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JESSICA

JESSICA PUBLICATIONS LIMITED



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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8137)

FIRST QUARTERLY REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2004

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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.

MANAGEMENT DISCUSSION

BUSINESS REVIEW

The first quarter of 2004 paved a positive start to the year for the Group.

Total turnover for the period was approximately HK\$9,982,000, representing a 52% growth on the same period last year, due to growth in revenues from "旭茉 JESSICA" magazine and "味道 LISA" magazine, and revenues generated from "旭茉 JESSICACODE" magazine.

Despite that the first quarter is traditionally the low season quarter for the publishing industry, advertising spending in our Hong Kong magazines continued to see strong growth.

Net loss of the Group for the three months ended 31 March 2004 amounted to approximately HK\$1,006,000 (three months ended 31 March 2003: net loss of approximately HK\$346,000).

"旭茉 JESSICA" magazine continues to enjoy its position as HK's leading women's glossy magazine, with an average monthly circulation of 61,100 copies for the twelve months from January to December 2003 according to the Hong Kong Audit Bureau of Circulations. Growth in advertising dollars is a reflection of continued growing confidence in the "旭茉 JESSICA" brand.

"旭茉 JESSICACODE" magazine was resumed as a monthly magazine and a promotional program was launched starting from the February 2004 issue, with a special cover price and innovative packaging that has achieved significant awareness at newsstands with readers and advertisers. The magazine has as a result, experienced growth in circulation numbers and growing advertising revenues.

"味道 LISA" saw improvements in advertising revenue.

LIQUIDITY AND FINANCIAL RESOURCES

During the three months ended 31 March 2004, the Group's operation was mainly financed by the internal financial resources of the Group.

As at 31 March 2004, the Group had net current assets of approximately HK\$3.5 million (31 December 2003: net current assets of approximately HK\$2.2 million). The current assets comprised bank balances and cash of approximately HK\$6.3 million and trade and other receivables of approximately HK\$10.6 million. The current liabilities comprised trade payables, accruals and others of approximately HK\$13.4 million.

As at 31 March 2004, 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 31 March 2004.

During the three months ended 31 March 2004, the Group did not make any material acquisitions and disposals of subsidiaries and affiliated companies and investment save for the transactions mentioned in the section headed "Significant Investment Plans" below.

As at 31 March 2004, (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 save for Shanghai South China & Boyang Business Consultation Co., Ltd, a sino-foreign co-operative joint venture in the People's Republic of China ("PRC") which was owned as to 55% by Grandpress and 45% by Shanghai Boyang Advertising Limited respectively.

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.

COVERS



AND ANALYSIS

SIGNIFICANT INVESTMENT PLAN

On 30 March 2004, Grandpress Limited ("Grandpress"), a wholly-owned subsidiary of the Company, entered into an Agreement with 重慶翔潤信息諮詢有限公司 ("Chongqing Co") under which Grandpress acquired from Chongqing Co its 55% equity interest in Shanghai South China & Boyang Culture Media Co., Ltd. ("BCM"), at a consideration of RMB550,000.

Business scope of BCM

BCM is a domestic PRC company which has a registered capital of RMB1 million and is carrying on the businesses of distribution and selling all advertising space in the Chinese language publications of Paralife ("完全生活手冊"), 8 Weekly ("八周刊") and Carplus CN ("車市周刊") in the PRC.

1. Paralife ("完全生活手冊")

Paralife has two localized editions, one circulated in Shanghai ("Paralife Shanghai"), and the other in Beijing ("Paralife Beijing").

Paralife Shanghai is currently the second largest circulation lifestyle weekly in Shanghai, with an aggressive cover-price strategy. It is unique in terms of quality and editorial. The magazine is targeted at affluent readers between the ages of 25-35, yuppies seeking for quality lifestyle and trends. This magazine is expected to be a key driver of the Group's China business.

Paralife Beijing was launched in September 2003, as a spin off from the success of Paralife Shanghai. Although competition is more severe in the local Beijing market, the magazine has already captured a sizeable share of the market.

2. 8 Weekly ("八周刊")

The first issue of 8 Weekly was launched in January 2004. 8 Weekly is an entertainment and lifestyle weekly with news on Hong Kong and mainland celebrities. The magazine has swept the Shanghai local market, with the first issue sold out in a matter of days and demand of the magazine continues to grow strongly. This magazine is expected to be another key driver of the Group's China business.

3. Carplus CN ("車市周刊")

Carplus CN was launched in December 2003, focusing on the booming automobile market in Beijing. The magazine is distributed predominantly in Beijing and is a leading car bi-weekly magazine in the capital city. Breaking even in the second quarter through growth in advertising revenues shall be the top priority for our magazines through this investment.

As at 31 March 2004, the Group did not have any other significant investment plans, except the above transaction 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 management team is positive towards the rest of 2004 and expects Hong Kong operations to become profitable for the second quarter of 2004. Advertising revenue bases continue to grow aggressively.

We shall continue to expand our advertising and circulation revenues, locating corporate partners to further expand our business in Hong Kong. It shall remain the Group's focus to strengthen our brand names in Hong Kong, through further partnerships, events and promotional efforts. We shall continue to look closely at our cost efficiencies as well as building up our human resources pool for further expansion locally and in China.

The Group is now also in the process of preparing for the launch of "旭茉 JESSICA" China edition in the early second half of 2004. We shall continue to aggressively grow our readership base and build the brands of our magazines in China.



