. Ng, Jessica Yuk Mui.

Ms. Ng, Jessica Yuk Mui, aged 23, is the Chief Executive Officer of the Group and one of the authorised representatives of the Company. Ms. Ng is responsible for the strategic planning and development and the daily operations of the Group and was directly involved in the launching of "Jessica" magazine in July 2000 after having obtained a bachelor degree in law from King's College London, University of London in the United Kingdom. Ms. Ng joined the Group on 1st March, 2001. She is the publisher of "Jessica" magazine and contributes to the editorial of the magazine in the "@Jessica" column of "Jessica" magazine. Ms. Ng is also a director of South China IT. She is the daughter of Mr. Ng.

Ms. Foo Kit Tak, aged 28, is the advertising director of the Group. She is responsible for the sales and marketing of the Group's magazines. Ms. Foo has been responsible for the strategy and planning for advertising sales of the Group's magazines. Ms. Foo has been working on "Jessica" magazine and "Lisa" magazine since April 2000. Ms. Foo joined the Group on 1st September, 2001. Prior to joining the Group, Ms. Foo had worked in ZYC Holding Limited and South China Media Management from January 1994 where she was involved in the management of the respective magazines. Prior to this employment, Ms. Foo worked for a media representative company.

Ms. Cheung Mei Yu, aged 34, is the chief editor of "Jessica" magazine and is responsible for the supervision, direction and management of the editorial team of "Jessica" magazine. Ms. Cheung has been responsible for the overall editorial direction, editorial outline of each issue, management of the editorial team, and overall design and quality of "Jessica" magazine since she joined South China Media Management Limited in April 2000. Subsequently, she has joined the Group on 1st September, 2001 for the same position. She holds a master degree in translation from the Chinese University of Hong Kong. Ms. Cheung had worked for TVE International Limited, a publishing company on a magazine for female readers as executive editor for about five years where her responsibilities included overall editorial direction, and executive and management control of the editorial team. She had also served in an international public relations company at the beginning of her career. Ms. Cheung joined the Group on 1st September, 2001.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

Independent Non-Executive Directors

Mr. So George Siu Ming, aged 43, was appointed as an independent non-executive Director on 4th September, 2001. Mr. So obtained a bachelor of arts degree from the University of Toronto, Canada. He is an associate member of the Canadian Institute of Chartered Accountants, the Society of Management Accountants of Canada and the Hong Kong Society of Accountants. He is also an executive director of Forefront International Holdings Limited, a company listed on the Stock Exchange. Mr. So has extensive experience in auditing, accounting and finance.

Ms. Pong Oi Lan, Scarlett, aged 42, was appointed as an independent non-executive Director on 4th September, 2001. Ms. Pong is the managing director of Realchamp Asset Management Limited, an asset management company. She completed her executive program at Harvard Business School, the U.S. She also holds a graduate diploma in business administration at Monash University, Australia, and a bachelor degree in pharmacy from the University of Saskatchewan, Canada. She is the honorary adviser of the advisory board of Hong Kong Federation of Business Students and a member of the HKSAR Election Committee (1998 & 2000). She has been the president of The Practising Pharmacists Association of Hong Kong for over eight years. She actively participates in many voluntary and charitable organisations such as the Hong Kong Council on Smoking and Health, Commission on Youth and Health and Medical Advisory Committees. She received an award of the Ten Outstanding Young Persons' Selection in 1998.

Senior Management

Mr. So Kai Tai, aged 32, is the publisher of "Lisa" magazine. He oversees the editorial and business departments of "Lisa" magazine. Mr. So has been involved in "Lisa" magazine since September 1992. Mr. So joined the Group on 1st September, 2001. Mr. So holds a bachelor of arts degree from the University of Hong Kong and has had over eight years of experience in the printed media industry. He also holds a postgraduate diploma in Translation and Interpretation from the City University in Hong Kong. Mr. So is an associate publishing director of three magazines targeting at male readers of the South China Media Group, namely "Esquire" magazine, "Him" magazine and "Car Plus" magazine. As the target readers of the Group's magazines and such three magazines are different, the Directors believe that there is no conflict of interest in Mr. So holding such a position in the South China Media Group.

