JESSICA

JESSICA PUBLICATIONS LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2002

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 track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

This report, for which the directors of Jessica Publications Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INTERIM RESULTS

The board of directors (the "Directors") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 30 June 2002, together with the comparative figures for the corresponding periods in 2001, as follows:

CONSOLIDATED INCOME STATEMENT

		Three months ended 30 June		Six months ended 30 June	
		2002	2001	**2002**	2001
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	Notes	***(Unaudited)***	*(Unaudited)*	***(Unaudited)***	*(Audited)*
Turnover	2&3	**6,381**	5,001	**11,604**	8,761
Other income	2&3	**—**	219	**—**	437
Printing and other production costs (other than staff costs)	2	**(3,200)**	(2,640)	**(5,620)**	(4,857)
Staff costs	2	**(1,493)**	(1,486)	**(2,715)**	(2,951)
Selling and distribution expenses		**(775)**	(507)	**(1,267)**	(968)
Operating lease rentals	2	**(202)**	(316)	**(404)**	(634)
Other operating expenses	2	**(768)**	(1,337)	**(1,884)**	(2,593)
Loss from operations		**(57)**	(1,066)	**(286)**	(2,805)
Waiver of amounts due to related companies	2	**—**	7,611	**—**	7,611
Interest income	3	**16**	—	**33**	—
(Loss) Profit before taxation	4	**(41)**	6,545	**(253)**	4,806
Taxation	5	**—**	(97)	**—**	(97)
(Loss) Profit attributable to shareholders		**(41)**	6,448	**(253)**	4,709
Accumulated deficit, beginning of period		**(2,577)**	(5,939)	**(2,365)**	(4,200)
Dividend	6	**—**	—	**—**	—
Accumulated (deficit) profit, end of period		**(2,618)**	509	**(2,618)**	509
Basic (loss) earnings per share	7	**HK(0.01)cents**	HK1.41cents	**HK(0.05)cents**	HK1.03cents

CONSOLIDATED BALANCE SHEET

	Notes	**As at 30 June 2002** *HK$'000* ***(Unaudited)***	As at 31 December 2001 *HK$'000* *(Audited)*
FIXED ASSETS			
Fixed assets		**80**	90
CURRENT ASSETS			
Accounts receivable	8	**3,471**	3,255
Prepayments and other receivables		**1,491**	263
Deferred share issuance expenses		**—**	3,150
Cash and bank deposits		**7,636**	597
Total current assets		**12,598**	7,265
CURRENT LIABILITIES			
Accounts payable	9	**(4,224)**	(4,916)
Accruals and other payables		**(1,262)**	(3,376)
Receipts in advance		**(528)**	(852)
Due to related companies	2	**—**	(459)
Taxation payable		**(117)**	(117)
Total current liabilities		**(6,131)**	(9,720)
Net current assets (liabilities)		**6,467**	(2,455)
Net assets (liabilities)		**6,547**	(2,365)
Representing:			
SHARE CAPITAL	10	**506**	456
RESERVES	11	**6,041**	(2,821)
Shareholders' equity (deficit)		**6,547**	(2,365)

CONSOLIDATED CASH FLOW STATEMENT - UNAUDITED

		Six months ended 30 June	
		2002	2001
	Notes	***HK$'000***	*HK$'000*
NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES	12a	**(2,159)**	108
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		**33**	—
INVESTING ACTIVITIES			
Purchase of fixed assets		**—**	(100)
FINANCING			
Proceeds from issuing of shares - net of expenses	12b	**9,165**	—
Increase in cash and bank deposits		**7,039**	8
Cash and bank deposits, beginning of period		**597**	4
Cash and bank deposits, end of period		**7,636**	12

Notes:

1 GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 29 June 2001 as an exempted company with limited liability under the Companies Law (2001 Revision) of the Cayman Islands. The Company's shares were listed on GEM of the Stock Exchange on 8 January 2002.

On 10 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 Group resulting from the Reorganisation has been regarded as a continuing group.