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 ended 31 March 2004, together with the comparative unaudited figures for the corresponding period in 2003, as follows:

CONSOLIDATED INCOME STATEMENT - UNAUDITED

		Three months ended	
		31 March	
		2004	2003
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	9,982	6,573
Direct operating expenses		(6,978)	(4,473)
Other operating income		49	49
Selling and distribution costs		(2,835)	(1,543)
Administrative expenses		(1,224)	(952)
Net loss before taxation	3	(1,006)	(346)
Taxation	4	—	—
Net loss attributable to shareholders		(1,006)	(346)
Accumulated deficit, beginning of period		(5,807)	(4,292)
Dividend	5	—	—
Accumulated deficit, end of period		(6,813)	(4,638)
Loss per share - Basic	6	HK(0.20) cents	HK(0.07) cents

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 statement for the three months ended 31 March 2004 has not been audited by the Company's auditors but has 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 2003. The unaudited consolidated income statement has 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 TURNOVER

	Three months ended 31 March	
	2004	2003
	HK\$'000	HK\$'000
Sales of magazines	2,424	2,197
Advertising income and promotion project income	7,558	4,376
	9,982	6,573

During the three months ended 31 March 2004, the Group did not record any advertising revenue from barter transactions (three months ended 31 March 2003: Nil).

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 business and geographical location is presented.

3 NET LOSS BEFORE TAXATION

Net loss before taxation has been arrived at after charging:

	Three months ended 31 March	
	2004	2003
	HK\$'000	HK\$'000
Staff cost (including directors' emoluments)	3,520	1,976
Retirement benefits scheme contributions	149	87
	3,669	2,063
Provision for bad and doubtful debts	197	20
Depreciation	52	34
Auditors' remuneration	75	75

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 three months ended 31 March 2004 (three months ended 31 March 2003: Nil).

As at 31 March 2004, no deferred tax asset has been recognised in respect of the unused tax losses of approximately HK\$14.7 million (31 December 2003 : approximately HK\$13.8 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 three months ended 31 March 2004 (three months ended 31 March 2003: Nil).

6 LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2004 is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$1,006,000 (three months ended 31 March 2003: loss of approximately HK\$346,000) and on the number of 506,639,716 shares in issue (three months ended 31 March 2003: on the number of 506,479,876 shares in issue).

No diluted loss per share is presented for the three months ended 31 March 2004 as it is anti-dilutive.

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 ended 31 March 2004, and there were no dilutive potential ordinary shares in existence during the three months ended 31 March 2003.

7 MOVEMENT OF RESERVES

	Three months ended 31 March				2003
	2004			Total	
Share premium	Capital reserve	Accumulated deficit	Total		Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
The Group					
At 1 January	9,218	(510)	(5,807)	2,901	4,367
Net loss attributable to shareholders	—	—	(1,006)	(1,006)	(346)
At 31 March	<u>9,218</u>	<u>(510)</u>	<u>(6,813)</u>	<u>1,895</u>	<u>4,021</u>
	Three months ended 31 March				2003
	2004			Total	
Share premium	Accumulated deficit	Total	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
The Company					
At 1 January	9,218	(642)	8,576	8,790	
Net loss attributable to shareholders	—	(73)	(73)	(61)	
At 31 March	<u>9,218</u>	<u>(715)</u>	<u>8,503</u>	<u>8,729</u>	

8 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN EQUITY SECURITIES

As at 31 March 2004, 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 Rule 5.46 of the GEM Listing Rules, relating to the required 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	62.79%
			<i>(Note)</i>	
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 31 March 2004, 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 Rule 5.46 of the GEM Listing Rules, relating to the required 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 three months ended 31 March 2004 were as follows:-

Name or category of participant	Number of share options						Price of the Company's shares				
	As at 1/1/2004	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31/3/2004	Date of grant of share options (Note a)	Exercise period of share options	Immediately		
									Initial exercise price per share	preceding the grant date	Immediately preceding the exercise date of share options
									(Note b)	(Note c)	
HK\$	HK\$	HK\$									
Directors											
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					
Employees											
In aggregate	1,920,000	—	—	—	—	1,920,000	15/4/2002	15/4/2003 - 7/1/2012	0.69	0.68	N/A
	3,200,000	—	—	—	—	3,200,000	2/9/2002	2/9/2003 - 7/1/2012	0.31	0.30	N/A
Sub-total	5,120,000	—	—	—	—	5,120,000					
Others											
In aggregate	3,760,000	—	—	(160,000)	—	3,600,000	15/4/2002	15/4/2003 - 7/1/2012	0.69	0.68	N/A
	1,280,160	—	—	(160,000)	—	1,120,160	2/9/2002	2/9/2003 - 7/1/2012	0.31	0.30	N/A
Sub-total	5,040,160	—	—	(320,000)	—	4,720,160					
Total	16,560,160	—	—	(320,000)	—	16,240,160					

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 31 March 2004, 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:

Name of shareholder	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 <i>(Note a)</i>	62.79%
Parkfield	The Company	Beneficial owner	92,966,000 <i>(Note a)</i>	18.35%
Fung Shing	The Company	Beneficial owner	99,012,563 <i>(Note a)</i>	19.54%
Earntrade	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%

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 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, 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. Thus, Earntrade is deemed to be interested in the 59,325,840 shares of the Company held by Bannock.

Save as disclosed above, as at 31 March 2004, 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 31 March 2004, 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 and Chief Executive Officer 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 Earntrade, 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 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 5.34 to 5.45 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 5.29 to 5.30 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 ended 31 March 2004 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.

As at the date of this report, the board of directors of the Company comprises (1) Mr. Ng Hung Sang, Robert, Ms. Ng, Jessica Yuk Mui, Ms. Foo Kit Tak and Ms. Cheung Mei Yu as executive directors; and (2) Mr. So, George Siu Ming and Ms. Pong Oi Lan, Scarlett as independent non-executive directors.

On behalf of the Board
Ng Hung Sang, Robert
Chairman

Hong Kong Special Administrative Region
of the People's Republic of China
13 May 2004