



# JESSICA PUBLICATIONS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

## THIRD QUARTERLY REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2003

### CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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*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.*

## QUARTERLY RESULTS

The board of directors (the “Board”) 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 nine months ended 30 September 2003, together with the comparative unaudited figures for the corresponding periods in 2002, as follows:

### CONSOLIDATED INCOME STATEMENT - UNAUDITED

	<i>Notes</i>	Three months ended		Nine months ended	
		30 September		30 September	
		2003	2002	2003	2002
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>	2	<b>11,170</b>	7,536	<b>28,530</b>	19,140
Direct operating expenses		<b>(7,661)</b>	(5,680)	<b>(19,052)</b>	(13,045)
Other operating income		<b>25</b>	22	<b>103</b>	55
Selling and distribution costs		<b>(3,467)</b>	(1,906)	<b>(7,846)</b>	(4,451)
Administrative expenses		<b>(1,424)</b>	(1,371)	<b>(3,427)</b>	(3,351)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net loss before taxation</b>	3	<b>(1,357)</b>	(1,399)	<b>(1,692)</b>	(1,652)
Taxation	4	<b>—</b>	—	<b>—</b>	—
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net loss attributable to shareholders</b>		<b>(1,357)</b>	(1,399)	<b>(1,692)</b>	(1,652)
Accumulated deficit, beginning of period		<b>(4,627)</b>	(2,618)	<b>(4,292)</b>	(2,365)
<b>Dividend</b>	5	<b>—</b>	—	<b>—</b>	—
		<hr/>	<hr/>	<hr/>	<hr/>
Accumulated deficit, end of period		<b>(5,984)</b>	(4,017)	<b>(5,984)</b>	(4,017)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Loss per share - Basic	6	<b>HK(0.27) cents</b>	HK(0.28) cents	<b>HK(0.33) cents</b>	HK(0.33) cents
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes:

## 1 BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 29 June 2001 as an exempted limited company 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.

The unaudited consolidated income statements for the three months and nine months ended 30 September 2003 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 2002, except for the new adoption of Statement of Standard Accounting Practice ("SSAP") No. 12 (Revised) "Accounting for Income Taxes" issued by the Hong Kong Society of Accountants, which has no significant impact on the unaudited consolidated income statement for the nine months ended 30 September 2003. The unaudited consolidated income statement has been prepared in accordance with SSAPs 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 TURNOVER

	Three months ended 30 September		Nine months ended 30 September	
	2003 <i>HK\$'000</i> (Unaudited)	2002 <i>HK\$'000</i> (Unaudited)	2003 <i>HK\$'000</i> (Unaudited)	2002 <i>HK\$'000</i> (Unaudited)
Sales of magazines	2,981	2,525	8,470	7,479
Advertising income	7,058	4,700	17,767	11,172
Promotion and marketing income	1,131	311	2,293	489
	<u>11,170</u>	<u>7,536</u>	<u>28,530</u>	<u>19,140</u>

During the three months and nine months ended 30 September 2003, the Group did not record any advertising revenue from barter transactions (three months and nine months ended 30 September 2002: Nil and approximately HK\$37,000 respectively).

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

## 3 NET LOSS BEFORE TAXATION

Net loss before taxation has been arrived at after charging:

	Three months ended 30 September		Nine months ended 30 September	
	2003 <i>HK\$'000</i> (Unaudited)	2002 <i>HK\$'000</i> (Unaudited)	2003 <i>HK\$'000</i> (Unaudited)	2002 <i>HK\$'000</i> (Unaudited)
Staff cost (including directors' emoluments)	3,453	1,675	8,191	4,275
Retirement benefits scheme contributions	139	70	336	185
	<u>3,592</u>	<u>1,745</u>	<u>8,527</u>	<u>4,460</u>
Provision for (Written back) bad and doubtful debts	123	9	188	(119)
Depreciation	46	22	118	32
Auditors' remuneration	75	60	225	180
	<u>75</u>	<u>60</u>	<u>225</u>	<u>180</u>

#### 4 TAXATION

No Hong Kong profits tax was provided because the Group had no assessable profit arising in or derived from Hong Kong during the nine months ended 30 September 2003 (nine months ended 30 September 2002: Nil).

