



## **JESSICA PUBLICATIONS LIMITED**

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

**(Stock Code: 8137)**

### **INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2004**

#### **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.**

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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.*

## INTERIM RESULTS

The board of directors (the “Board”) of the Company is pleased to announce that 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 2004, together with the comparative unaudited figures for the corresponding periods in 2003, are as follows:

### CONSOLIDATED INCOME STATEMENT — UNAUDITED

	<i>Notes</i>	Three months ended		Six months ended	
		30 June		30 June	
		2004	2003	2004	2003
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>	3	<b>20,870</b>	10,787	<b>30,852</b>	17,360
Direct operating expenses		<b>(16,458)</b>	(7,337)	<b>(23,436)</b>	(11,809)
Other operating income		<b>5</b>	29	<b>54</b>	78
Selling and distribution costs		<b>(4,529)</b>	(2,417)	<b>(7,364)</b>	(3,961)
Administrative expenses		<b>(2,381)</b>	(1,051)	<b>(3,605)</b>	(2,003)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net (loss) profit before taxation</b>	4	<b>(2,493)</b>	11	<b>(3,499)</b>	(335)
Taxation	6	<b>—</b>	—	<b>—</b>	—
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net (loss) profit after taxation</b>		<b>(2,493)</b>	11	<b>(3,499)</b>	(335)
Amortisation of goodwill	9	<b>(322)</b>	—	<b>(322)</b>	—
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net (loss) profit before minority interest</b>		<b>(2,815)</b>	11	<b>(3,821)</b>	(335)
Minority interest		<b>1,557</b>	—	<b>1,557</b>	—
		<hr/>	<hr/>	<hr/>	<hr/>
<b>Net (loss) profit attributable to shareholders</b>		<b>(1,258)</b>	11	<b>(2,264)</b>	(335)
Accumulated deficit, beginning of period		<b>(6,813)</b>	(4,638)	<b>(5,807)</b>	(4,292)
<b>Dividend</b>	7	<b>—</b>	—	<b>—</b>	—
		<hr/>	<hr/>	<hr/>	<hr/>
Accumulated deficit, end of period		<b>(8,071)</b>	(4,627)	<b>(8,071)</b>	(4,627)
		<hr/>	<hr/>	<hr/>	<hr/>
<b>(Loss) Earnings per share - Basic</b>	8	<b>HK(0.25)cent</b>	HK0.002cent	<b>HK(0.45)cent</b>	HK(0.07)cent

## CONSOLIDATED BALANCE SHEET

		<b>As at 30 June 2004 HK\$'000 (Unaudited)</b>	As at 31 December 2003 HK\$'000 (Audited)
<b>Non-current assets</b>			
Plant and equipment		1,284	746
Trademark		19	—
Goodwill	9	6,098	—
Deposit for investment		—	451
		<u>7,401</u>	<u>1,197</u>
<b>Current assets</b>			
Trade receivables	10	16,259	9,825
Other receivables		2,137	264
Amount due from a related company		—	77
Bank balances and cash		2,433	5,813
		<u>20,829</u>	<u>15,979</u>
<b>Current liabilities</b>			
Trade payables	11	17,942	9,674
Other payables and accrued charges		4,300	3,434
Receipts in advance		499	660
Bank loan		1,000	—
Amount due to a related company		506	—
		<u>24,247</u>	<u>13,768</u>
<b>Net current assets (liabilities)</b>		<u>(3,418)</u>	<u>2,211</u>
<b>Total asset less current liabilities</b>		<b>3,983</b>	<b>3,408</b>
<b>Non-current liability</b>			
Loan from a minority shareholder		2,199	—
		<u>1,784</u>	<u>3,408</u>
<b>Capital and reserves</b>			
Share capital	12	507	507
Share premium and reserves	13	637	2,901
		<u>1,144</u>	<u>3,408</u>
Minority interest		640	—
		<u>1,784</u>	<u>3,408</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED***For the six months ended 30 June 2004*

	<b>Share capital</b> <i>HK\$'000</i>	<b>Share premium</b> <i>HK\$'000</i>	<b>Capital reserve</b> <i>HK\$'000</i>	<b>Accumulated losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>2003</b>					
At 1 January 2003	506	9,169	(510)	(4,292)	4,873
Net loss for the period	—	—	—	(335)	(335)
At 30 June 2003	<u>506</u>	<u>9,169</u>	<u>(510)</u>	<u>(4,627)</u>	<u>4,538</u>
<b>2004</b>					
At 1 January 2004	507	9,218	(510)	(5,807)	3,408
Net loss for the period	—	—	—	(2,264)	(2,264)
<b>At 30 June 2004</b>	<u><b>507</b></u>	<u><b>9,218</b></u>	<u><b>(510)</b></u>	<u><b>(8,071)</b></u>	<u><b>1,144</b></u>