Ms. Ng Shui Li, Shirley, aged 52, is the managing editor of "Lisa" magazine. She oversees the editorial direction and quality of "Lisa" magazine. Since the launch of the "Lisa" magazine in 1989, Ms. Ng has been responsible for the overall editorial work such as editorial outline of each issue, general management of the editorial team, and quality of the "Lisa" magazine. Prior to joining the Group on 1st September, 2001, she worked in Yongder Hall Limited, ZYC Holding Limited and South China Media Management Limited. Ms. Ng has over 20 years publishing experience and has been in publishing business. She has worked for both weekly and monthly magazines for women before she joined the Group where she was responsible for editing and reporting of the magazines.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Cont'd)

Senior Management (Cont'd)

Mr. Tong Chu Wai, aged 30, is the financial controller of the Group and the qualified accountant of the Company. He is an associate of the Association of Chartered Certified Accountants, the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators. He holds a bachelor degree in business administration from the University of Hong Kong. Mr. Tong had worked in an international accounting firm for more than five years. He has extensive accounting and financial experience in accounting and taxation matters in Hong Kong and the PRC. Mr. Tong joined the Group on 1st September, 2001.

Ms. Chin Ching Han, aged 31, is the company secretary and one of the authorised representatives of the Company and is responsible for the company secretarial functions of the Group. Ms. Chin is an associate of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries. She holds a bachelor of arts degree from the Hong Kong Baptist University and has had over seven years of experience in the company secretarial field. She joined the Group on 1st September, 2001.

USE OF PROCEEDS

Subsequent to the year end date, the Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 8th January, 2002 and net proceeds of approximately HK$9,200,000 were raised from the placement. Subject to unforeseen circumstances, the Directors intend to use such net proceeds in the manner as disclosed in the Company's prospectus dated 31st December, 2001.

AUDIT COMMITTEE

The Company has established an audit committee on 4th September, 2001 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting and internal control procedures. The audit committee comprises two members, Mr. So George Siu Ming and Ms. Pong Oi Lan, Scarlett, who are independent non-executive directors of the Company. The Group's audited results for the year ended 31st December, 2001 have been reviewed by the committee, who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the listing of the Company's shares on GEM on 8th January, 2002.

AUDITORS

The accompanying financial statements were audited by Messrs. Arthur Andersen & Co. A resolution for the re-appointment of Messrs. Arthur Andersen & Co as the Company's auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
NG Hung Sang, Robert
Chairman

Hong Kong Special Administrative Region of the People's Republic of China
25th March, 2002

Arthur Andersen & Co
21st Floor Edinhurgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Auditors' Report to the Shareholders of
JESSICA PUBLICATIONS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 24 to 49 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31st December, 2001 and of the profit and cash flows of the group for the year then ended, and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ARTHUR ANDERSEN & CO
Certified Public Accountants

Hong Kong, 25th March, 2002.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2001
(Expressed in Hong Kong dollars)

	Notes	2001	2000
		$'000	$'000
Turnover	3 & 4	20,034	16,244
Other income	3 & 4	437	200
Printing and other production costs (other than staff costs)	3	(11,383)	(7,688)
Staff costs	3	(6,238)	(4,425)
Selling and distribution expenses		(2,338)	(2,440)
Operating lease rentals	3	(986)	(469)
Other operating expenses	3	(5,185)	(5,547)
Loss from operations		(5,659)	(4,125)
Waiver of amounts due to related companies	3	7,611	—
Interest income	4	—	1
Profit (Loss) before taxation	5	1,952	(4,124)
Taxation	7	(117)	—
Profit (Loss) attributable to shareholders	8	1,835	(4,124)
Accumulated deficit, beginning of year		(4,200)	(76)
Dividend	9	—	—
Accumulated deficit, end of year		(2,365)	(4,200)
Basic earnings (loss) per share	10	HK0.40 cents	HK(0.90) cents

A statement of consolidated recognised gains and losses is not presented because there were no recognised gains and losses other than the profit attributable to shareholders.

BALANCE SHEETS

As at 31st December, 2001
(Expressed in Hong Kong dollars)

	Note	Consolidated 2001	2000	Company 2001
		$'000	$'000	$'000
NON-CURRENT ASSETS				
Fixed assets	11	90	—	—
Investment in subsidiaries	12	—	—	510
Total non-current assets		90	—	510
CURRENT ASSETS				
Accounts receivable	13	3,255	3,583	—
Due from related companies	21	—	8,123	—
Prepayments		263	18	28
Deferred share issuance expenses		3,150	—	3,150
Cash and bank deposits		597	4	—
Total current assets		7,265	11,728	3,178
CURRENT LIABILITIES				
Accounts payable	14	(4,916)	(4,382)	—
Accruals and other payables		(3,376)	(787)	(1,775)
Receipts in advance		(852)	(717)	—
Due to related companies	3	(459)	(10,042)	—
Due to subsidiaries	3	—	—	(1,540)
Taxation payable		(117)	—	—
Total current liabilities		(9,720)	(15,928)	(3,315)
Net current liabilities		(2,455)	(4,200)	(137)
Net (liabilities) assets		(2,365)	(4,200)	373