As at 30 September 2003, no deferred tax asset has been recognised in respect of the unused tax losses of approximately HK\$12.6 million (31 December 2002: approximately HK\$11.3 million), which are subject to the agreement of the Inland Revenue Department of the Hong Kong Special Administrative Region of the People's Republic of China, due to the unpredictability of future profit streams.

#### 5 DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the nine months ended 30 September 2003 (nine months ended 30 September 2002: Nil).

#### 6 LOSS PER SHARE

The calculation of basic loss per share for the three months and nine months ended 30 September 2003 is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$1,357,000 and HK\$1,692,000 respectively (three months and nine months ended 30 September 2002: loss of approximately HK\$1,399,000 and HK\$1,652,000 respectively) and on the weighted average number of 506,479,876 shares in issue (three months and nine months ended 30 September 2002: on the weighted average number of approximately 506,479,876 shares in issue and 505,923,305 shares deemed to be in issue throughout the periods).

No diluted loss per share is presented because the exercise prices of the Company's options were higher than the average market price per share during the three months and nine months ended 30 September 2003, and there were no dilutive potential ordinary shares in existence during the three months and nine months ended 30 September 2002.

#### 7 MOVEMENT OF RESERVES

	Three months ended 30 September				2002
	2003				
	Share premium	Capital reserve	Accumulated deficit	Total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>The Group</b>					
At 1 July	9,169	(510)	(4,627)	4,032	6,041
Net loss attributable to shareholders	—	—	(1,357)	(1,357)	(1,399)
At 30 September	<u>9,169</u>	<u>(510)</u>	<u>(5,984)</u>	<u>2,675</u>	<u>4,642</u>

	Three months ended 30 September			2002
	2003			
	Share premium	Accumulated deficit	Total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>The Company</b>				
At 1 July	9,169	(502)	8,667	8,913
Net loss attributable to shareholders	—	(68)	(68)	(65)
At 30 September	<u>9,169</u>	<u>(570)</u>	<u>8,599</u>	<u>8,848</u>

**Nine months ended 30 September**

	2003				2002
	Share premium HK\$'000 (Unaudited)	Capital reserve HK\$'000 (Unaudited)	Accumulated deficit HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>The Group</b>					
At 1 January	9,169	(510)	(4,292)	4,367	(2,821)
Placing of shares	—	—	—	—	12,612
Share issuance expenses	—	—	—	—	(3,497)
Net loss attributable to shareholders	—	—	(1,692)	(1,692)	(1,652)
	<u>9,169</u>	<u>(510)</u>	<u>(5,984)</u>	<u>2,675</u>	<u>4,642</u>

**Nine months ended 30 September**

	2003			2002
	Share premium HK\$'000 (Unaudited)	Accumulated deficit HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>The Company</b>				
At 1 January	9,169	(379)	8,790	(83)
Placing of shares	—	—	—	12,612
Share issuance expenses	—	—	—	(3,497)
Net loss attributable to shareholders	—	(191)	(191)	(184)
	<u>9,169</u>	<u>(570)</u>	<u>8,599</u>	<u>8,848</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the third quarter of the year, the Group dedicated its efforts to further strengthening the positioning of its magazines in their respective market segments. Despite the outbreak of SARS in the second quarter of the year and increased market competition, the three months ended 30 September 2003 saw a further expansion in our business, with turnover for the period of approximately HK\$11.2 million, representing an increase of approximately 48% as compared with the same period of the previous year, while operating costs increased by approximately 40% as the Group continued to invest its resources in growing its magazines' market share.

Turnover for the nine months ended 30 September 2003 was approximately HK\$28.5 million, representing an increase of approximately 49% as compared with the same period last year, while operating costs increased by approximately HK\$9.5 million, or approximately 45%.