The comparative unaudited consolidated results of the Group have been prepared using the merger basis of accounting. Under this basis, the Company has been treated as the holding company of its subsidiaries prior to the date of their exchange of shares pursuant to the Reorganisation. Accordingly, the unaudited results of the Group for the three months and audited results of the Group for the six months ended 30 June 2001 included that of the Group as if the current Group structure has in existence throughout the relevant periods.

The unaudited consolidated financial statements for the three months and six months ended 30 June 2002 have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

The accounting policies adopted by the Group are consistent with those followed in the annual financial statements for the year ended 31 December 2001. The unaudited consolidated financial statements have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, the accounting principles generally accepted in Hong Kong, the disclosure requirements of Hong Kong Companies Ordinance and the GEM Listing Rules.

2 RELATED PARTY TRANSACTIONS

a. Up to 10 September 2001, the Group was owned by South China Holdings Limited. During the six months ended 30 June 2002 and 2001, the Group had transactions and shared common operating expenses with subsidiaries of South China Holdings Limited. Significant transactions with related parties are summarised below:

	Six months ended 30 June	
	2002	2001
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Color separation and photo processing fees charged by Success Production Limited	**474**	408
Marketing service fees charged by South China Media Management Limited ("SCMML")	**66**	133
Phototaking service fees charged by SCMML	**218**	310
Administrative service fees charged by SCMML	**425**	472
Staff costs charged by SCMML	**—**	2,951
Personnel expenses charged by SCMML	**—**	791
Agency arrangement fees charged by SCMML	**—**	11
Fixed assets purchased from SCMML	**—**	100
Rental expenses in respect of office equipment charged by The Express News Limited	**—**	197
Rental income received from SCMML	**—**	437
Waiver of amounts due to:		
SCMML	**—**	5,636
Success Production Limited	**—**	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 10 September 2001.

In the opinion of the Directors, the above transactions were conducted in accordance with the terms of the respective agreements.

b. Auditors' remuneration for the six months ended 30 June 2001 of approximately HK$15,000 was borne by SCMML and is included in the administration service fee.

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 year ended 31 December 2001 were issued by or to SCMML, which acted as an agent of the Group.

d. Prior to 1 October 2001, all of the employees of the Group were employed by SCMML and the related employment costs of approximately HK$2,951,000 were borne by the Group for six months ended 30 June 2001.

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. On 30 June 2001, the Group purchased certain fixed assets from SCMML at aggregate net book value of approximately HK$100,000.

g. On 30 June 2001, three related companies waived certain balances due to them by the Group amounting to approximately HK$7,611,000 at no consideration.

h. Tek Lee Finance And Investment Corporation Limited, an intermediate holding company, up to 10 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 10 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 8 January 2002, when the Company's shares were listed on 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 material liability as a result of (i) a claim filed by an independent third party against the Group (see Note 13); and (ii) the waiver of amounts due to related companies (see Note 2g and 13).

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

3 TURNOVER AND REVENUE

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

	For the three months ended 30 June		For the six months ended 30 June	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Audited)*
Sales of magazines	**2,697**	2,087	**4,954**	3,535
Advertising income	**3,506**	2,727	**6,472**	5,039
Promotion and marketing income	**178**	187	**178**	187
Total turnover	**6,381**	5,001	**11,604**	8,761
Rental income	**—**	219	**—**	437
Interest income	**16**	—	**33**	—
Total revenue	**6,397**	5,220	**11,637**	9,198

During the three months and six months ended 30 June 2002, the Group recorded advertising revenue from barter transactions amounting to approximately HK$23,840 and HK$36,640 respectively (2001: HK$4,800 and HK$4,800 respectively).

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

	For the three months ended 30 June		For the six months ended 30 June	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	*(Unaudited)*	***(Unaudited)***	*(Audited)*
Hong Kong	**6,342**	5,024	**11,523**	8,697
Taiwan	**39**	(23)	**81**	64
	6,381	5,001	**11,604**	8,761

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

No analysis of profit 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 activities carried out in Hong Kong. Accordingly, the Directors consider that there is only one business and geographical segment and no analysis of segmental assets and liabilities by geographical location is presented.