	Note	Consolidated 2001	2000	Company 2001
		$'000	$'000	$'000
Representing:				
SHARE CAPITAL	15	456	—	456
RESERVES	17	(2,821)	(4,200)	(83)
Shareholders' (deficit) equity		(2,365)	(4,200)	373

Approved by the Board of Directors on 25th March, 2002:

NG HUNG SANG, ROBERT
Chairman

NG, JESSICA YUK MUI
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2001
(Expressed in Hong Kong dollars)

	Note	2001	2000
		$'000	$'000
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	18.a	693	(81)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		—	1
INVESTING ACTIVITIES			
Purchase of fixed assets		(100)	—
Increase (Decrease) in cash and bank deposits		593	(80)
Cash and bank deposits, beginning of year		4	84
Cash and bank deposits, end of year		597	4

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

Jessica Publications Limited ("the Company") was incorporated in the Cayman Islands on 29th June, 2001 as an exempted company under the Companies Law (2001 Revision) of the Cayman Islands. The Company's shares were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("the GEM") on 8th January, 2002.

On 10th September, 2001, the Company became the holding company of the other companies comprising the group pursuant to a group reorganisation scheme ("the Reorganisation") which included exchanges of shares. The Reorganisation involved companies under common control, and the Company and its subsidiaries ("the Group") resulting from the Reorganisation have been regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the year ended 31st December, 2001, rather than from the date on which the Reorganisation was completed. The comparative figures as at and for the year ended 31st December, 2000 have been presented on the same basis.

No balance sheet of the Company as at 31st December, 2000 is presented as the Company was incorporated subsequent to that date.

The Company is an investment holding company. Its subsidiaries are principally engaged in magazine publishing and advertising activities in Hong Kong.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM. Principal accounting policies are summarised below:

a. Basis of presentation

As at 31st December, 2001, the Group had a shareholders' deficit of approximately $2,365,000. The Group's financial statements have been prepared on a going concern basis which assumes that the Group will be able to meet its financial obligations as they fall due. Mr. Ng Hung Sang, Robert, a major shareholder of the Company, had undertaken to provide continuing financial support to the Group to meet its liabilities as they fall due up to 8th January, 2002, when the Company's shares were listed on the GEM. Thereafter, the Group's ability to continue as a going concern depends on the success of its future operations, as well as the utilisation of the net proceeds to be received upon the Company's listing of its shares on the GEM as working capital (see Notes 1 & 24).

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

b. Basis of measurement

The financial statements have been prepared on the historical cost basis.

c. Adoption of new/revised statements of standard accounting practice

Effective 1st January, 2001, the following Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants have been adopted:

SSAP 9 (revised):	Event after the balance sheet date
SSAP 10 (revised):	Accounting for investments in associates
SSAP 14 (revised):	Leases
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

The adoption of the above statements had no material effect on amounts reported in the prior year.

d. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Except for the Reorganisation as described in Note 1, the results of subsidiaries acquired or disposed of during the year are recorded from or to their effective dates of acquisition or disposal. Significant inter-group transactions and balances have been eliminated on consolidation.

e. Subsidiaries

A subsidiary is a company in which the Group can exercise control, which is normally evidenced when the Group has the power to govern the financial and operating policies of that company so as to benefit from its activities. In the Company's financial statements, investment in subsidiaries is stated at cost less provision for any impairment in value, while income from subsidiaries is recorded to the extent of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

f. Turnover and revenue recognition

Turnover represents (i) sales of magazines after allowances for returns and discounts, (ii) advertising income from publications of magazines, and (iii) promotion and marketing income.

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue from sales of magazines is recognised when the magazines are delivered and titles have passed, with advance subscription fees received recorded as receipts in advance. Advertising income is recognised when the advertisements are published. Promotion and marketing income is recognised when the service is rendered. Rental income is recognised when rental becomes due and receivable. Interest income from bank deposits is recognised on a time proportion basis on the principal outstanding and at the rate applicable.

g. Advertising barter transactions

Revenue and expense from an advertising barter transaction for exchange of dissimilar goods or services are recognised at fair value only if the fair value of the advertisement surrendered in the transaction is determinable based on the Group's historical practice of receiving cash or other consideration that is readily convertible to a known amount of cash for similar advertisement from buyers unrelated to the counter-party in the barter transaction. Revenue and expense from an advertising barter transaction for exchange of similar goods or services are not regarded as transactions which generate revenue and expense.

h. Taxation

Individual companies within the Group provide for profits tax on the basis of their profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

Deferred taxation is provided under the liability method, at the current tax rate, in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, except when it is considered that no liability will arise in the foreseeable future. Deferred tax assets are not recognised unless the related benefits are expected to crystallise in the foreseeable future.

i. Advertising and promotion costs

Advertising and promotion costs are expensed as incurred.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

j. Employee retirement benefits

Costs of employee retirement benefits are recognised as an expense in the period in which they are incurred.

k. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment loss, if any. Major expenditures on modifications and betterments of fixed assets which will result in future economic benefits are capitalised, while expenditures on maintenance and repairs are expensed when incurred. Depreciation is provided on a straight-line basis to write off the cost less estimated residual value of each asset over its estimated useful life of five years.

