旭茉 JESSICA

JESSICA PUBLICATIONS LIMITED

(Incorporated in the Cayman Islands with limited liability)

2004 ANNUAL REPORT

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 (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, 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.

Contents

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Hung Sang, Robert *(Chairman)*
Ms. Ng, Jessica Yuk Mui *(Chief Executive Officer)*
Ms. Foo Kit Tak
Ms. Cheung Mei Yu

Independent Non-executive Directors

Mr. So, George Siu Ming
Ms. Pong Oi Lan, Scarlett
Mr. Cheng Yuk Wo

COMPLIANCE OFFICER

Ms. Ng, Jessica Yuk Mui

COMPANY SECRETARY & QUALIFIED ACCOUNTANT

Mr. Tam Wing Kit

AUTHORISED REPRESENTATIVES

Ms. Ng, Jessica Yuk Mui
Mr. Tam Wing Kit

AUDIT COMMITTEE

Mr. So, George Siu Ming *(Committee Chairman)*
Ms. Pong Oi Lan, Scarlett
Mr. Cheng Yuk Wo

LEGAL ADVISERS

As to Hong Kong Law

Preston Gates Ellis

As to Cayman Islands Law

Maples and Calder

AUDITORS

Deloitte Touche Tohmatsu

PRINCIPAL BANKER

Liu Chong Hing Bank Limited
24 Des Voeux Road Central
Hong Kong

REGISTERED OFFICE

M&C Corporate Services Limited
P.O. Box 309 GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit C, 3rd Floor
Wah Shing Centre
5 Fung Yip Street
Chai Wan
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Standard Registrars Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

STOCK CODE

8137

WEBSITE FOR THE GROUP'S MAGAZINES

www.jessicahk.com

Chairman's Statement

I am pleased to report the activities of the Company and its subsidiaries (together "the Group") for the year ended 31st December, 2004.

BUSINESS REVIEW AND STRATEGY

In 2004, the Group recorded turnover of HK$81.4 million, comprising HK$56.2 million from Hong Kong operations, an increase of 36% when compared to that of 2003, and HK$25.2 million from the People's Republic of China ("PRC") subsidiary that was acquired in March 2004. Profit for the year was HK$87,000, as compared with loss of HK$1.5 million in 2003. The turn-around from loss to profit was due to the strong growth in advertising revenues in Hong Kong. The net profit of the Hong Kong operation was HK$2.8 million (2003: net loss of HK$1.5 million) and the net loss of the PRC operations shared by the Group was HK$2.7 million.

With the growth of the economy of Hong Kong and the strong rebound in the advertising industry, the Group's advertising income had grown considerably. "旭茉JESSICA" magazine remains by far the number one circulation women's glossy magazine in Hong Kong with an average monthly magazine sales as per the audit report of Hong Kong Audit Bureau of Circulations (ad hoc report August to October 2004) 85,000 copies during the period from 1st August to 31st October, 2004. The magazine was also the most widely read monthly magazine in Hong Kong. The success of "旭茉JESSICA" magazine helped to improve the financial result of the Group.

The operations of "旭茉JESSICACODE" magazine was at near break even levels, only twenty months in its launch, and contributed to the brand building strategy of the Group, while continuing to expand client and readership base for the Group.

On 30th 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 13th May, 2004. BCM was principally engaged in the distribution and selling of all advertising space of 3 magazines, namely Paralife, 8 Weekly and Carplus CN. Losses in the subsidiary were mainly attributable to the one-off loss suffered in the Beijing operations of the subsidiary amounting to approximately HK$1 million.

PROSPECTS

The Group's operations in Hong Kong are expected to improve with the increase in advertising spending, resulting from strong economic growth in Hong Kong. Turnover is expected to see significant growth, riding on the circulation-led strategies implemented during 2004 and overall brand recognition of our titles.

The Group's China operations are expected to move into the next stages of the growth cycle, and contribute to the profits of the Group in 2005, after the initial investment stages of 2004. The Directors and management of the Company are optimistic on the future development of the Group's business in the China market, and shall be planning for further strategic presence and expansion in China.

Overall, the Group is expected to see strong profit growth in 2005, and is expected to bring satisfactory returns to shareholders.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our readers, clients and shareholders for their continued support and all our staff members for their hard work and dedicated service.

Ng Hung Sang, Robert
Chairman

Hong Kong Special Administrative Region of the People's Republic of China
23rd March, 2005

OPERATION REVIEW

The Group made significant improvement both in revenue and result in 2004. For the year ended 31st December, 2004, the Group's turnover increased by 97.1% to HK$81.4 million, comprising HK$56.2 million from Hong Kong operations and HK$25.2 million from the PRC operations (2003: HK$41.3 million). Profit attributable to shareholders was HK$87,000, which consisted of profit from Hong Kong operations of HK$2.8 million and a loss of HK$2.7 million from the PRC operations (2003: loss of HK$1.5 million). Net profit per share was HK0.02 cents (2003: net loss of HK0.30 cents).

Our Hong Kong operations achieved a turnover of HK$56.2 million in the year of 2004, representing a 36% increase on that of the year of 2003 and we experienced a turn-around from a loss of HK$1.5 million in 2003 to a net profit of HK$2.8 million. The improvements are attributable to the significant growth in revenues of the Group's Hong Kong three titles: "旭茉JESSICA", "旭茉JESSICACODE" and "味道LISA".