4 (LOSS) PROFIT BEFORE TAXATION

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

		For the three months ended 30 June		**For the six months ended 30 June**	
		2002	2001	**2002**	2001
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	Note	***(Unaudited)***	*(Unaudited)*	***(Unaudited)***	*(Audited)*
After charging -					
Staff cost (including directors' emoluments)		**1,493**	1,486	**2,715**	2,951
Operating lease rentals					
- Office premise		**202**	219	**404**	437
- Office equipment		**—**	97	**—**	197
(Written back) Provision for bad and doubtful debts		**(128)**	282	**(128)**	282
Depreciation of fixed assets		**5**	—	**10**	—
Auditors' remuneration	2b	**60**	—	**120**	—
After crediting -					
Interest income on bank deposits		**16**	—	**33**	—

5 TAXATION

Taxation consists of:

	For the three months ended 30 June		**For the six months ended 30 June**	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong profits tax	**—**	97	**—**	97

No Hong Kong profits tax was provided as the Group had no assessable profit arising in or derived from Hong Kong during the three months and six months ended 30 June 2002 (2001: HK$97,000).

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

	For the three months ended 30 June		**For the six months ended 30 June**	
	2002	2001	**2002**	2001
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Tax losses	**7**	—	**40**	—

6 INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2002 (2001: Nil).

7 (LOSS) EARNINGS PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2002 is based on the consolidated loss attributable to shareholders of approximately HK$41,000 and HK$253,000 respectively (2001: profit of HK$6,448,000 and HK$4,709,000 respectively) and on the weighted average number of approximately 506,479,876 and 505,640,407 shares (2001: 455,831,888 shares) deemed to be in issue throughout the periods. The weighted average number of 455,831,888 shares for the three months and six months ended 30 June 2001 is determined on the assumption that the Reorganisation as described in Note 1 had been completed on 1 January 2001.

No diluted earnings (loss) per share is presented as there were no dilutive potential ordinary shares in existence during the periods and the Company's outstanding share options would have no dilutive effect on loss per share during the three months and six months ended 30 June 2002.

8 ACCOUNTS RECEIVABLE

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

	As at 30 June 2002 *HK$'000* ***(Unaudited)***	As at 31 December 2001 *HK$'000* *(Audited)*
Aged:		
0 to 30 days	**1,873**	1,900
31 to 60 days	**923**	788
61 to 90 days	**473**	391
91 to 180 days	**154**	249
181 to 365 days	**97**	152
Over 365 days	**241**	193
	3,761	3,673
Less: Provision for bad and doubtful debts	**(290)**	(418)
	3,471	3,255

9 ACCOUNTS PAYABLE

The aging analysis of accounts payable is stated as follows:

	As at 30 June 2002	As at 31 December 2001
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Aged:		
0 to 30 days	**402**	4,172
31 to 60 days	**1,175**	44
61 to 90 days	**1,016**	77
91 to 180 days	**1,329**	247
181 to 365 days	**94**	139
Over 365 days	**208**	237
	4,224	4,916

10 SHARE CAPITAL

Movements are:

	Number of shares	**Nominal value**
	'000	*HK$'000*
Authorised -		
Ordinary shares of HK$0.001 each		
At 1 January 2002 and 30 June 2002	1,000,000,000	1,000,000
Issued and fully paid		
At 1 January 2002	455,832	456
Placing of shares *(see Note)*	50,648	50
At 30 June 2002	506,480	506

Note: On 4 January 2002, 50,647,988 shares of HK$0.001 each were issued to the public at HK$0.25 per share through a placement (the "Placing").