## CONSOLIDATED CASH FLOW STATEMENT — UNAUDITED

	Six months ended	
	30 June	
	2004	2003
	HK\$'000	HK\$'000
Net cash flow used in operating activities	(2,974)	(925)
Net cash flow used in investing activities	(3,605)	(157)
Net cash flow from financing activities	3,199	—
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(3,380)	(1,082)
Cash and cash equivalents, beginning of the period	5,813	7,293
	<hr/>	<hr/>
Cash and cash equivalents, end of the period	2,433	6,211
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of the balance of cash and cash equivalents:</b>		
Bank balances and cash	2,433	6,211
	<hr/> <hr/>	<hr/> <hr/>

Notes:

### 1 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.

The unaudited consolidated financial statements for the three months and six months ended 30 June 2004 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 2003. 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 Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight-line basis over its estimated useful life.

## 2 RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2004 and 2003, the Group had significant transactions with companies controlled by, or affiliated with, South China Holdings Limited (“South China Holdings”). These companies are collectively referred to as South China Group. A director of the Company, Mr. Ng Hung Sang, Robert, is a substantial shareholder and a director of South China Holdings. Details of these transactions are as follows:

Nature of transactions	Six months ended 30 June	
	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)
Expenses:		
Administrative service fees	101	494
Color separation and photo processing fees	466	511
Phototaking service fees	247	262
Rental expenses in respect of office premises	119	119

Mr. Ng Hung Sang, Robert, a director and a substantial shareholder of the Company, had undertaken to provide continuing financial support to the Group to enable the Group to meet its liabilities as they fell due within the period from 11 September 2001 to 8 January 2002, when the Company’s shares were listed on the GEM. Mr. Ng Hung Sang, Robert, Parkfield Holdings Limited (“Parkfield”), Fung Shing Group Limited (“Fung Shing”), Ronastar Investments Limited (“Ronastar”), Eartrade Investments Limited (“Eartrade”) and Bannock Investment Limited (“Bannock”), shareholders of the Company, have provided indemnities in favour of the Group in the event that the Group incurs any liability as a result of the waiver of amounts due to related companies (see note 14a).

## 3 TURNOVER

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

	Three months ended 30 June		Six months ended 30 June	
	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)	2003 HK\$'000 (Unaudited)
Sales of magazines	5,256	3,292	7,680	5,489
Advertising income and promotion project income	15,614	7,495	23,172	11,871
	<u>20,870</u>	<u>10,787</u>	<u>30,852</u>	<u>17,360</u>

During the three months and six months ended 30 June 2004 and 30 June 2003, the Group did not record any advertising revenue from barter transaction.

#### 4 NET (LOSS) PROFIT BEFORE TAXATION

Net (loss) profit before taxation has been arrived at after charging:

	Three months ended		Six months ended	
	30 June		30 June	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Staff cost (including directors' emoluments)	4,217	2,762	7,737	4,738
Retirement benefits scheme contributions	118	110	267	197
	<u>4,335</u>	<u>2,872</u>	<u>8,004</u>	<u>4,935</u>
Allowance for bad and doubtful debts	445	45	642	65
Depreciation	92	38	144	72
Auditors' remuneration	75	75	150	150
	<u><u>75</u></u>	<u><u>75</u></u>	<u><u>150</u></u>	<u><u>150</u></u>

#### 5 GEOGRAPHICAL SEGMENTS

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

	Three months ended		Six months ended	
	30 June		30 June	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong	13,577	10,787	23,559	17,360
China	7,293	—	7,293	—
	<u>7,293</u>	<u>—</u>	<u>7,293</u>	<u>—</u>
	<u><u>20,870</u></u>	<u><u>10,787</u></u>	<u><u>30,852</u></u>	<u><u>17,360</u></u>

An analysis of the Group's profit (loss) by geographical location\* is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong	964	11	(42)	(335)
China	(2,222)	—	(2,222)	—
	<u>(2,222)</u>	<u>—</u>	<u>(2,222)</u>	<u>—</u>
	<u><u>(1,258)</u></u>	<u><u>11</u></u>	<u><u>(2,264)</u></u>	<u><u>(335)</u></u>

\* Turnover and profit (loss) by geographical location is determined on the basis of the destination of delivery of magazines and publication of advertisements.