"旭茉JESSICA" magazine, the flagship magazine of the Group, continues to be by far the No. 1 women's glossy magazine in Hong Kong in term of circulation, and is the most widely read monthly magazine in Hong Kong, reflected by growth in turnover attributable to this magazine of 43% as compared with that of the year 2003.

The advertising and project income of "旭茉JESSICACODE" magazine increased by 30.9% when compared with that of the year 2003.

With the adaptation of "味道LISA" magazine from a monthly to a bi-weekly magazine, the advertising and project incomes of the magazine "味道LISA" increased by over 80% when compared with that of the year 2003.

PRC Operations

Since its acquisition, BCM achieved a turnover of HK$25.2 million and incurred a loss of HK$5 million in operating three magazines namely "Paralife", "8 Weekly" and "Carplus CN". Both "8 Weekly" and "Carplus CN" were new titles introduced to the PRC market by BCM during early 2004. The Group's share of loss amounted to HK$2.7 million.

The magazine "Paralife" is currently the second largest circulated 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 PRC business.

The magazine "8 Weekly" is entertainment and lifestyle weeklies with entertainment news of celebrities in Hong Kong and mainland China. Having swept the Shanghai local market with the first issue sold out in a short period of time and tremendous growth in demand, the magazine is expected to be another key driver of the Group's PRC business.

"Carplus CN", of which operations were based in Beijing, was temporarily suspended in November 2004 until a stronger business environment of the automobile and other related advertisement market allows for a proper launch of the title. BCM suffered a loss of approximately HK$5 million during the year 2004, mainly attributable to a one-off trial launch cost of operations in Beijing.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31st December, 2004, the Group's operation was mainly financed by the internal financial resources of the Group.

As at 31st December, 2004, the Group had net current liabilities of HK$2.7 million (2003: net current assets of HK$2.2 million). The current assets comprised of bank balances and cash of HK$4 million, trade and other receivables of HK$19.9 million and amount due from a related company of HK$0.4 million. The current liabilities comprised of trade payables, accruals and other payables of HK$26.5 million and receipts in advance of HK$0.5 million.

As at 31st December, 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. The gearing ratio of the Group remained inapplicable as at 31st December, 2004.

As at 31st December, 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.

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.

MATERIAL ACQUISITIONS

Save for the acquisition of 55% equity interests in BCM at a consideration of RMB550,000 as contained in the circular to the shareholders dated 13th May, 2004, during 2004, the Group did not make any material acquisitions and disposals of subsidiaries and affiliated companies and investment.

SIGNIFICANT INVESTMENT PLANS

As at 31st December, 2004, the Group did not have any significant investment plans.

CONTINGENT LIABILITIES

As at 31st December, 2004, the Group and the Company had the following contingent liabilities:

(a) On 30th June, 2001, three related companies waived certain balances due to them by the Group amounting to 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 Holdings Limited ("Parkfield"), Fung Shing Group Limited ("Fung Shing"), Ronastar Investments Limited ("Ronastar"), Earntrade Investments Limited ("Earntrade") and Bannock Investment Limited ("Bannock"), shareholders of the Company, in favour of the Group.

(b) As at 31st December, 2004, the Company had provided a corporate guarantee to a bank to secure a bank facility of HK$1 million (2003: HK$1 million) granted to a subsidiary, which remained unutilized as at 31st December, 2004.

EMPLOYEES

As at 31st December, 2004, the total number of employees of the Group was 150 (2003: 75). Employees' cost (including directors' emoluments) amounted to HK$18 million for the year (2003: HK$12.3 million).

The Group considers its employees as its most valuable assets. In addition to salary, other fringe benefits such as medical subsidies, life insurance, provident fund and subsidized 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

The management team is positive towards the year of 2005. The results of 2004 not only evidence the strong upturn of the Hong Kong economy, but also, more importantly, the turning point of the Group, to profitability, as the Group's magazines titles continue to strengthen in circulation, advertising base and brand recognition.

Hong Kong operations

In Hong Kong, we expect to experience significant growth in the profitability of all our magazines, as new rate cards have been published and implemented effective from January 2005, which will contribute significant growth to the Group's advertising revenues.

"旭茉JESSICA" magazine

"旭茉JESSICA" magazine, riding on its staggering circulation is expected to command advertising rate increases of at least 50%, as the magazine continues to strategically grow its circulation base, and advertising mix. The Group will also be investing further into the brand recognition and value of "旭茉JESSICA" magazine, which will be of continued benefit to our Group.

"味道LISA" magazine

In January 2005, "味道LISA" magazine launched a joint promotion redemption-driven campaign with JUSCO department stores for its J Card members, to expand the magazine's circulation base, which will enable the magazine to command correspondingly improved advertising rates and increase its range of creative advertising and promotional services to advertisers. We shall also continue to increase our range of activities with readers, to further strengthen our partnership with Fast Moving Consumer Goods (FMCG) brands and to further strengthen "味道LISA" magazine's standing as a family magazine.

"旭茉JESSICACODE" magazine

"旭茉JESSICACODE" magazine saw a marginal loss during the year 2004, which is expected to turn around in the year 2005, as the management team focuses on a stronger circulation and wider advertising mix and base, expanding its business beyond traditional print.