11 MOVEMENT OF RESERVES

Movements of reserves were:

	For the three months ended 30 June				
	2002				2001
	Share premium	**Capital reserve**	**Accumulated deficit**	**Total**	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*
	(Unaudited)	***(Unaudited)***	***(Unaudited)***	***(Unaudited)***	*(Unaudited)*
<u>Consolidated</u>					
At 1 April	**9,169**	**(510)**	**(2,577)**	**6,082**	(5,939)
Net (loss) profit attributable to shareholders	**—**	**—**	**(41)**	**(41)**	6,448
At 30 June	**9,169**	**(510)**	**(2,618)**	**6,041**	509

	Share premium	**Accumulated deficit**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
	(Unaudited)	***(Unaudited)***	***(Unaudited)***
<u>Company</u>			
At 1 April 2002	**9,169**	**(186)**	**8,983**
Net loss attributable to shareholders	**—**	**(70)**	**(70)**
At 30 June 2002	**9,169**	**(256)**	**8,913**

	For the six months ended 30 June				
	2002				2001
	Share premium	**Capital reserve**	**Accumulated deficit**	**Total**	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*
	(Unaudited)	***(Unaudited)***	***(Unaudited)***	***(Unaudited)***	*(Audited)*
<u>Consolidated</u>					
At 1 January	**54**	**(510)**	**(2,365)**	**(2,821)**	(4,200)
Issue of shares	**12,612**	**—**	**—**	**12,612**	—
Share issuance expenses	**(3,497)**	**—**	**—**	**(3,497)**	—
Net (loss) profit attributable to shareholders	**—**	**—**	**(253)**	**(253)**	4,709
At 30 June	**9,169**	**(510)**	**(2,618)**	**6,041**	509

	Share premium HK$'000 (Unaudited)	Accumulated deficit HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Company			
At 1 January 2002	**54**	**(137)**	**(83)**
Issue of shares	**12,612**	**—**	**12,612**
Share issuance expenses	**(3,497)**	**—**	**(3,497)**
Net loss attributable to shareholders	**—**	**(119)**	**(119)**
At 30 June 2002	**9,169**	**(256)**	**8,913**

12 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT - UNAUDITED

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

	Six months ended 30 June	
	2002 *HK$'000*	2001 *HK$'000*
(Loss) Profit attributable to shareholders	**(253)**	4,709
Interest income	**(33)**	—
Depreciation of fixed assets	**10**	—
(Increase) Decrease in accounts receivable	**(216)**	391
Decrease in due from related companies	**—**	4,705
Increase in prepayments & other receivables	**(1,228)**	(183)
Decrease in deferred share issuance expenses	**3,150**	—
(Decrease) Increase in accounts payable	**(692)**	602
(Decrease) Increase in accruals and other payables	**(2,114)**	155
Decrease in receipts in advance	**(324)**	(229)
Decrease in due to related companies	**(459)**	(10,042)
Net cash (outflow) inflow from operating activities	**(2,159)**	108

b. On 4 January 2002, 50,647,988 shares of HK$0.001 each were issued to the public at HK$0.25 per share through the Placing, resulting in net cash proceeds of approximately HK$9,165,000 as a result of which the Group's shareholders' equity was increased by the same amount.

13 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 summons 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 (see Note 2i).

b. On 30 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 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 2i).

c. As at 30 June 2002 and 31 December 2001, the Company had provided a corporate guarantee to bank to secure banking facilities granted to a subsidiary.

14 CAPITAL COMMITMENT

As at 30 June 2002, the Group has a capital commitment of about HK$800,000 in respect of office renovation expenditures.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL PROGRESS

The following is a summary of the actual business progress of the Group compared with the business objectives set out in the prospectus of the Company dated 31 December 2001 (the "Prospectus"):

Business objectives as stated in the "Prospectus" for the period from 1 January 2002 to 30 June 2002	Actual progress
Enrich contents of the Group's magazines	
Continue to revamp content and flow of each magazine of the Group biannually	New columns and ideas were introduced into both "Jessica" and "Lisa" magazines. The overall layout and editorial flow were improved in both magazines during the period.
Continue to enhance existing content through strengthening of the Group's editorial team by internal training of its staff to enhance their knowledge in fashion trends and the economy	Editors of the Group attended international press events and arranged special visits to overseas locations to broaden their perspectives and experiences.
Arrange editorial staff to attend fashion shows in spring/summer 2002 in Italy and France to enhance their knowledge of global fashion trend and demands	Same as above