The Group saw a loss of approximately HK\$1.4 million for the three months ended 30 September 2003, although “旭茉JESSICA” magazine made positive contributions. Losses stemmed mainly from the initial growth stage of “旭茉JESSICACODE” magazine, which was launched in April 2003 as a monthly magazine and then adapted to a semi-monthly magazine in July 2003, and from the employment of resources into “味道LISA” magazine, as “味道LISA” magazine was adapted to a bi-weekly magazine.

Several significant events were held during this period for each of these magazines, including “旭茉JESSICA” magazine's *Most Successful Women Award 2003* and “味道LISA” magazine's *5th Secondary School Cooking Competition* which provided positive contributions to the Group as well as arousing awareness of our magazines in the market.

The Group has been actively exploring opportunities in magazine publications and distribution related business in the People's Republic of China (the “PRC”) which is explained in detail in “Significant Investment Plans” below.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the nine months ended 30 September 2003, the Group's operation was mainly financed by the net proceeds of the placing of shares in January 2002 and the internal financial resources of the Group.

As at 30 September 2003, the Group had net current assets of approximately HK\$2.4 million (31 December 2002: net current assets of approximately HK\$4.3 million). The current assets comprised bank balances and cash of approximately HK\$6.5 million, trade and other receivables of approximately HK\$9.2 million. The current liabilities comprised trade payables, accruals and other payables of approximately HK\$12.3 million, receipts in advance of approximately HK\$0.7 million and amount due to a related company of approximately HK\$0.3 million.

As at 30 September 2003, the Group had aggregate banking facilities granted under corporate guarantee by the Company in respect of a revolving term loan of HK\$1 million, none of which had been utilized. Therefore, the gearing ratio of the Group, which is measured by bank borrowings net of cash and bank balance to shareholders' equity, remained zero as at 30 September 2003.

During the nine months ended 30 September 2003, the Group did not make any material acquisitions and disposals of subsidiaries and affiliated companies and investment save for the Joint Venture (as defined below) mentioned in the section headed "Significant Investment Plans" below.

As at 30 September 2003, (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 had no significant investment held.

The Board is of the opinion that 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 time deposit with banks in Hong Kong.

## **SIGNIFICANT INVESTMENT PLANS**

On 11 August 2003, Grandpress Limited ("Grandpress"), a wholly-owned subsidiary of the Company entered into a co-operative joint venture agreement (the "Agreement") with Shanghai Boyang Advertising Limited (上海博洋廣告有限公司) ("Boyang"). Pursuant to the Agreement, Grandpress and Boyang will form a company named Shanghai South China & Boyang Media Consultant Co., Ltd. (上海南華博洋傳媒諮詢有限公司) (the "Joint Venture") in the PRC, a Sino-foreign co-operative joint venture, which will be engaged in the magazine publication and distribution related businesses.

The registered capital for the Joint Venture is HK\$5,200,000 of which (i) HK\$2,860,000 will be contributed in cash by Grandpress and (ii) the remaining HK\$2,340,000 will be contributed in cash and in kind by Boyang. Hence, the Joint Venture will be owned as to 55% by Grandpress and as to 45% by Boyang.

As at 30 September 2003, the Group did not have any other significant investment plans, except the above-mentioned Joint Venture and the plans set out in the section headed "Statement of Business Objectives" in the prospectus of the Company dated 31 December 2001 (the "Prospectus").

## PROSPECTS

The final quarter of the year is traditionally the peak months of the industry. We will focus on strengthening the Group's overall sales and marketing function and enhancing the brand presence of each of our titles. At the same time, we shall focus on improving operating efficiencies, productivity and competitiveness, in order to sustain our leading position in the market. With the potential benefits gained from the recent revival in Hong Kong's economy, we believe our revenues will continue to grow.