Gains and losses on disposal of fixed assets are recognised in the income statement based on the net disposal proceeds less the then carrying amount of the assets.

l. Impairment of assets

Fixed assets and investment in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of one of these assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss, representing the difference between the carrying amount and the recoverable amount of an asset, is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the cost of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of an impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in the income statement.

m. Operating leases

Operating leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the relevant leases.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

n. Provisions and contingencies

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

o. Subsequent events

Post-year-end events that provide additional information about financial position at the balance sheet date or those that indicate the going concern assumption is not appropriate, are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

p. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in Hong Kong requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

a. Up to 10th September, 2001, the Group was owned by South China Holdings Limited, a company in which Mr. Ng Hung Sang, Robert, director, has beneficial interests. During the year ended 31st December, 2001, the Group had transactions and shared common operating expenses with subsidiaries of South China Holdings Limited. Significant transactions with these related parties are summarised below:

	2001	2000
	$'000	$'000
Color separation and photo processing fees charged by Success Production Limited ("SPL")	894	624
Marketing service fees charged by South China Media Management Limited ("SCMML")	235	282
Phototaking service fees charged by SCMML	723	166
Administrative service fees charged by SCMML	832	803
Staff costs charged by SCMML	4,909	4,425
Personnel expenses charged by SCMML	1,340	987
Agency arrangement fees charged by SCMML	20	18
Rental expenses in respect of office equipment charged by The Express News Limited	197	269
Information and technology service fee charged by South China Media Online Limited	—	1,680
Advertising income received from Hong Kong Four Seas Tours Limited	—	58
Rental income received from SCMML	437	200
Promotion and marketing fee received from South China Media Limited	—	533
Waiver of amounts due to		
— SCMML	5,636	—
— SPL	625	—
— South China Publishing Limited	1,350	—

All of the above related companies are subsidiaries or associates of South China Holdings Limited, the then ultimate holding company of the Group up to 10th September, 2001.

In the opinion of the Directors, the above transactions were conducted in accordance with the terms of the respective arrangements between the Group and the related parties.

3. RELATED PARTY TRANSACTIONS (Cont'd)

b. Auditors' remuneration for the year ended 31st December, 2000 was borne by SCMML and was included in the administrative service fees charged by SCMML.

c. Pursuant to two agency agreements between SCMML and the Group, all of the sales invoices to customers and purchase invoices from suppliers during the years ended 31st December, 2001 and 2000 were issued by or to SCMML, which acted as an agent of the Group. Charges on the services performed by SCMML are disclosed in Note 3.a above.

d. Prior to 1st October, 2001, all of the employees of the Group were employed by SCMML and the related employment costs of approximately $4,909,000 (2000 - $4,425,000) were borne by the Group.

e. South China Holdings Limited and its subsidiaries ("the South China Group") placed advertisements in the magazines published by the Group at no cost. In addition, the Group placed advertisements in the other magazines published by the South China Group at no cost.

f. During the year, the Group purchased certain fixed assets from SCMML at aggregate net book value of approximately $100,000 (2000 - Nil).

g. During the year, three related companies waived certain balances due to them by the Group amounting to approximately $7,611,000 (2000 - Nil) at no consideration.

h. Tek Lee Finance And Investment Corporation Limited, an intermediate holding company, up to 10th September, 2001 had undertaken to provide continuing financial support to the Company to enable it to meet its liabilities as they fall due. This undertaking was terminated when the Company ceased to be a subsidiary of Tek Lee Finance And Investment Corporation Limited on 10th September, 2001. Thereafter, Mr. Ng Hung Sang, Robert, a major shareholder of the Company, had undertaken to provide continuing financial support to the Group to enable the Group to meet its liabilities as they fall due up to 8th January, 2002, when Company's shares were listed on the GEM.

i. Mr. Ng Hung Sang, Robert, Parkfield Holdings Limited, Fung Shing Group Limited, Ronastar Investments Limited, Earntrade Investments Limited and Bannock Investment Limited, shareholders of the Company, have provided indemnities in favour of the Group in the event that the Group incurs any liability as a result of (i) a claim filed by an independent third party against the Group (see Note 20) and (ii) the waiver of amounts due to related companies (see Note 3.g & 20).

j. The amounts due to related companies and subsidiaries are unsecured, non-interest bearing and without pre-determined repayment term.