China Developments

The operations of BCM are expected to improve significantly as the losses of the previous year from this subsidiary were mainly attributable to a one-off loss resulting from Beijing operations, which have ceased since the end of 2004. Advertising revenues from the magazines are expected to grow as the Mainland China market continues to boom, and local and cross-regional brand recognition for the Group overall and the magazines individually are expected to strengthen advertisers confidence in investments in the titles.

The Group is also in the preparation for the launch of other women's magazines in China during 2005.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ng, Hung Sang, Robert, aged 55, is the Chairman of the Company. Mr. Ng is actively involved in the overall corporate policies, strategic planning and business development of the Group. Mr. Ng is also the Chairman of South China Holdings Limited ("South China Holdings"), South China Brokerage Company Limited, South China Industries Limited ("South China Industries") and Wah Shing International Holdings Limited ("Wah Shing") and the Co-Chairman and Chief Executive Officer of Capital Publications Limited ("Capital"). He holds a Master's degree in marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. He has extensive experience in the media industry. Mr. Ng was appointed as a Director of the Company on 24th August, 2001. He is the father of Ms. Ng, Jessica Yuk Mui.

Ms. Ng, Jessica Yuk Mui, aged 26, was appointed as a Director of the Company on 24th August, 2001 and is the Chief Executive Officer of the Group. She is also the Compliance Officer and one of the Authorised Representatives of the Company and is responsible for the strategic planning and development and the daily operations of the Group. She holds a Bachelor's degree in law from King's College London, University of London in the United Kingdom. Ms. Ng is an associate member of the Chartered Institute of Management Accountants and a member of the Chinese People's Political Consultative Conference Tianjin Provincial Committee. Ms. Ng joined the Group on 1st March, 2001. Ms. Ng is also an executive director of South China Holdings and South China Industries and a non-executive director of Capital. She is the daughter of Mr. Ng Hung Sang, Robert.

Ms. Foo Kit Tak, aged 31, was appointed as a Director of the Company on 24th August, 2001 and is responsible for the sales and marketing of the Group's magazines. Prior to joining the Group, Ms. Foo had worked in the Group's magazines since April 2000.

Ms. Cheung Mei Yu, aged 37, was appointed as a Director of the Company on 1st October, 2001. Ms. Cheung is the Chief Editor of "旭茉JESSICA" magazine and is responsible for the management and direction of the editorial team of the Group's magazine. Ms. Cheung joined the Group on 1st September, 2001. She holds a Master's degree in translation from the Chinese University of Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. So, George Siu Ming, aged 46, obtained a Bachelor of Arts degree from the University of Toronto in Canada. He is an associate member of the Canadian Institute of Chartered Accountants, the Society of Management Accountants of Canada and the Hong Kong Institute of Certified Public Accountants. Mr. So has extensive experience in auditing, accounting and finance areas. He was appointed as an independent non-executive Director of the Company on 4th September, 2001. He is also an independent non-executive director of Wah Shing.

Ms. Pong Oi Lan, Scarlett, aged 45, is the Managing Director of Realchamp Asset Management Limited and Health Quotient HQ International Holdings Limited. She completed her executive program at Harvard Business School in the United States. She also obtained a graduate diploma in business administration at Monash University in Australia, and a Bachelor's degree in pharmaceutical sciences from the University of Saskatchewan in Canada. She is the Chairman of The League of Health Professionals of Hong Kong (LHP). She is the honorary adviser of the advisory board of Hong Kong Federation of Business Students and a member of the HKSAR Election Committee (1998 & 2000). She has been the president of The Practising Pharmacists Association of Hong Kong for over eight years. She is being appointed in a number of government boards and committees such as Innovation Technology Commission, SERAP Assessment Panel, Action Committee Against Narcotics, Committee on Trust Fund for Severe Acute Respiratory Syndrome, Hong Kong Air Cadet Corps and Member of Business and Professionals Federation of Hong Kong. She received an award of the Ten Outstanding Young Persons' Selection in 1998. Ms. Pong was appointed as an independent non-executive Director of the Company on 4th September, 2001.

Mr. Cheng Yuk Wo, aged 44, worked at Coopers and Lybrand (now known as PricewaterhouseCoopers) in London and Swiss Bank Corporation (now known as UBS AG) in Toronto. He has held senior management positions in a number of Hong Kong listed companies and is a co-founder of a Hong Kong merchant banking firm. He is the proprietor of a certified public accountant practice in Hong Kong. He is currently an independent non-executive director of Capital Strategic Investment Limited, Hong Kong Construction (Holdings) Limited, Chia Tai Enterprises International Limited, Liu Chong Hing Bank Limited and Capital, all being public companies listed in Hong Kong. He previously was an independent non-executive director of Yoshiya International Corporation, Limited and an executive director of Styland Holdings Limited in Hong Kong in the last three years. Mr. Cheng holds a Master of Science (Economics) degree in Accounting and Finance and a Bachelor of Arts (Honours) degree in Accounting. Mr. Cheng was appointed as an independent non-executive Director of the Company on 17th September, 2004.

SENIOR MANAGEMENT

Mr. Tam Wing Kit, aged 39, is the Qualified Accountant and Company Secretary of the Company and one of the Authorized Representatives of the Company. Mr. Tam is responsible for financial management, reporting and secretarial matters. He graduated from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). He is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of The Chartered Institute of Management Accountants. He has more than 16 years' experience in accounting and financial management.