Business objectives as stated in the "Prospectus" for the period from 1 January 2002 to 30 June 2002	Actual progress
Increase advertising income	
Continue to expand advertising customer base and widen the range of advertising product categories by holding joint events with advertisers	"Jessica" magazine was and continues to be the selected communications medium for Hang Seng Bank's "Femina" account holders. Thus, the readership base of "Jessica" magazine was further broadened and it has successfully reached its target audience of executive women. "Lisa" magazine was successfully marketed to "Wellcome" supermarket in a joint promotion program to Wellcome's customers, thus broadening the magazine's readership base to its target audience of women who enjoy family life. The advertising customer base of both magazines has expanded, as evidenced by the eminent growth in advertising revenues compared with that of the same period in 2001.
Liaise with sales teams of different magazines of the Group to jointly promote the Group's magazines to advertisers in Hong Kong	The Group has been progressively moving towards selling advertisers jointly, providing advertisers with greater opportunity to reach different readers in different ways, with value added services. In addition, regular meetings were organised for sales teams of "Jessica" and "Lisa" magazines to meet and share ideas and market information.
Increase publicity of the Group's titles	
Continue its promotion campaigns by advertising in printed, television and other media to enhance the image of the Group	The Group has promoted the two magazines, by running advertising campaigns in television, other magazines, outdoor displays and other display channels. "Lisa" magazine has partnered up with "Wellcome" supermarket, in a joint promotion campaign, which was held in the Wellcome supermarket stores. Through this campaign, "Lisa" magazine has been able to reach a new group of readers, and raise public awareness of the title, through the magazine itself, and through the in-store promotions of "Wellcome" supermarkets, and newspaper advertising.
Provide on-pack premium gifts sponsored by advertisers to increase awareness of the magazines of the Group	"Jessica" magazine initiated a "J Club" loyalty membership program in order to build a stronger relationship with readers, and strengthen the brand name of the title by March 2002. "Jessica" magazine also gave out special "Jessica"-branded premium items to readers and advertisers for free during this period.

Business objectives as stated in the "Prospectus" for the period from 1 January 2002 to 30 June 2002	Actual progress
Launch of new titles in local market	
Launch a new title, "Jessica Girl" magazine, targeting females aged between 18 and 25 in Hong Kong	The launch of "Jessica Girl" magazine has been rescheduled to a later time in 2003, to allow further studies made on the specific market segment of readers and advertising.
Expand into other Chinese-speaking markets	
Continue to study the feasibility of developing the Group's business in the PRC market	The Group has continued to seek opportunities for business developments in the PRC market in terms of traditional licensing and selling of content and materials.

USE OF PROCEEDS

The net proceeds from the Placing, after deducting related expenses, are approximately HK$9.2 million.

Comparison of the use of proceeds as stated in the Prospectus with actual application

		Budgeted amount	For the six months ended 30 June 2002 Actual amount used
		HK$'000	*HK$'000*
1	Promotion and marketing for two existing magazines	1,800	**450**
2	Launch "Jessica Girl" magazine	4,500	**—**
3	Promotion and marketing activities to introduce the titles of the Group in PRC	400	**—**
4	Staff training and trips to attend fashion shows overseas	200	**24**
5	Staff enhancement, recruiting new staff and developing its own marketing team and support services team	1,200	**146**
6	General working capital	1,100	**944**

REVIEW

The first half of 2002 was an extremely positive start to the year, paving way for an even more productive second half, as is the tradition for the media industry.

Turnover for the six months ended 30 June 2002 was approximately HK$11.6 million, representing an increase of 32.4% as compared with the same period of the previous year while operating costs decreased slightly by approximately HK$113,000, or 0.9%.