4. TURNOVER AND REVENUE

An analysis of turnover and revenue in the consolidated income statement is as follows:

	2001	2000
	$'000	$'000
Sales of magazines	7,611	6,102
Advertising income (see Note 3.a)	12,056	9,224
Promotion and marketing income (see Note 3.a)	367	918
Total turnover	20,034	16,244
Rental income (see Note 3.a)	437	200
Interest income	—	1
Total revenue	20,471	16,445

During the year ended 31st December, 2001, the Group recorded advertising revenue from barter transactions amounting to approximately $32,000 (2000 - $230,000).

An analysis of the Group's turnover by geographical location* is as follows:

	2001	2000
	$'000	$'000
Hong Kong	19,830	15,906
Taiwan	204	338
	20,034	16,244

* Turnover by geographical location is determined on the basis of the destination of delivery of magazines and publication of advertisements.

No analysis of profit (loss) attributable to shareholders by geographical location is presented as it was generally in line with the distribution of turnover as set out above.

The Group is principally engaged in magazine publishing and advertising activities carried out in Hong Kong. Accordingly, the Directors consider there is only one business and geographical segment and no analysis of segmental assets and liabilities by geographical location is presented.

5. PROFIT (LOSS) BEFORE TAXATION

Profit (Loss) before taxation is stated after charging and crediting the following:

	2001	2000
	$'000	$'000
After charging -		
Staff cost (including directors' emoluments) (see Note 3.a & 3.d)	6,238	4,425
Operating lease rentals		
— Office premise	789	200
— Office equipment (see Note 3.a)	197	269
Provision for bad and doubtful debts	418	—
Depreciation of fixed assets	10	—
Auditors' remuneration (see Note 3.b)	350	—
After crediting -		
Interest income on bank deposits	—	1

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

a. Details of emoluments paid to directors of the Company are:

	2001	2000
	$'000	$'000
Fees for executive directors	—	—
Fees for non-executive directors	33	—
Other emoluments for executive directors		
— Basic salaries and allowances	746	266
— Pension scheme contributions	32	9
Other emoluments for non-executive directors	—	—
	811	275

No directors waived any emoluments during the year. No incentive payment or compensation for loss of office was paid or payable to any directors for the year ended 31st December, 2001.

The six directors received individual emoluments of approximately nil, $110,000, $388,000, $281,000, $16,000 and $16,000 for the year ended 31st December, 2001, and the four directors received individual emoluments of approximately nil, nil, nil and $275,000 for the year ended 31st December, 2000.

During the year ended 31st December, 2001, approximately $457,000 (2000 - $275,000) of the directors' emoluments were paid by a related company on behalf of the Group (see Note 3.d).

An analysis of directors' emoluments by number of directors and emoluments range is as follows:

	2001	2000
Executive directors		
— Nil to $1,000,000	4	4
Non-executive directors		
— Nil to $1,000,000	2	—
	6	4

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Cont'd)

b. Details of emoluments of the five highest paid individuals (including directors and other employees) are:

	2001	2000
	$'000	$'000
Basic salaries and allowances	1,716	1,442
Pension scheme contributions	68	50
	1,784	1,492
Number of directors	2	1
Number of employees	3	4
	5	5

During the year ended 31st December, 2001, no emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office.

The number of the five highest paid individuals whose remuneration fell within the following band is as follows:

	2001	2000
Nil to $1,000,000	5	5

During the year ended 31st December, 2001, approximately $1,169,000 (2000 - $1,492,000) of the five highest paid individual were paid by a related company on behalf of the Group (see Note 3.d).

7. TAXATION

Taxation consists of:

	2001	2000
	$'000	$'000
Hong Kong profits tax	117	—

Hong Kong profits tax was provided at the rate of 16% on the estimated assessable profit arising in or derived from Hong Kong during the year ended 31st December, 2001 (2000 - Nil).

The tax effect of deferred tax assets not provided for is analysed as follows:

	2001	2000
	$'000	$'000
Tax losses	424	—

8. PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders include a loss of approximately $137,000 (2000 - Nil) dealt with in the financial statements of the Company.

9. DIVIDEND

No dividend has been paid or declared by the Company or any of its subsidiaries during the year ended 31st December, 2001 (2000 - Nil).

10. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share for the year ended 31st December, 2001 is based on the consolidated profit attributable to shareholders of approximately $1,835,000 (2000 - loss of $4,124,000) and on the weighted average number of approximately 455,831,888 shares (2000 - 455,831,888 shares) deemed to be in issue throughout the year, on the assumption that the Reorganisation as described in Note 1 had been completed on 1st January, 2001.

