

# 旭茉 JESSICA

JESSICA PUBLICATIONS LIMITED

2004  
Third Quarterly  
Report



## JESSICA PUBLICATIONS LIMITED

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

(Stock Code: 8137)

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

*The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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 2004, together with the comparative unaudited figures for the corresponding periods in 2003, as follows:

### CONSOLIDATED INCOME STATEMENT — UNAUDITED

	<i>Notes</i>	Three months ended		Nine months ended	
		30 September		30 September	
		2004	2003	2004	2003
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>	2	<b>25,875</b>	11,170	<b>56,727</b>	28,530
Direct operating expenses		<b>(18,849)</b>	(8,077)	<b>(42,286)</b>	(19,887)
Other operating income		<b>9</b>	25	<b>66</b>	103
Selling and distribution costs		<b>(5,367)</b>	(3,051)	<b>(12,731)</b>	(7,011)
Administrative expenses		<b>(2,140)</b>	(1,424)	<b>(5,746)</b>	(3,427)
<b>Net loss before taxation</b>	3	<b>(472)</b>	(1,357)	<b>(3,970)</b>	(1,692)
Taxation	5	<b>—</b>	—	<b>—</b>	—
<b>Net loss after taxation</b>		<b>(472)</b>	(1,357)	<b>(3,970)</b>	(1,692)
Amortisation of Goodwill		<b>(322)</b>	—	<b>(644)</b>	—
<b>Net loss before minority interest</b>		<b>(794)</b>	(1,357)	<b>(4,614)</b>	(1,692)
Minority interest		<b>988</b>	—	<b>2,544</b>	—
<b>Net profit (loss) attributable to shareholders</b>		<b>194</b>	(1,357)	<b>(2,070)</b>	(1,692)
Accumulated deficit, beginning of period		<b>(8,071)</b>	(4,627)	<b>(5,807)</b>	(4,292)
<b>Dividend</b>	6	<b>—</b>	—	<b>—</b>	—
Accumulated deficit, end of period		<b>(7,877)</b>	(5,984)	<b>(7,877)</b>	(5,984)
<b>Earnings (Loss) per share</b>					
- <b>Basic</b>	7	<b>HK0.04 cents</b>	HK(0.27) cents	<b>HK(0.41) cents</b>	HK(0.33) 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 statements for the three months and nine months ended 30 September 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 income statements have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Institute of Certified Public Accountants, the accounting principles generally accepted in Hong Kong, the disclosure requirements of Hong Kong Companies Ordinance and the GEM Listing Rules.

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

## 2 TURNOVER

	Three months ended		Nine months ended	
	30 September		30 September	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of magazines	6,437	2,981	14,117	8,470
Advertising and promotion project income	19,438	8,189	42,610	20,060
	<u>25,875</u>	<u>11,170</u>	<u>56,727</u>	<u>28,530</u>

During the three months and nine months ended 30 September 2004, the Group recorded advertising revenue from barter transactions amounting to approximately HK\$10,000 (three months and nine months ended 30 September 2003: Nil).

## 3 NET LOSS BEFORE TAXATION

Net loss before taxation has been arrived at after charging:

	Three months ended		Nine months ended	
	30 September		30 September	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Staff cost (including directors' emoluments)	4,688	3,453	12,425	8,191
Retirement benefits scheme contributions	120	139	387	336
	<u>4,808</u>	<u>3,592</u>	<u>12,812</u>	<u>8,527</u>
Provision for bad and doubtful debts	103	123	745	188
Depreciation	104	46	248	118
Auditors' remuneration	75	75	225	225
	<u>75</u>	<u>75</u>	<u>225</u>	<u>225</u>

#### 4 GEOGRAPHICAL SEGMENTS

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong	16,593	11,170	40,152	28,530
China	9,282	—	16,575	—
	<u>25,875</u>	<u>11,170</u>	<u>56,727</u>	<u>28,530</u>

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong	1,167	(1,357)	1,124	(1,692)
China	(973)	—	(3,194)	—
	<u>194</u>	<u>(1,357)</u>	<u>(2,070)</u>	<u>(1,692)</u>

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

#### 5 TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the estimated assessable profit is wholly offsetted by tax losses brought forward (nine months ended 30 September 2003: nil).

As at 30 September 2004, no deferred tax asset has been recognised in respect of the unused tax losses of approximately HK\$12.3 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.

#### 6 DIVIDEND

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

## 7 EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share for the three months and nine months ended 30 September 2004 is based on the unaudited consolidated profit (loss) attributable to shareholders of approximately profit of HK\$194,000 and loss of HK\$2,070,000 respectively (three months and nine months ended 30 September 2003: loss of approximately HK\$1,357,000 and HK\$1,692,000 respectively) and on the number of 506,639,716 shares in issue (three months and nine months ended 30 September 2003: on the weighted average number of approximately 506,479,876 shares in issue throughout the periods).

No diluted earnings (loss) per share is presented for the three months and nine months ended 30 September 2004 as it is anti-dilutive.

No diluted earnings (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 2004, and there were no dilutive potential ordinary shares in existence during the three months and nine months ended 30 September 2003.