Compared on a quarter-to-quarter basis, turnover and operating costs for the three months ended 30 June 2002 increased by 27.6% and 2.4% respectively for the same period last year.

The Group was close to breakeven in the second quarter, with the core management focus on "Jessica" magazine. More remarkably, the second quarter marked profitability for "Jessica" magazine, ahead of management expectations, and by far, out running the market norm. "Jessica" magazine is now officially the number one women's glossy magazine in Hong Kong, with an average of approximately 56,000 copies sold each month, according to the Hong Kong Audit Bureau of Circulation figures, for the period July to December 2001.

In May 2002, "Lisa" magazine was successfully marketed to "Wellcome" supermarket in an exclusive joint promotion program, to provide "Wellcome" supermarket with a communication medium to its customers, thus broadening and strengthening the magazine's reach to its target audience of women who enjoy family life. The program has taken off very well, and we shall continue to maintain this exclusive relationship for "Lisa" magazine with "Wellcome" supermarket to broaden the circulation base of the magazine.

As reported in the first quarterly report, the Company entered into a memorandum of understanding on 27 February 2002 in relation to a proposed acquisition of a 50% interest of Beijing Open Advertising Company Limited. However, as both parties did not come to a definitive agreement as to the final terms and conditions of the acquisition, a cancellation agreement was signed on 7 June 2002.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2002, the Group had net current assets of approximately HK$6.5 million (31 December 2001: net current liabilities: HK$2.5 million). The increase in net current assets was mainly due to the Placing.

As at 30 June 2002, the Group had aggregate banking facilities granted under corporate guarantee by the Company in respect of revolving term loan of HK$1 million, all of which had not been utilized.

As at 30 June 2002, (i) the Group had no significant exposure to fluctuations in exchange rates and any related hedges; (ii) the Group had no charges on its assets; and (iii) the Group did not have any material investment plan.

As the Group had no bank borrowings, no gearing ratio (measured by bank borrowings net of cash and bank balance to shareholders' equity) is presented at 30 June 2002 and 31 December 2001.

STAFF

As at 30 June 2002, the Group had 30 full-time employees. The Group recognises the importance of training to its staff. The Group provides internal on-the-job training and external training by arranging its staff to attend relevant international conferences to enhance their knowledge.

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulties in the recruitment and retention of experienced staff. The Directors are confident that the Group has a good working relationship with its employees.

The Group provides its staff with a provident fund scheme in compliance with the Mandatory Provident Fund Scheme Ordinance (Chapter 485, Laws of Hong Kong) and provides medical reimbursement to its full-time employees in Hong Kong.

Staff may be entitled to discretionary performance bonuses which are correlated to meeting individual business targets.

OUTLOOK

Looking ahead, the advertising revenues for "Jessica" magazine for the second half are expected to continue strong growth. The management team will focus on the profitability of both "Jessica" and "Lisa" magazines, by maintaining extensive co-operations with clients and developing new channels of advertising and circulation revenue. We have great confidence that the Group's performance will further improve at the operational level in the second half of 2002, with increased advertising revenue, and strengthened circulation.

We shall continue to strengthen the brand names of our titles through loyalty programs, and produce special premium items for loyal readers under the brand name of our titles. Each magazine will increase publicity through holding events to further strengthen their positions in the market, as well as promotions through television and other media. "Jessica" magazine held its second "Most Successful Women Award" for the celebration of its second anniversary, by nominating 10 women with outstanding success stories and backgrounds and exclusive interviews were featured with each of these women. "Jessica" magazine also organised its first mini-concert for readers, starring Ms. Karen Mok in July 2002.

We will improve our editorial content of each magazine, issue by issue, to provide greater value to our readers. Readers will see an overall revamping of "Lisa" magazine in the 3rd quarter as well as new columns in "Jessica" magazine. We will continue to train our staff and provide them with greater exposure in international press events, in order to enhance the quality of our magazines.