No diluted earnings (loss) per share is presented as there were no dilutive potential ordinary shares in existence for both years.

11. FIXED ASSETS

Movements of fixed assets, comprising furniture and office equipment, are as follows:

	2001	2000
	$'000	$'000
Cost		
Beginning of year	—	—
Additions	100	—
End of year	100	—
Accumulated depreciation		
Beginning of year	—	—
Provision for the year	(10)	—
End of year	(10)	—
Net book value		
End of year	90	—
Beginning of year	—	—

12. INVESTMENT IN SUBSIDIARIES

In the Company's balance sheet, investment in subsidiaries consists of:

	$'000
Unlisted shares	510

The underlying value of investment in subsidiaries is, in the opinion of the Directors, not less than the carrying value as at 31st December, 2001.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

12. INVESTMENT IN SUBSIDIARIES (Cont'd)

Details of the subsidiaries as at 31st December, 2001 are as follows:

Name	Place and date of incorporation	Issued and fully paid share capital	Percentage of equity interest held *	Principal activities
Beforward Trading Limited	British Virgin Islands 12th January, 2001	US$2	100%	Investment holding
Cathy Success Limited	British Virgin Islands 12th July, 2001	US$1	100%	Investment holding
Great Ready Assets Limited	British Virgin Islands 18th July, 2001	US$2	100%	Investment holding
Jessica Publications (BVI) Limited	British Virgin Islands 3rd July, 2001	US$2	100%	Investment holding
Jessica (BVI) Limited	British Virgin Islands 3rd July, 2001	US$2	100%	Investment holding
Surge Fast Assets Limited	British Virgin Islands 12th July, 2001	US$3	100%	Investment holding
Axewood Limited	Hong Kong 19th March, 1999	$3	100%	Holding of a lease agreement
Jessica Girl Limited	Hong Kong 20th August, 2001	$2	100%	Dormant
Jessica Management Limited (formerly known as Kewell Limited)	Hong Kong 22nd June, 2001	$2	100%	Provision of employee and personnel services
Jessica Limited (formerly known as Deemwell Limited)	Hong Kong 6th September, 1999	$2	100%	Publication of "Jessica" magazine
Superb Taste Company Limited	Hong Kong 17th March, 1999	$2	100%	Publication of "Lisa" magazine

* Surge Fast Assets Limited is held directly by the Company. All other subsidiaries are held indirectly by the Company.

None of the subsidiaries had any loan capital in issue at any time during the year ended 31st December, 2001.

13. ACCOUNTS RECEIVABLE

The credit terms granted by Group range from 30 to 90 days. The aging analysis of accounts receivable is stated as follows:

	2001	2000
	$'000	$'000
Aged:		
0 to 30 days	1,900	2,012
31 to 60 days	788	344
61 to 90 days	391	340
91 to 180 days	122	364
181 to 365 days	54	221
Over 365 days	—	302
	3,255	3,583

14. ACCOUNTS PAYABLE

The aging analysis of accounts payable is stated as follows:

	2001	2000
	$'000	$'000
Aged:		
0 to 30 days	4,172	2,664
31 to 60 days	44	508
61 to 90 days	77	627
91 to 180 days	247	448
181 to 365 days	139	68
Over 365 days	237	67
	4,916	4,382

15. SHARE CAPITAL

Movements are:

	2001	
	Number of shares	Nominal value
	'000	$'000
Authorised - ordinary shares of $0.001 each		
Upon incorporation and subdivision of shares (a)	1,000,000,000	1,000,000
Issued and fully paid - ordinary shares of $0.001 each		
Issue of shares upon incorporation and subdivision of shares (a)	—	—
Issue of shares arising from the Reorganisation referred to in Note 1 (b)	455,832	456
End of year	455,832	456

Notes -

a. Upon incorporation on 29th June, 2001, the Company had authorised share capital of $1,000,000,000, divided into 100,000,000,000 shares of $0.01 each, and one share was alloted and issued at par as nil paid. On 20th August, 2001, each of the issued and unissued shares of $0.01 each in the capital of the Company was subdivided into 10 shares of $0.001 each.

b. On 10th September, 2001, 455,831,878 ordinary shares were issued at approximately $0.00112 per share and credited as fully paid in connection with the Reorganisation referred to in Note 1.

As at 31st December, 2000, share capital of the Group amounting to $6 represented the aggregate nominal value of the share capital of the Company's subsidiaries as at that date.