With the launch of a new magazine named “旭茉JESSICACODE” and the repositioning of “味道LISA” magazine from a monthly to a bi-weekly magazine, and with better reception by the market, we are confident that more revenues will be generated.

In China, the Group continues to aggressively expand its number of partnerships and joint venture titles with influential advertising and publishing partners. Upon the completion of the set up of the Joint Venture and the start-up of its operation, we anticipate that positive contributions will flow in. We are confident that we shall gain valuable experience from the Joint Venture in the PRC and capitalize on the expertise possessed by our Joint Venture partner, which will enable us to penetrate the publishing market in a more efficient and effective manner.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN EQUITY SECURITIES

As at 30 September 2003, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, relating to the minimum standards of dealing by directors of listed issuers, to be notified to the Company and the Stock Exchange were as follows:

Name of director	Name of company	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Mr. Ng Hung Sang, Robert	The Company	Beneficial owner	18,102,800	3.57%
	The Company	Corporate interest	318,132,403	62.81%
			(Note)	
Ms. Ng, Jessica Yuk Mui	The Company	Beneficial owner	416,000	0.08%

*Note:* 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 Eartrade Investments Limited (“Eartrade”), 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 (“South China Holdings”), 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 Eartrade. Each of Parkfield, Fung Shing and Ronastar is wholly owned by Mr. Ng Hung Sang, Robert.

Save as disclosed above and the interests of certain directors of the Company in the share options of the Company as disclosed in the section headed “SHARE OPTION SCHEME” below, as at 30 September 2003, none of the directors or chief executive of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, relating to the minimum standards of dealing by directors of listed issuers, to be notified to the Company and the Stock Exchange.

## SHARE OPTION SCHEME

The Company's existing share option scheme (the "Scheme") was adopted on 20 December 2001 and became effective on 8 January 2002. Particulars and movements of the outstanding share options granted under the Scheme during the nine months ended 30 September 2003 were as follows:-

Name or category of participant	Number of share options					As at 30/9/2003	Date of grant of share options (Note a)	Exercise period of share option	Price of the Company's shares		
	As at 1/1/2003	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				Initial	Immediately	Immediately
									exercise price per share	exercise price per share	preceding the exercise date of share options
									(Note b)	(Note c)	
HK\$	HK\$	HK\$									
<b>Directors</b>											
Ms. Foo Kit Tak	1,600,000	—	—	—	—	1,600,000	15/4/2002	15/4/2003 - 7/1/2012	0.69	0.68	N/A
	1,600,000	—	—	—	—	1,600,000	2/9/2002	2/9/2003 - 7/1/2012	0.31	0.30	N/A
Ms. Cheung Mei Yu	1,600,000	—	—	—	—	1,600,000	15/4/2002	15/4/2003 - 7/1/2012	0.69	0.68	N/A
	1,600,000	—	—	—	—	1,600,000	2/9/2002	2/9/2003 - 7/1/2012	0.31	0.30	N/A
Sub-total	6,400,000	—	—	—	—	6,400,000					
<b>Employees</b>											
In aggregate	2,240,000	—	—	(160,000)	—	2,080,000	15/4/2002	15/4/2003 - 7/1/2012	0.69	0.68	N/A
	4,320,000	—	—	(800,000)	—	3,520,000	2/9/2002	2/9/2003 - 7/1/2012	0.31	0.30	N/A
Sub-total	6,560,000	—	—	(960,000)	—	5,600,000					
<b>Others</b>											
In aggregate	7,200,000	—	—	(2,560,000)	—	4,640,000	15/4/2002	15/4/2003 - 7/1/2012	0.69	0.68	N/A
	2,240,000	—	—	(640,000)	—	1,600,000	2/9/2002	2/9/2003 - 7/1/2012	0.31	0.30	N/A
Sub-total	9,440,000	—	—	(3,200,000)	—	6,240,000					
Total	22,400,000	—	—	(4,160,000)	—	18,240,000					

### Notes:

- (a) The vesting period of the share options is the period 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 $\frac{1}{3}$ %



- (b) The exercise price is 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.
- (c) The price of the shares disclosed as immediately preceding the grant date of share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options.

## SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 30 September 2003, shareholders who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were directly, or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group were as follows:

<b>Name of shareholder</b>	<b>Name of Company</b>	<b>Capacity</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of shareholding</b>
Mr. Ng Hung Sang, Robert	The Company	Beneficial owner	18,102,800	3.57%
	The Company	Corporate interest	318,132,403 ( <i>Note a</i> )	62.81%
Parkfield	The Company	Beneficial owner	92,966,000 ( <i>Note a</i> )	18.36%
Fung Shing	The Company	Beneficial owner	99,012,563 ( <i>Note a</i> )	19.55%
Eartrade	The Company	Beneficial owner	62,661,600 ( <i>Note b</i> )	12.37%
	The Company	Corporate interest	59,325,840 ( <i>Note b</i> )	11.71%
Bannock	The Company	Beneficial owner	59,325,840 ( <i>Note b</i> )	11.71%
Ms. Ng Lai King, Pamela	The Company	Spouse's interest	336,235,203 ( <i>Note c</i> )	66.38%

### Notes:

- (a) The 318,132,403 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 Eartrade, 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, respectively. Each of Parkfield, Fung Shing and Ronastar is wholly owned by Mr. Ng Hung Sang, Robert.
- (b) Eartrade is the holding company of Bannock. Thus, Eartrade is deemed to be interested in the 59,325,840 shares of the Company held by Bannock.
- (c) Ms. Ng Lai King, Pamela is the wife of Mr. Ng Hung Sang, Robert and is taken to be interested in the 336,235,203 shares in which Mr. Ng Hung Sang, Robert is interested by virtue of the SFO.

Save as disclosed above, as at 30 September 2003, the directors or chief executives of the Company were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group.

## **SPONSOR'S INTERESTS**

Pursuant to the agreement dated 27 November 2002 entered into between the Company and MasterLink Securities (Hong Kong) Corporation Limited ("MasterLink"), MasterLink has received and will receive fees for acting as the Company's continuing sponsor for the period from 26 November 2002 to 31 December 2004 or until the termination of the agreement upon the terms and conditions as set out therein.

As updated and notified by MasterLink, MasterLink, its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules), as at 30 September 2003, 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 INTERESTS**

Mr. Ng Hung Sang, Robert, Chairman and management shareholder of the Company, is also Chairman of South China Holdings and Co-Chairman of Capital Publications Limited ("Capital"). Mr. Ng Hung Sang, Robert, personally and through Parkfield, Fung Shing and Ronastar, has interest in South China Holdings and Capital. Mr. Ng Hung Sang, Robert together with Ms. Cheung Choi Ngor, Christina and Mr. Richard Howard Gorges, management shareholders of the Company, have beneficial interests in Eartrade, which directly and indirectly through Bannock holds shares in South China Holdings and Capital. Ms. Cheung Choi Ngor, Christina, who is an ex-director of Capital Publishing Limited, a wholly owned subsidiary of Capital and Mr. Richard Howard Gorges, are also directors of various members of South China Holdings. As Capital and certain members of South China Media Limited, a subsidiary of South China Holdings, are principally engaged in magazine publication, Mr. Ng Hung Sang, Robert, Ms. Cheung Choi Ngor, Christina and Mr. Richard Howard Gorges are regarded to be interested in such competing businesses of the Group. Likewise, Ms. Ng, Jessica Yuk Mui, Chief Executive Officer of the Company, is also a director of South China Holdings and a director of certain members of South China Media Limited and a non-executive director of Capital.

Save as disclosed above and 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 compete or had any conflicts of interest 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 nine months ended 30 September 2003 have been reviewed by the audit 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 THE COMPANY'S LISTED SECURITIES**

The Company's shares were listed on GEM on 8 January 2002 by way of placement. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities 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  
29 October 2003