The launch of "Jessica Girl" magazine continues to be at the preparation stage, with further studies being made on the specific market segment, to enable a successful launch in the youth magazines market. The expected launch will be in 2003.

The Group is actively preparing for the licensing and launching of our titles in the PRC. We shall continue to aggressively seek opportunities in the PRC market, in terms of traditional licensing and selling of content and materials.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2002, the interests of the Directors and their respective associates in the Company and its associated corporations as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") of the Company or which required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

1 Shares of the Company

	Number of Shares				
Name of Director	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**
Mr. Ng Hung Sang, Robert	17,886,800	—	318,132,403 *(Note a)*	—	336,019,203
Ms. Ng Yuk Mui, Jessica	40,000	—	—	—	40,000

Note a:

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"), which 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 Limited, respectively. The 121,987,440 shares referred to above include the 59,325,840 shares held by Bannock Investment Limited ("Bannock") which is a wholly owned subsidiary of Earntrade. Each of Parkfield, Fung Shing and Ronastar is wholly owned by Mr. Ng Hung Sang, Robert.

2 Share options

Name of Director	**Number of share options**	**Date of grant**	**Exercise price per share (HK$)**	**Expiration date**
Ms. Foo Kit Tak	1,600,000	15 April 2002	0.69	19 December 2011
Ms. Cheung Mei Yu	1,600,000	15 April 2002	0.69	19 December 2011

No share option has been exercised by the directors to subscribe for a share in the Company during the period.

Save as disclosed above, as at 30 June 2002, none of the Directors or their associates had any personal, family, corporate or other interests in the shares of the Company or its associated corporations as defined in the SDI Ordinance or which, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, were required to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

On 20 December 2001, the Company adopted a share option scheme (the "Scheme"), pursuant to which the board of directors of the Company or a duly authorised committee thereof (the "Board"), may, at their discretion, make offers to any full time or part time employee (the "Employees") (including any executive and non-executive director or proposed executive and non-executive director) of the Group, adviser, consultant, contractor, client or supplier who have contributed to the Group (collectively the "Participants"), to take up options to subscribe for shares in the Company in accordance with the provisions of the Scheme. The purpose of the Scheme is to recognise and motivate the contribution of the Employees and other person(s) who may make a contribution to the Group and to provide incentives and help the Company in retaining its existing Employees and recruiting additional Employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

The maximum number of shares which may be issued upon exercise of all options which may be granted under the Scheme and any other share option schemes of the Company shall not exceed 10 per cent of the total issued shares of the Company (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Scheme or any other share option schemes of the Company under which such options are granted, as the case may be, shall not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeded. As at the date of this report, a total of 36,647,987 shares (representing approximately 7% of the existing issued share capital of the Company) are available for issue under the Scheme. The maximum entitlement of each Participant under the Scheme in any 12-month period up to the date of grant to such participant is 1 per cent of the shares of the Company for the time being in issue.

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not be more than ten year from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised. The consideration payable for the option is HK$1.00. The full amount of the subscription price must be paid on exercise of the option. The subscription price of the option is determined by the Board which may be the higher of (i) the closing price of the shares on the Stock Exchange on the date of offer, which must be a trading day, (ii) the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the share.

The Scheme shall be valid for 10 years and shall expire on 19 December 2011.

The principal terms of the Scheme are summarised under the sub-section headed "Share Option Scheme" in Appendix IV to the Prospectus.

The following table discloses movements in the Company's share options during the period ended 30 June 2002 and options outstanding at the beginning and at the end of the period.