16. SHARE OPTIONS

On 20th December, 2001, the Directors of the Company conditionally approved a share option scheme, under which it may grant options to employees of the Group (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company from time to time, excluding for this purpose any shares issued on the exercise of options granted under the scheme. The subscription price will be determined by the Company's board of directors, and will not be less than the higher of (i) the nominal value of the shares; (ii) the average of the closing price of the shares quoted on the GEM on the five trading days immediately preceding the date of grant of the options; or (iii) the closing price of the shares quoted on the GEM on the date of offer of the options, which must be a business day.

The share option scheme became effective in January 2002 when the Company's shares were listed on the GEM. As at 31st December, 2001, no option was granted under the share option scheme.

17. RESERVES

Movements of reserves are:

	2001 Share premium	2001 Capital reserve (i)	2001 Accumulated deficit	2001 Total	2000 Total
	$'000	$'000	$'000	$'000	$'000
Consolidated					
Beginning of year	—	—	(4,200)	(4,200)	(76)
Attributable to the Reorganisation referred to in Note 1	54	(510)	—	(456)	—
Profit (Loss) attributable to shareholders	—	—	1,835	1,835	(4,124)
End of year	54	(510)	(2,365)	(2,821)	(4,200)

	Share premium	Accumulated deficit	Total
	$'000	$'000	$'000
Company			
Beginning of year	—	—	—
Attributable to the Reorganisation referred to in Note 1 (see Note 15.b)	54	—	54
Loss attributable to shareholders	—	(137)	(137)
End of year	54	(137)	(83)

Note -

(i) Capital reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital of a subsidiary acquired through an exchange of shares pursuant to the Reorganisation (see Note 1).

As at 31st December, 2001, the Company had no reserves available for distribution to shareholders.

18. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

a. Reconciliation of loss from operations to net cash inflow (outflow) from operating activities:

	2001	2000
	$'000	$'000
Loss from operations	(5,659)	(4,125)
Interest income	—	(1)
Depreciation of fixed assets	10	—
Decrease (Increase) in accounts receivable	328	(1,928)
Decrease (Increase) in due from related companies	8,123	(7,463)
Increase in prepayments	(245)	(18)
Increase in deferred share issuance expenses	(3,150)	—
Increase in accounts payable	534	2,309
Increase in accruals and other payables	2,589	788
Increase in receipts in advance	135	717
(Decrease) Increase in due to related companies	(1,972)	9,640
Net cash inflow (outflow) from operating activities	693	(81)

b. Major non-cash transaction:

i. During the year ended 31st December, 2001, 455,831,878 ordinary shares were issued at approximately $0.00112 per share and credited as fully paid as consideration for the Reorganisation described in Note 1.

ii. During the year ended 31st December, 2001, three related companies waived certain balances due to them by the Group amounting to approximately $7,611,000.

19. OPERATING LEASE COMMITMENTS

The Group has operating lease commitments in respect of rented premises under a non-cancellable operating lease agreement extending to August 2003. The total amount of commitment payable under this agreement is analysed as follows:

	2001	2000
	$'000	$'000
Amounts payable		
— within one year	801	801
— between two to five years	582	1,383
	1,383	2,184

The commitments payable within the next twelve months are analysed as follows:

	2001	2000
	$'000	$'000
Leases expiring within a period		
— not exceeding one year	—	—
— more than one year but not exceeding five years	801	801
	801	801

20. CONTINGENT LIABILITIES

As at 31st December, 2001, the Group had the following contingent liabilities:

a. In May 2001, an independent third party ("the Landlord") filed a claim against Axewood Limited, a wholly owned subsidiary, for unpaid rental from April 2001 to May 2001, as well as forfeiture of the tenancy. Axewood Limited settled the unpaid rental in June 2001 and issued summonses to apply for relief against forfeiture of the tenancy. In February 2002, the court granted to Axewood Limited a relief against forfeiture of the tenancy. The Directors are of the opinion that Axewood Limited is able to recover the related legal costs of approximately $250,000 from the plaintiff, and accordingly, no provision has been made in the financial statements with respect to such claim and the related legal costs. In addition, in the event that the Group incurs any liability as a result of this claim, such liability would fall within the indemnity given by Mr. Ng Hung Sang, Robert, Parkfield Holdings Limited, Fung Shing Group Limited, Ronastar Investments Limited, Earntrade Investments Limited and Bannock Investment Limited, shareholders of the Company, in favour of the Group (see Note 3.i).