Mr. Mo Tik Sang, aged 40, is the General Manager of the Group and is responsible for strategic branding and business development for the Group's magazines. He graduated from Hong Kong Baptist University with a major in mass communication. Mr. Mo has been equipped with a wealth of integrated experience through his senior positions in the fields of advertising, mass media as well as consumer marketing.

Directors' Report

The Directors present their annual report together with the audited financial statements of the Company and of the Group for the year ended 31st December, 2004.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 28 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 23.

The Directors do not recommend the payment of a dividend for the year ended 31st December, 2004 (2003: nil).

FINANCIAL SUMMARY

A summary of the results of the Group for the last five financial years is set out on page 52 of the annual report.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the year are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 18 to the financial statements.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Ng Hung Sang, Robert *(Chairman)*
Ms. Ng, Jessica Yuk Mui *(Chief Executive Officer)*
Ms. Foo Kit Tak
Ms. Cheung Mei Yu

Independent Non-executive Directors:

Mr. So, George Siu Ming
Ms. Pong Oi Lan, Scarlett
Mr. Cheng Yuk Wo (appointed on 17th September, 2004)

DIRECTORS (Cont'd)

In accordance with the Articles of Association of the Company, Mr. Ng Hung Sang, Robert, Ms. Foo Kit Tak and Mr. Cheng Yuk Wo will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. All other remaining Directors continue in office.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of one year commencing from 1st October, 2001 (for Ms. Cheung Mei Yu) and from 24th August, 2001 (for Mr. Ng Hung Sang, Robert, Ms. Ng, Jessica Yuk Mui and Ms. Foo Kit Tak), which continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

The non-executive Directors are appointed for an initial term of two years commencing from his/her date of appointment and will thereafter be subject to retirement by rotation at the annual general meeting according to the Articles of Association of the Company.

Save for the aforesaid, none of the Directors has entered into any service contract or has an unexpired service contract with the Company which is not terminable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN EQUITY SECURITIES

As at 31st December, 2004, the interests or 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 *(Note)*	62.79%
Ms. Ng, Jessica Yuk Mui	The Company	Beneficial owner	440,000	0.09%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN EQUITY SECURITIES (Cont'd)

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

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 31st December, 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 20th December, 2001 and became effective on 8th January, 2002. Particulars of the Scheme as required under the GEM Listing Rules are set out below:

(i) Summary of the Scheme

1. *Purpose of the Scheme*

   The purpose of the Scheme is to recognise and motivate the contribution of the Employees (as defined in sub-section heading "Participants of the Scheme" below) and other person(s) who may make a contribution to the Group and to provide incentives and help the Company in retaining its existing Employees and recruiting additional Employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

2. *Participants of the Scheme*

   The board of directors of the Company or a duly authorised committee thereof (the "Board"), may, at its discretion, makes offers to any full time or part time employee (including any executive and non-executive director or proposed executive and non-executive director) of the Group (the "Employees"), adviser, consultant, contractor, client or supplier who have contributed to the Group (collectively the "Participants"), to take up options to subscribe for shares of HK$0.001 each in the share capital of the Company ("Shares") in accordance with the provisions of the Scheme.

SHARE OPTION SCHEME (Cont'd)

(i) ***Summary of the Scheme*** (Cont'd)

3. *Total number of Shares available for issue under the Scheme*

   Pursuant to the letter issued by the Stock Exchange on 7th January, 2002, the total number of Shares available for issue under options which may be granted under the Scheme is 50,647,987 Shares, being 10% of the issued share capital at the date of completion of the Placing.

   As at 31st December, 2004, an aggregate of 15,173,440 Shares were issuable pursuant to share options granted under the Scheme. In addition, up to 31st December, 2004, no options were exercised by the grantees pursuant to the Scheme.

   As at 31st December, 2004, the total number of Shares available for issue pursuant to the grant of further options under the Scheme was 50,647,987, representing approximately 10% of the issued share capital of the Company as at 23rd March, 2005.

4. *Maximum entitlement of each participant*

   No Participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12 month period up to the date of grant to such Participant would exceed 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the GEM Listing Rules) abstaining from voting.

5. *Period within which the Shares must be taken up under an option*

   An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

6. *Minimum period, if any, for which an option must be held before it can be exercised*

   At the time of granting an option, the Board may, at its discretion, specify the minimum period(s), if any, for which an option must be held before it can be exercised.

7. *Amount payable upon acceptance of the option and the period within which the payment must be made.*

   HK$1.00 shall be paid within 5 business days from the date of offer of the option.

SHARE OPTION SCHEME (Cont'd)

(i) Summary of the Scheme (Cont'd)

8. *Basis of determining the exercise price of the option*

   The exercise price for Shares under the Scheme shall be a price determined by the Board, but in any case will not be less than the higher of:

   (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading day;

   (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer; or

   (c) the nominal value of a Share.

9. *Remaining life of the Scheme*

   Subject to early termination of the Scheme pursuant to the terms thereof, the Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Scheme becomes effective, i.e. 8th January, 2002 and ending on 7th January, 2012.