## 8 MOVEMENT OF RESERVES

	Three months ended 30 September				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)
<b>The Group</b>					
At 1 July	9,218	(510)	(8,071)	637	4,032
Net profit (loss) attributable to shareholders	—	—	194	194	(1,357)
At 30 September	<u>9,218</u>	<u>(510)</u>	<u>(7,877)</u>	<u>831</u>	<u>2,675</u>

	Nine months ended 30 September				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)
<b>The Group</b>					
At 1 January	9,218	(510)	(5,807)	2,901	4,367
Net loss attributable to shareholders	—	—	(2,070)	(2,070)	(1,692)
At 30 September	<u>9,218</u>	<u>(510)</u>	<u>(7,877)</u>	<u>831</u>	<u>2,675</u>

## 9 COMPARATIVE FIGURES

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

Turnover for the Group for the nine months ended 30 September 2004 was approximately HK\$56.7 million, comprising HK\$40.1 million from Hong Kong operations, an increase of 41% when compared to that of the same period last year, and HK\$16.6 million from the PRC subsidiary that was acquired in March 2004. Net loss for the nine months was approximately HK\$2.3 million, which consisted of profit from Hong Kong operations of HK\$1.1 million (nine months ended 30 September 2003: loss of HK\$1.7 million) and a loss of HK\$3.2 million from the PRC operations. Turnover for the three months ended 30 September 2004 was approximately HK\$25.9 million, comprising HK\$16.6 million from Hong Kong operations and HK\$9.3 million from the PRC subsidiary. The increase in turnover for Hong Kong operations was approximately 49% when compared to that of the same period last year. Net profit for the three months was approximately HK\$0.2 million. The quarterly profit from Hong Kong operations was HK\$1.2 million (3 months ended 30 September 2003: loss of HK\$1.4 million) while the loss from the PRC operation was HK\$1 million.

### **Hong Kong Operations**

During the quarter ended 30 September 2004, the Group had a growth in business for the Hong Kong operations with a turnover of HK\$16.6 million, representing an increase of 22% on that of the last quarter and an increase of 48% on that of the same quarter in 2003. Net profit was HK\$1.2 million which was 20% more than last quarter of HK\$1.0 million. “旭茉JESSICA” magazine remained the main profit contributor in this quarter. The Group had been deploying resources to boost the circulation of “旭茉JESSICACODE” and “味道LISA” magazines.

Several significant events were held during this 3<sup>rd</sup> quarter for the magazines. These include “Most Successful Women Awards 2004” for “旭茉JESSICA” magazine and “Top Model Competition” for “旭茉JESSICACODE” magazine.

### **PRC Operations**

On 30 March 2004, the Group acquired a 55% equity interest in Shanghai South China & Boyang Culture Media Company Limited (“BCM”). Details of the acquisition were contained in the Company’s circular to shareholders dated 13 May 2004.

Turnover for the quarter ended 30 September 2004 was approximately HK\$9.3 million, representing a 27% increase on that of the last quarter. Net loss for the quarter reduced to HK\$1.2 million from that of the last quarter of HK\$2.2 million. From the date of acquisition to 30 September 2004, turnover for BCM was approximately HK\$16.6 million and it sustained a loss after minority interest of approximately HK\$3.2 million.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the nine months ended 30 September 2004, the Group's operation was mainly financed by the net proceeds from the placing of shares in January 2002 and the internal financial resources of the Group.

As at 30 September 2004, the Group had net current liabilities of approximately HK\$0.8 million (31 December 2003: net current assets of approximately HK\$2.2 million). The current assets comprised bank balances and cash of approximately HK\$3.2 million, trade and other receivables of approximately HK\$26 million. The current liabilities comprised trade payables, accruals and other payables of approximately HK\$29 million, receipts in advance of approximately HK\$0.6 million and amount due to a related company of approximately HK\$0.4 million.

As at 30 September 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 30 September 2004.

During the nine months ended 30 September 2004, the Group did not make any material acquisitions and disposals of subsidiaries and affiliated companies and investment save for the investment mentioned in the section headed "Business Review" above.

As at 30 September 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.

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 September 2004, the Group did not have any significant investment plans.

## **PROSPECTS**

### **Hong Kong Operations**

The management will continue to make efforts in enhancing operational efficiency. Coupled with the fact that the final quarter of the year is the traditional peak season for the industry, we believe that our revenue will continue to grow.

### **PRC Operations**

The primary focus of the management is to streamline the operation of the newly acquired subsidiary in Shanghai in the hope of making it a profit generator within the near future.

The Group continues to look for expansion by identifying possible partnerships and joint ventures with influential market players in the industry. As at the date of this announcement, there is no new contract entered into for investment in the PRC. With our experience gained in managing our investment in Shanghai, we believe our future investments can quickly make positive contributions to the Group.



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

As at 30 September 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 Rules 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 ( <i>Note</i> )	62.79%
Ms. Ng, Jessica Yuk Mui	The Company	Beneficial owner	440,000	0.09%

*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 Limited ("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 September 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 nine months ended 30 September 2004 were as follows:-

Name or category of participant	Number of share options					As at 30/9/2004	Date of grant of share options (Note a)	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 (Note b) HK\$	Immediately preceding the grant date of share options (Note c) HK\$	Immediately preceding the exercise date of share options HK\$
<b>Directors</b>											
Ms. Foo Kiu 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	—	—	(480,000)	—	2,720,000	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>(640,000)</u>	<u>—</u>	<u>4,480,000</u>					
<b>Others</b>											
In aggregate	3,760,000	—	—	(320,000)	—	3,440,000	15/4/2002	15/4/2003 - 7/1/2012	0.69	0.68	N/A
	1,280,160	—	—	(266,720)	—	1,013,440	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>(586,720)</u>	<u>—</u>	<u>4,453,440</u>					
Total	<u>16,560,160</u>	<u>—</u>	<u>—</u>	<u>(1,226,720)</u>	<u>—</u>	<u>15,333,440</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 September 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 5% 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 September 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 5% 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 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 three members, Mr. So, George Siu Ming, Ms. Pong Oi Lan, Scarlett and Mr. Cheng Yuk Wo, who are independent non-executive directors of the Company.

The Group's unaudited results for the three months and nine months ended 30 September 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, Ms. Pong Oi Lan, Scarlett and Mr. Cheng Yuk Wo 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 November 2004