#### 6 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 and six months ended 30 June 2004 (three months and six months ended 30 June 2003: Nil).

As at 30 June 2004, no deferred tax asset has been recognised in respect of the unused tax losses of approximately HK\$13.80 million (as at 31 December 2003: approximately HK\$13.80 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.

## 7 DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2004 (six months ended 30 June 2003: Nil).

## 8 (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share for the three months and six months ended 30 June 2004 is based on the unaudited consolidated loss attributable to shareholders of the Company of approximately HK\$1,258,000 and HK\$2,264,000 respectively (three months and six months ended 30 June 2003: profit of approximately HK\$11,000 and loss of approximately HK\$335,000 respectively) and on the number of 506,639,716 shares in issue (506,479,876 shares in issue throughout the three months and six months ended 30 June 2003).

No diluted loss per share is presented for the three months and six months ended 30 June 2004 as it is anti-dilutive.

No diluted (loss) earnings 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 six months ended 30 June 2004. There were no potential diluting ordinary shares in existence during the three months and six months ended 30 June 2003.

## 9 GOODWILL

	<i>HK\$'000</i>
COST	
At 1 January 2004	—
Arising from acquisition of a subsidiary	6,420
	<hr/>
At 30 June 2004	6,420
	<hr/>
AMORTISATION	
At 1 January 2004	—
Charge for the period	322
	<hr/>
At 30 June 2004	322
	<hr/>
CARRYING AMOUNT	
At 30 June 2004	6,098
	<hr/> <hr/>
At 1 January 2004	—
	<hr/> <hr/>

Goodwill is amortised on a straight-line method over its estimated useful life of 5 years.



## 10 TRADE RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its customers.

The following is an aged analysis of trade receivables:

	<b>As at 30 June 2004 HK\$'000 (Unaudited)</b>	As at 31 December 2003 HK\$'000 (Audited)
0 - 30 days	6,593	3,739
31 - 60 days	3,741	2,819
61 - 90 days	2,909	685
91 to 180 days	2,374	2,410
Over 180 days	1,660	549
	<hr/>	<hr/>
	17,277	10,202
Less: allowance for bad and doubtful debts	<b>(1,018)</b>	(377)
	<hr/>	<hr/>
	<b>16,259</b>	9,825
	<hr/> <hr/>	<hr/> <hr/>

## 11 TRADE PAYABLES

The following is an aged analysis of trade payables:

	<b>As at 30 June 2004 HK\$'000 (Unaudited)</b>	As at 31 December 2003 HK\$'000 (Audited)
0 - 30 days	6,103	1,129
31 - 60 days	3,131	2,268
61 - 90 days	3,017	2,051
91 to 180 days	4,545	3,857
Over 180 days	1,146	369
	<hr/>	<hr/>
	17,942	9,674
	<hr/> <hr/>	<hr/> <hr/>

## 12 SHARE CAPITAL

	<b>Number of ordinary shares</b>	<b>Share price HK\$</b>	<b>Share capital HK\$'000</b>
<i>Authorised:</i>			
At 1 January 2004 and 30 June 2004	1,000,000,000,000	0.001	1,000,000
	<hr/> <hr/>		<hr/> <hr/>
<i>Issued and fully paid:</i>			
At 1 January 2004 and 30 June 2004	506,639,716	0.001	507
	<hr/> <hr/>		<hr/> <hr/>

### 13 MOVEMENT OF RESERVES

Movements of reserves were:

	Three months ended 30 June				2003
	2004				
	Share premium	Capital reserve	Accumulated deficit	Total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
THE GROUP					
At 1 April	9,218	(510)	(6,813)	1,895	4,021
Net (loss) profit attributable to shareholders	—	—	(1,258)	(1,258)	11
At 30 June	<u>9,218</u>	<u>(510)</u>	<u>(8,071)</u>	<u>637</u>	<u>4,032</u>
	Six months ended 30 June				2003
	2004				
	Share premium	Capital reserve	Accumulated deficit	Total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
THE GROUP					
At 1 January	9,218	(510)	(5,807)	2,901	4,367
Net loss attributable to shareholders	—	—	(2,264)	(2,264)	(335)
At 30 June	<u>9,218</u>	<u>(510)</u>	<u>(8,071)</u>	<u>637</u>	<u>4,032</u>

### 14 CONTINGENT LIABILITIES

As at 30 June 2004, the Group had the following contingent liabilities:

- 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 counsel, in the event of winding up of any one of these related companies by reason of insolvency or the Waiver is ordered by courts or other competent authorities to be restored to the related companies, the Group may be required to compensate these related companies. In the opinion of 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, Fung Shing, Ronastar, Eartrade and Bannock, shareholders of the Company, in favour of the Group.
- As at 30 June 2004, the Company had provided a corporate guarantee to a bank to secure a bank facility of HK\$1,000,000 (as at 31 December 2003: HK\$1,000,000) granted to a subsidiary, which had been utilised during the three months ended 30 June 2004.