Details of the principal terms of the Scheme are summarised under the sub-section heading "SHARE OPTION SCHEME" in Appendix IV to the prospectus of the Company dated 31st December, 2001.

SHARE OPTION SCHEME (Cont'd)

(ii) Details of options granted

Particulars and movements during the year of the outstanding share options granted under the Scheme were as follows:–

Name or category of participant	As at 1.1.2004	Exercised during the year	Lapsed during the year	As at 31.12.2004	Date of grant of share options *(Note a)*	Exercise period of share options	Initial exercise price per share option HK$ *(Note b)*	Immediately preceding the grant date of share options HK$ *(Note c)*	Immediately preceding the exercise date of share options HK$
	Number of share options						Price of the Company's shares		
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	–	(160,000)	1,760,000	15/4/2002	15/4/2003 – 7/1/2012	0.69	0.68	N/A
	3,200,000	–	(640,000)	2,560,000	2/9/2002	2/9/2003 – 7/1/2012	0.31	0.30	N/A
Sub-total	5,120,000	–	(800,000)	4,320,000					
Others									
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	0.52
Sub-total	5,040,160	–	(586,720)	4,453,440					
Total	16,560,160	–	(1,386,720)	15,173,440					

No share options were granted and cancelled during the year.

SHARE OPTION SCHEME (Cont'd)

(ii) Details of options granted (Cont'd)

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 month	$33\frac{1}{3}\%$
25th – 36th month	$33\frac{1}{3}\%$
37th – 48th month	$33\frac{1}{3}\%$

(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 the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Save as disclosed in the section heading "SHARE OPTION SCHEME" above, during the year ended 31st December, 2004, neither the Company nor any of its subsidiaries issued or granted any convertible securities, options, warrants or similar rights and there was no exercise of any conversion or subscription rights under any convertible securities, options, warrants or similar rights issued or granted at any time by the Company or any of its subsidiaries.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the "SHARE OPTION SCHEME" above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or the chief executive, or any of their spouses or children under the age of 18, was granted any right to subscribe for equity or debt securities of the Company, nor had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the section heading "CONNECTED TRANSACTIONS" below, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or subsisted during the year.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 31st December, 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:

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 *(Note a)*	62.79%
Parkfield	The Company	Beneficial owner	92,966,000 *(Note a)*	18.35%
Fung Shing	The Company	Beneficial owner	99,012,563 *(Note a)*	19.54%
Earntrade	The Company	Beneficial owner	62,661,600 *(Note b)*	12.37%
	The Company	Corporate interest	59,325,840 *(Note b)*	11.71%
Bannock	The Company	Beneficial owner	59,325,840 *(Note b)*	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 31st December, 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.

MANAGEMENT SHAREHOLDERS

So far as the Directors are aware, other than those disclosed under the sections heading "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN EQUITY SECURITIES" and "SUBSTANTIAL SHAREHOLDERS" above, there is no other person who is directly or indirectly interested in 5% or more of the share capital of the Company then issued and who is able, as a practical matter, to direct or influence the management of the Company.

CONNECTED TRANSACTIONS

Details of the transactions for the year ended 31st December, 2004 with companies controlled by, or affiliated with, South China Holdings are set out in note 22 to the financial statements. A Director, Mr. Ng Hung Sang, Robert is a Director and substantial shareholder of South China Holdings. Save as disclosed therein, there were no other transactions to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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. 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, none of the Directors or the management shareholders of the Company or their respective associates have any interest in any business, which competes or may compete with the business of the Group.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Other than the contracts as disclosed in the section heading "DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE", there was no contract of significance between the Company or its subsidiaries and a controlling shareholder or any of its subsidiaries subsisting during or at the end of the year. Furthermore, there was no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

BOARD PRACTICES AND PROCEDURES

The Company has, throughout the year ended 31 December 2004, complied with the Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules which was in force prior to 1st January, 2005.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company's shares were listed on GEM on 8th 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.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme are set out in Note 26 to the financial statements.

CUSTOMERS AND SUPPLIERS

During the year ended 31st December, 2004, the five largest customers of the Group accounted for less than 30% of the Group's total turnover and the five largest suppliers of the Group accounted for 73.1% of the Group's total purchases. In addition, the largest supplier accounted for 24.1% of the Group's total purchases. Success Production Limited, a subsidiary of South China Holdings, is one of the top five suppliers.

The management shareholders of the Company, including Mr. Ng Hung Sang, Robert, Parkfield, Fung Shing, Ronastar, Ms. Cheung Choi Ngor, Christina, Mr. Richard Howard Gorges, Earntrade and Bannock, hold interests in South China Holdings.

Save as disclosed above, none of the Directors, their associates, or shareholders (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest suppliers and customers as at 31st December, 2004.

AUDIT COMMITTEE

The Company established an audit committee on 4th September, 2001 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules. 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.

During the year, the audit committee held four meetings to review and comment on the Company's 2003 annual report, 2004 half-yearly report and quarterly reports as well as the Company's internal control procedures.

The Group's audited results for the year ended 31st December, 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.

SPONSOR'S INTERESTS

The sponsorship agreement entered into between the Company and MasterLink Securities (Hong Kong) Corporation Limited ("MasterLink") dated 27th November, 2002 expired on 31st December, 2004, pursuant to which MasterLink had received fees for acting as the Company's sponsor for the period from 26th November, 2002 to 31st December, 2004.