	Number of share options								Price of the Company's shares ***	
Name or category of participant	**At 1/1/2002**	**Granted during the period**	**Exercised during the period**	**Cancelled during the period**	**At 30/6/2002**	**Date of grant of share options***	**Exercise period of share options**	**Initial exercise price of share options****	**Immediately preceding the grant date of share options**	**Immediately preceding the exercise date of share options**
								HK$	*HK$*	*HK$*
Directors										
Ms. Foo Kit Tak	—	1,600,000	—	—	1,600,000	15/4/2002	15/4/2003-19/12/2011	0.69	0.68	N/A
Ms. Cheung Mei Yu	—	1,600,000	—	—	1,600,000	15/4/2002	15/4/2003-19/12/2011	0.69	0.68	N/A
Other employees and others										
In aggregate	—	11,600,000	—	800,000	10,800,000	15/4/2002	15/4/2003-19/12/2011	0.69	0.68	N/A
Total	—	14,800,000	—	800,000	14,000,000					

Notes:

* The vesting period of the share options is from the date of grant until the commencement of the exercise period. All share options referred to above are subject to one year's vesting period. The share options may be exercised, in whole or in part, in the following manner:-

From the date of grant of share options	**Exercisable Percentage**
Within 12 months	Nil
13th - 24th months	$33\frac{1}{3}$%
25th - 36th months	$33\frac{1}{3}$%
37th - 48th months	$33\frac{1}{3}$%

** The exercise price was subject to adjustment. Provided always that any part of the share options not exercised in full in accordance with the periods specified above shall remain exercisable during the exercise period of share options but the exercise price shall be adjusted by increasing 5% per annum (on a cumulative basis) until such time as the relevant portion of the share options shall have been fully exercised or lapsed in accordance with the Scheme.

*** The price of the Company's shares disclosed as immediately preceding the grant date of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options.

The fair value of the options granted in the current period totalled approximately HK$2,520,000. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model (the "Model"):

1 risk-free rate of return is 5.0%;

2 the closing price of the share immediate before the date of the options granted is HK$0.68;

3 an expected volatility of 28.6%;

4 no annual dividends; and

5 the estimated expected life of the options granted during the period is 9.7 years.

The Model requires the input of highly subjective assumptions, including the volatility of share price. Treatment of the options forfeited prior to the expiry date of the Scheme will be according to the terms of the Scheme.

Because changes in subjective input assumptions can materially affect the fair value estimate, in the Directors' opinion, the Model does not necessary provide a reliable singly measure of the fair value of the share options.

No accounting treatment has been adopted in the financial statements in respect of the value of options subsisting during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, the register required to be kept under Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following interests, being 10% or more of the issued share capital of the Company:

Name	**Number of shares held**		**Approximate percentage of shareholding**
Mr. Ng Hung Sang, Robert	336,019,203	*(Note a)*	66.4%
Parkfield Holdings Limited	92,966,000	*(Note a)*	18.4%
Fung Shing Group Limited	99,012,563	*(Note a)*	19.6%
Earntrade Investments Limited	121,987,440	*(Note b)*	24.1%
Bannock Investment Limited	59,325,840	*(Note b)*	11.7%

Note:

(a) The 336,019,203 shares referred to above include 92,966,000 shares held by Parkfield, 99,012,563 shares held by Fung Shing, 4,166,400 shares held by Ronastar and 121,987,440 shares held by Earntrade, which 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 Limited, respectively. Each of Parkfield, Fung Shing and Ronastar is wholly owned by Mr. Ng Hung Sang, Robert.

(b) Earntrade is the holding company of Bannock. The 121,987,440 shares referred to above include the 59,325,840 shares held by Bannock.

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 30 June 2002.

SPONSOR'S INTEREST

As at 30 June 2002, Deloitte & Touche Corporate Finance Ltd., its directors, employees or associates did not have 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.

COMPETING INTEREST

Save as disclosed in the Prospectus, none of the Directors or chief executives of the Group, 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 competes with the business of the Group.

BOARD PRACTICES AND PROCEDURES

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 shares of the Company were listed on GEM of the Stock Exchange on 8 January 2002.

AUDIT COMMITTEE

The Company established an audit committee on 4 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 of the Group. 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 unaudited results for the three months and six months ended 30 June 2002 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company's shares were listed on GEM on 8 January 2002 by way of placement. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares since that date.

On behalf of the Board
Ng Hung Sang, Robert
Chairman

Hong Kong Special Administrative Region
of the People's Republic of China
9 August 2002