### 15 CAPITAL COMMITMENT

As at 30 June 2004, the Group had no significant capital commitment held (as at 30 June 2003: Nil).

### 16 COMPARATIVE FIGURES

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

## USE OF PROCEEDS

The net proceeds from the placing of shares in January 2002 (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:

	<b>Budgeted amount</b> <i>HK\$'000</i>	<b>Actual amount used</b>		
		<b>From date of listing to 31 December 2003</b> <i>HK\$'000</i>	<b>For the six months ended 30 June 2004</b> <i>HK\$'000</i>	<b>From date of listing to 30 June 2004</b> <i>HK\$'000</i>
1. Promotion and marketing for two existing magazines	1,800	1,800	—	<b>1,800</b>
2. Launch of new titles in local market	4,500	4,500	—	<b>4,500</b>
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	34	8	<b>42</b>
5. Staff enhancement, recruiting new staff and developing its own marketing team and support services team	1,200	1,200	—	<b>1,200</b>
6. General working capital	1,100	1,079	21	<b>1,100</b>
	<u>9,200</u>	<u>8,613</u>	<u>29</u>	<u><b>8,642</b></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The turnover for the six months ended 30 June 2004 (“the half year period”) was approximately HK\$30,852,000 (2003: HK\$17,360,000), comprising HK\$23,559,000 (2003: HK\$17,360,000) from Hong Kong operations and HK\$7,293,000 from the recently acquired subsidiary operating in the PRC. Net loss of the Group for the half year period amounted to approximately HK\$2,264,000 (six months ended 30 June 2003: HK\$335,000). Of this loss, HK\$2,222,000 was attributable to the aforementioned PRC subsidiary.

### Hong Kong Operations

The Group’s Hong Kong operations achieved a turnover of HK\$13,577,000 in the second quarter of 2004, representing a 36% increase on that of the last quarter, and a profit of HK\$964,000 representing a turnaround from the loss of HK\$1,006,000 of the last quarter. Results for the half year period also saw a growth of 36% in turnover and 87% decrease in loss when compared to the first half year of 2003. The increases are attributable to the significant growth in revenues of the three magazines “旭茉JESSICA”, “旭茉JESSICACODE” and “味道LISA”. The profit achieved accords with the management’s expectation as mentioned in the Group’s First Quarterly Report for the three months ended 31 March 2004.

The magazine “旭茉JESSICA” continues to exhibit its leadership position as Hong Kong’s leading women’s glossy magazine, experiencing growth in advertising during the half year period, confirming the ever-increasing market penetration and confidence in the brand “旭茉JESSICA”.

The magazine “旭茉JESSICACODE” with its new special cover price and innovative packaging succeeds in elevating awareness of readers and advertisers, resulting in the continuing growth in circulation and advertising revenues.

During June 2004, the magazine “味道LISA” launched its third book entitled “Shoppers’ Choice選擇主義” in exploration of a new channel with the aim of enhancing readership and advertising revenue while there were improvements in advertising revenue.

### **PRC Operations**

On 30 March 2004, Grandpress Ltd., a wholly-owned subsidiary of the Group, acquired 55% equity interests in Shanghai South China & Boyang Culture Media Co. Ltd. (“BCM”). Details of the acquisition were contained in the Company’s circular to shareholders dated 13 May 2004. From the date of acquisition to 30 June 2004, BCM achieved a turnover of approximately HK\$7,293,000 and sustained a loss of approximately HK\$3,460,000 in operating three magazines namely “Paralife”, “8 Weekly” and “Carplus CN”. Both “8 Weekly” and “Carplus CN” were new titles introduced to the market by BCM near the beginning of year 2004. The Group’s share of loss after minority interests amounted to approximately HK\$2,222,000.

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

The magazine “8 Weekly” is an entertainment and lifestyle weekly with news on Hong Kong and mainland celebrities. Having swept the Shanghai local market with the first issue sold out in a matter of days and growth of demand, the magazine is expected to be another key driver of the Group’s China business.

The magazine “Carplus CN” focuses on the booming automobile market in Beijing and is a leading car bi-weekly in Beijing.