As updated and notified by MasterLink, as at 31st December, 2004, MasterLink, its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) 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.

AUDITORS

Except for the period from the date of incorporation to November 2002, in which Messrs. Arthur Andersen & Co. acted as auditors of the Company, Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past three years.

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
Ng Hung Sang, Robert
Chairman

Hong Kong Special Administrative Region of the People's Republic of China
23rd March, 2005

Deloitte.
德勤

TO THE MEMBERS OF JESSICA PUBLICATIONS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 23 to 51 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 23rd March, 2005

Consolidated Income Statement

For the year ended 31st December, 2004

	Notes	**2004**	2003
		HK$'000	HK$'000
Turnover	5	**81,389**	41,287
Direct operating expenses		**(58,209)**	(28,457)
Other operating income	7	**67**	164
Selling and distribution costs		**(17,603)**	(10,180)
Administrative expenses		**(7,812)**	(4,329)
Loss before taxation	8	**(2,168)**	(1,515)
Taxation	10	**–**	–
Net loss for the year		**(2,168)**	(1,515)
Minority interests		**2,255**	–
Net profit (loss) attributable to shareholders		**87**	(1,515)
Earnings (loss) per share	11		
Basic		**HK0.02 cent**	HK(0.30) cent
Diluted		**HK0.02 cent**	–

JESSICA PUBLICATIONS LIMITED

Consolidated Balance Sheet

At 31st December, 2004

	Notes	2004 HK$'000	2003 HK$'000
Non-current assets			
Plant and equipment	12	**1,735**	746
Intangible assets	13	**3,952**	–
Deposit for investment		**–**	451
		5,687	1,197
Current assets			
Trade receivables	15	**16,325**	9,825
Other receivables		**3,554**	264
Amount due from a related company	22	**423**	77
Bank balances and cash		**3,992**	5,813
		24,294	15,979
Current liabilities			
Trade payables	16	**20,068**	9,674
Other payables and accrued charges		**6,899**	4,094
		26,967	13,768
Net current (liabilities) assets		**(2,673)**	2,211
		3,014	3,408
Capital and reserves			
Share capital	18	**507**	507
Share premium and reserves		**3,006**	2,901
		3,513	3,408
Minority interests	20	**(2,698)**	–
		815	3,408
Non-current Liability			
Amount due to a minority shareholder of a subsidiary	17	**2,199**	–
		3,014	3,408

The financial statements on pages 23 to 51 were approved and authorised for issue by the Board of Directors on 23rd March, 2005 and are signed on its behalf by:

NG HUNG SANG, ROBERT
CHAIRMAN

NG, JESSICA YUK MUI
DIRECTOR

Balance Sheet

At 31st December, 2004

	Notes	**2004**	2003
		HK$'000	HK$'000
Non-current assets			
Investments in subsidiaries	14	**510**	510
Current assets			
Amount due from a subsidiary	14	**3,240**	8,489
Bank balances		**189**	216
		3,429	8,705
Current liabilities			
Other payables and accrued charges		**160**	132
Net current assets		**3,269**	8,573
		3,779	9,083
Capital and reserves			
Share capital	18	**507**	507
Share premium and reserves	19	**3,272**	8,576
		3,779	9,083

NG HUNG SANG, ROBERT
DIRECTOR

NG, JESSICA YUK MUI
DIRECTOR

Consolidate Statement of Changes in Equity

For the year ended 31st December, 2004

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 *Note*	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2003	506	9,169	(510)	–	(4,292)	4,873
Exercise of share options	1	49	–	–	–	50
Net loss for the year	–	–	–	–	(1,515)	(1,515)
At 31st December, 2003	507	9,218	(510)	–	(5,807)	3,408
Exchange gain on translation of operations outside Hong Kong not recognised in the consolidated income statement	–	–	–	18	–	18
Net profit for the year	–	–	–	–	87	87
At 31st December, 2004	**507**	**9,218**	**(510)**	**18**	**(5,720)**	**3,513**

Note: Capital reserve represents the difference between the nominal value and premium of the ordinary shares issued by the Company and the aggregate of the share capital of a subsidiary acquired through an exchange of shares pursuant to the reorganisation in 2001.

Consolidated Cash Flow Statement

For the year ended 31st December, 2004

	Note	2004 HK$'000	2003 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(2,168)**	(1,515)
Adjustments for:			
Allowance for bad and doubtful debts		**1,041**	–
Interest income		**(3)**	(31)
Depreciation of plant and equipment		**374**	165
Operating cash flows before movements in working capital		**(756)**	(1,381)
Increase in trade and other receivables		**(7,956)**	(3,820)
Increase in amount due from a related company		**(346)**	(77)
Increase in trade payables		**10,394**	3,205
(Decrease) increase in other payables and accrued charges		**(1,268)**	1,300
Decrease in amount due to a related company		**–**	(12)
Decrease in amount due to a minority shareholder of a subsidiary		**(3,363)**	–
NET CASH USED IN OPERATING ACTIVITIES		**(3,295)**	(785)
INVESTING ACTIVITIES			
Deposit paid for investment		**–**	(451)
Interest received		**3**	31
Purchases of plant and equipment		**(830)**	(325)
Acquisition of a subsidiary	21	**(67)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(894)**	(745)
FINANCING ACTIVITIES			
Proceeds from issue of shares		**–**	50
Capital injected by a minority shareholder of a subsidiary		**2,350**	–
NET CASH FROM FINANCING ACTIVITIES		**2,350**	50
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,839)**	(1,480)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		**5,813**	7,293
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**18**	–
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER, representing bank balances and cash		**3,992**	5,813

1. GENERAL

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

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 28.