b. During the year, three related companies waived certain balances due to them by the Group amounting to approximately $7,611,000 at no consideration ("the Waiver"). As advised by the Group's legal counsels, in the event of winding up of any one of these related companies by reason of insolvency or the Waiver is ordered by courts or other competent authorities to be restored to the related companies, the Group may be required to compensate these related companies. In the opinion of the Directors, the risk of winding up of these related companies by reason of insolvency or restoring the balances to these related companies is remote and, accordingly, it is not probable that the Group will compensate those related companies. No provision has been made in the financial statements with respect to such compensation. In addition, in the event that the Group incurs any liability as a result of the Waiver, such liability would fall within the indemnity given by Mr. Ng Hung Sang, Robert, Parkfield Holdings Limited, Fung Shing Group Limited, Ronastar Investments Limited, Earntrade Investments Limited and Bannock Investment Limited, shareholders of the Company, in favour of the Group (See Note 3.i).

c. As at 31st December, 2001, the Company had provided a corporate guarantee to a bank to secure banking facilities granted to a subsidiary.

21. SUPPLEMENTAL INFORMATION REQUIRED UNDER THE HONG KONG COMPANIES ORDINANCE

Details of the amounts due from related companies are:

	2001	2000	Maximum balance outstanding during the year
	$'000	$'000	$'000
Yongder Hall Publishing Limited	—	4,326	4,461
ZYC Holding Limited	—	3,627	3,913
Express News Weekly Limited	—	96	96
Whiz Kids Express Weekly Limited	—	58	58
Cheez Design Limited	—	8	8
Capital Publishing Limited	—	4	4
Fruit Weekly Limited	—	3	3
Him Limited	—	1	2
	—	8,123	

All of the above related companies are subsidiaries of South China Holdings Limited, a company in which Mr. Ng Hung Sang, Robert, director, has beneficial interests.

22. EMPLOYEE RETIREMENT SCHEME

The Group participates in a pension scheme under the Mandatory Provident Fund legislation ("the MPF scheme") which is a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the employer and its employees makes monthly contributions to the MPF Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the employer's and the employees' contributions are subject to a maximum of monthly earnings of $20,000 per employee and thereafter contributions are voluntary.

Prior to 1st October, 2001, all the employees of the Group were employed by a related company, which in turn charged the Group employment costs on an actual basis (see Note 3.a and 3.d). The related company participates in two pension schemes under the Occupational Retirement Scheme Ordinance ("the ORSO Scheme") and the MPF Scheme. Both the ORSO Scheme and the MPF Scheme are defined contribution schemes managed by independent trustees.

22. EMPLOYEE RETIREMENT SCHEME (Cont'd)

Under the ORSO Scheme, each of the employer and its employees makes monthly contributions to the scheme at 5% of the employees' basic salaries. The employees are entitled to receive their entire contributions and the accrued interest thereon, and 100% of the employer's contributions and the accrued interest thereon upon retirement or leaving the employer after completing 10 years of service or at a reduced scale of between 30% to 90% after completing 3 to 9 years of service. The forfeited contributions made by the employer and the related accrued interest are used to reduce the employer's contributions. This scheme was not available to employees employed after the set up of the MPF Scheme on 1st December, 2000. Members of the ORSO Scheme were given a one-time option to choose to transfer to the MPF Scheme or remain in the ORSO Scheme.

For the year ended 31st December, 2001, the aggregate amount of the employer contributions to the ORSO Scheme and the MPF Scheme was approximately $270,000 (2000 - $123,000), and there was no forfeited contribution utilised to reduce the employer contributions to the ORSO Scheme during the year ended 31st December, 2001 (2000 - Nil). As at 31st December, 2001, there were no material forfeited contributions available to reduce the Group's employer contribution payable in future periods. All these contributions were borne by the Group.

23. BANKING FACILITIES

The Group had banking facility of $1,000,000 (2000 - Nil) for short-term loans which remained unused as at 31st December, 2001. This facility is secured by a corporate guarantee provided by the Company.

24. SUBSEQUENT EVENTS

Subsequent to 31st December, 2001, the following major transactions took place:

a. On 4th January, 2002, 50,647,988 ordinary shares of $0.001 each were issued to the public at $0.25 per share through a placement, resulting in net cash proceeds of approximately $9,200,000 as a result of which the Group's shareholders' equity would increase by the same amount. In addition, the Company's shares were listed on the GEM on 8th January, 2002.

b. On 27th February, 2002, the Company entered into a memorandum of understanding with an independent third party in relation to the proposed acquisition of a 50% interest in a limited liability company incorporated in the People's Republic of China. The consideration of the proposed acquisition will be satisfied by way of the issuance and the allotment by the Company of a total of 60,780,000 ordinary shares, representing approximately 10.7% of the enlarged share capital of the Company, on or before 30th October, 2002 or such other date as may be agreed between the parties. The proposed acquisition is subject to the finalisation and execution of a relevant definitive agreement.