### **LIQUIDITY AND FINANCIAL RESOURCES**

During the six months ended 30 June 2004, the Group’s operation was mainly financed by the net proceeds of the Placing and the internal financial resources of the Group.

As at 30 June 2004, the Group had net current liabilities of approximately HK\$3.4 million (31 December 2003: net current assets of approximately HK\$2.2 million). The current assets comprised bank balances and cash of approximately HK\$2.4 million, trade and other receivables of approximately HK\$18.4 million. The current liabilities comprised trade payables, accruals and other payables of approximately HK\$24.2 million.

As at 30 June 2004, the Group had a banking facility granted under corporate guarantee by the Company in respect of revolving term loan of HK\$1 million, which had been utilized during the three months ended 30 June 2004, and a loan from a minority shareholder of approximately HK\$2.2 million. 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 June 2004 since the bank borrowing can be covered by the cash and bank balance of HK\$2.4 million.

During the six months ended 30 June 2004, the Group did not make any material acquisition and disposals of subsidiaries and affiliated companies and investment.

As at 30 June 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.

On 10 May 2004, Mr. Ng Hung Sang, Robert, a major shareholder of the Company, has agreed to provide continuing financial support to the Jessica Group to meet its liabilities as they fall due for the period from 1 March 2004 to 30 June 2005.

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**

As at 30 June 2004, the Group did not have any significant investment plans, except the plans set out in the section headed "Statement of Business Objectives" in the Prospectus.

## **EMPLOYEES**

As at 30 June 2004, the total number of employees of the Group was 75 (30 June 2003: 59). Employees' cost (including directors' emoluments) amounted to approximately HK\$8 million for the six months ended 30 June 2004 (six months ended 30 June 2003: approximately HK\$4.9 million).

The Group considers its employees as its most valuable asset. In addition to salary, other fringe benefits such as medical subsidies, life insurance, provident fund and subsidised training programmes are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on performance. Share options have also been granted to certain employees of the Group.

## **PROSPECTS**

### **Hong Kong Operations**

Taking into account the continuing growth in the Group's advertising revenue base and the management's focus on stringent cost control and efficient operations, the management continues to be positive towards the second half of 2004 and expects that the Hong Kong operations will become profitable for the whole year 2004. Each magazine shall introduce new sections and booklets, as well as organizing campaigns, in order to develop additional channels of revenues as well as fortifying the brands and positioning of the magazines.

### **PRC Operations**

In streamlining and improving the operations thereof including broadening the customer base, the results of the China operations are expected to improve in the second half of this year.

It will be the key focus of management to grow advertising revenues of the magazines and bring the Shanghai operations to profitability. We aim to leverage on our publishing experiences in order to form a strong base for expansion and launch in the China market of our existing Hong Kong titles and new titles.

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

As at 30 June 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:

<b>Name of director</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	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, 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. The 121,987,440 shares referred to above include the 59,325,840 shares held by 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.

All interests disclosed above represent long position in the shares of the Company.

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 June 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 period for the six months ended 30 June 2004 were as follows:-

Name or category of participant	Number of share options					As at 30/6/2004	Date of grant of share options <i>(Note a)</i>	Exercise period 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				Initial exercise price per share <i>(Note b)</i> HK\$	Immediately preceding the grant date of share options <i>(Note c)</i> HK\$	Immediately preceding the exercise date of share options 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	<u>6,400,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,400,000</u>					
<b>Employees</b>											
In aggregate	1,920,000	—	—	(160,000)	—	1,760,000	15/4/2002	15/4/2003 - 7/1/2012	0.69	0.68	N/A
	3,200,000	—	—	(320,000)	—	2,880,000	2/9/2002	2/9/2003 - 7/1/2012	0.31	0.30	N/A
Sub-total	<u>5,120,000</u>	<u>—</u>	<u>—</u>	<u>(480,000)</u>	<u>—</u>	<u>4,640,000</u>					
<b>Others</b>											
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	<u>5,040,160</u>	<u>—</u>	<u>—</u>	<u>(320,000)</u>	<u>—</u>	<u>4,720,160</u>					
Total	<u>16,560,160</u>	<u>—</u>	<u>—</u>	<u>(800,000)</u>	<u>—</u>	<u>15,760,160</u>					

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:

<b>From the date of grant of share options</b>	<b>Exercisable Percentage</b>
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 June 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:

<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> )	62.79%
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.
- (c) All interests disclosed above represent long position in the shares of the Company.



Save as disclosed above, as at 30 June 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 30 June 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, 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, 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 and six months ended 30 June 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

11 August 2004