2. ADOPTION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has early adopted the following Hong Kong Financial Reporting Standard ("HKFRS") and Hong Kong Accounting Standards ("HKAS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") with effect from 1st January, 2004:

HKFRS 3	Business Combinations
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets

The early adoption of HKFRS 3, HKAS 36 and HKAS 38 resulted in a change in the accounting policy for goodwill, discount on acquisition, impairment of assets and intangible assets.

Goodwill/discount on acquisition

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the Group's share of the fair values of the assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

Impairment of assets

In accordance with the provisions of HKAS 36, from the year ended 31st December, 2003 onwards, goodwill is tested annually for impairment, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit.

Intangible assets

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

3. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the HKICPA issued a number of new or revised HKASs and HKFRSs (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. Except for the early adoption of the HKFRS and HKAS as mentioned in note 2, the Group has not early adopted these remaining new HKFRSs in the financial statements for the year ended 31st December, 2004.

Except for the HKFRS and HKAS as mentioned in note 2, the Group has considered these remaining new HKFRSs but does not expect that the issuance of these new HKFRSs will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Turnover

Turnover represents (i) sale of magazines after allowances for returns and discounts; (ii) advertising income from publications, and (iii) promotion and marketing income.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue recognition

Revenue from sale of magazines is recognised when the magazines are delivered and title has passed, with advance subscription fees received from subscribers recorded as receipts in advance.

Advertising income is recognised when the advertisements are published.

Promotion and marketing income is recognised when the service is rendered.

Interest income from bank deposits is recognised on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Plant and equipment

Plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at 20% per annum.

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Goodwill/discount on acquisition

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the Group's share of the fair values of the assets, liabilities and contingent liabilities of the subsidiaries at the date of acquisition (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Retirement benefits scheme

Payments to the Group's Mandatory Provident Fund Scheme and defined contribution retirement benefit plans are charged as an expense as they fall due.

Operating leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

5. TURNOVER

Turnover represents the net amounts received and receivable for the following:

	2004	2003
	HK$'000	HK$'000
Sale of magazines	**20,051**	11,217
Advertising income	**48,582**	26,069
Promotion and marketing income	**12,756**	4,001
	81,389	41,287

For the year ended 31st December, 2004

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Geographical Segments

The location of customers is the basis on which the Group reports its primary segment information. The following is an analysis of the Group's sales and results for the year ended 31st December, 2004 and 2003 by location of customers.

Income statement for the year ended 31st December, 2004

	Hong Kong	Other Regions of PRC	Total
	HK$'000	HK$'000	HK$'000
Turnover	**56,175**	**25,214**	**81,389**
Segment result	**2,777**	**(5,012)**	**(2,235)**
Other operating income			**67**
Loss before taxation			**(2,168)**
Taxation			**–**
Net loss for the year			**(2,168)**

Income statement for the year ended 31st December, 2003

	Hong Kong	Other Regions of PRC	Total
	HK$'000	HK$'000	HK$'000
Turnover	41,287	–	41,287
Segment result	(1,679)	–	(1,679)
Other operating income			164
Loss before taxation			(1,515)
Taxation			–
Net loss for the year			(1,515)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

Geographical Segments (Cont'd)

The following is an analysis of the carrying amount of segment assets, segment liabilities and other information, analysed by the geographical area in which the Group's companies are operated:

Balance sheet at 31st December, 2004

	Hong Kong HK$'000	Other Regions of PRC HK$'000	Total HK$'000
Assets			
Segment assets	**16,298**	**13,683**	**29,981**
Liabilities			
Segment liabilities	**(17,907)**	**(11,259)**	**(29,166)**
			815
Other information for the year ended 31st December, 2004			
Allowance for bad and doubtful debts	**376**	**665**	**1,041**
Depreciation of plant and equipment	**231**	**143**	**374**
Additions of plant and equipment	**318**	**512**	**830**

For the year ended 31st December, 2004

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Cont'd)

Geographical Segments (Cont'd)

Balance sheet at 31st December, 2003

	Hong Kong	Other Regions of PRC	Total
	HK$'000	HK$'000	HK$'000
Assets			
Segment assets	17,176	–	17,176
Liabilities			
Segment liabilities	(13,768)	–	(13,768)
			3,408
Other information for the year ended 31st December, 2003			
Allowance for bad and doubtful debts	20	–	20
Depreciation of plant and equipment	165	–	165
Bad debts written off	183	–	183
Additions of plant and equipment	325	–	325

Business Segments

The Group's turnover and results are substantially derived from the magazine publishing and advertising business. Accordingly, no analysis by business segments is presented.

7. OTHER OPERATING INCOME

	2004	2003
	HK$'000	HK$'000
Bank interest income	**3**	31
Sundry income	**64**	133
	67	164

8. LOSS BEFORE TAXATION

	2004	2003
	HK$'000	HK$'000
Loss before taxation has been arrived at after charging:		
Staff costs including directors' emoluments	**17,434**	11,778
Retirement benefits scheme contributions	**556**	493
	17,990	12,271
Allowance for bad and doubtful debts	**1,041**	20
Auditors' remuneration	**300**	300
Bad debt written off	**–**	183
Depreciation of plant and equipment	**374**	165

9. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

	2004	2003
	HK$'000	HK$'000
Independent Non-executive Directors		
Fees	**112**	100
Executive Directors		
Salaries and other benefits	**1,084**	1,413
Retirement benefits scheme contributions	**53**	66
	1,137	1,479
Total emoluments	**1,249**	1,579

For the year ended 31st December, 2004, the executive directors received individual emoluments of HK$Nil (2003: HK$Nil), HK$504,000 (2003: HK$504,000), HK$168,626 (2003: HK$558,735) and HK$465,150 (2003: HK$415,800).

For the year ended 31st December, 2004

9. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES (Cont'd)

(b) Employees' emoluments

Of the five highest paid individuals in the Group, one (2003: two) was/were Directors of the Company whose remunerations were set out in (a) above. The emoluments of the remaining four (2003: three) individuals were as follows:

	2004	2003
	HK$'000	HK$'000
Salaries and other benefits	**2,285**	1,580
Retirement benefits scheme contributions	**51**	39
	2,336	1,619

The aggregate emoluments of each of the individuals were below HK$1,000,000 for both years.

During each of the two years ended 31st December, 2004 , no emoluments were paid by the Group to the five highest paid individuals, including Directors, as an inducement to join or upon joining the Group or as a compensation for loss of office.

10. TAXATION

No tax is payable on the profit for the year arising in Hong Kong by a subsidiary since the assessable profit is wholly absorbed by tax losses brought forward. No provision for taxation has been made by the Company and the remaining subsidiaries as they incurred tax losses for the year.

No provision for Hong Kong Profits Tax had been made as the Group incurred a tax loss for the year ended 31st December, 2003.

10. TAXATION (Cont'd)

The taxation for the year can be reconciled to the loss per the income statement as follows:

	2004	2003
	HK$'000	HK$'000
Loss before taxation	**(2,168)**	(1,515)
Tax at the domestic income tax rate of 17.5% (2003: 17.5%)	**(379)**	(265)
Tax effect of expenses that are not deductible in determining taxable profit	**65**	9
Tax effect of income that is not taxable in determining taxable profit	**–**	(5)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(626)**	–
Utilisation of tax losses previously not recognised	**(1,160)**	–
Unrecognised tax losses	**2,100**	261
Taxation for the year	**–**	–

Details of the deferred taxation are set out in note 27.

11. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on the following data:

	2004	2003
	HK$'000	HK$'000
Earnings (loss) for the purposes of basis and diluted earnings (loss) per share	**87**	(1,515)
	'000	'000
Weighted average number of ordinary shares in issue for the purposes of basic earnings (loss) per share	**506,640**	506,516
Effect of dilutive potential ordinary shares:		
Share options	**1,802**	–
Weighted average number of ordinary shares in issue for the purposes of diluted earnings (loss) per share	**508,442**	506,516

For the year ended 31st December, 2004

11. EARNINGS (LOSS) PER SHARE (Cont'd)

No diluted loss per share for the year ended 31st December, 2003 had been presented because the exercise price of the Company's share options was higher than the average market price per share for the year ended 31st December, 2003.

12. PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and office equipment	Total
	HK$'000	HK$'000	HK$'000
COST			
At 1st January, 2004	479	507	986
Additions	299	531	830
Acquired on acquisition of a subsidiary	–	533	533
At 31st December, 2004	**778**	**1,571**	**2,349**
DEPRECIATION			
At 1st January, 2004	135	105	240
Provided for the year	101	273	374
At 31st December, 2004	**236**	**378**	**614**
NET BOOK VALUES			
At 31st December, 2004	**542**	**1,193**	**1,735**
At 31st December, 2003	344	402	746

13. INTANGIBLE ASSETS

	Trademark	Goodwill	Total
	HK$'000	HK$'000	HK$'000
CARRYING AMOUNT			
Acquired on acquisition of a subsidiary	19	–	19
Arising on acquisition of a subsidiary	–	3,933	3,933
At 31st December, 2004	**19**	**3,933**	**3,952**

The trademark has acquired from a third party.

14. INVESTMENTS IN SUBSIDIARIES/AMOUNT DUE FROM A SUBSIDIARY

	2004	2003
	HK$'000	HK$'000
Unlisted shares	**510**	510
Amount due from a subsidiary	**8,240**	8,489
Less: Impairment loss recognised	**(5,000)**	–
	3,240	8,489

During the year, the directors reviewed the carrying value of the amount due from a subsidiary with reference to the business operated by the subsidiary. In view of the current economic condition, impairment loss of HK$5,000,000 has been identified and recognised in the Company's income statement.

Details of the Company's principal subsidiaries are set out in note 28.

For the year ended 31st December, 2004

15. 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:

	2004	2003
	HK$'000	HK$'000
0 – 30 days	**5,958**	3,739
31 – 60 days	**3,905**	2,819
61 – 90 days	**783**	685
91 to 180 days	**5,068**	2,410
Over 180 days	**611**	172
	16,325	9,825

16. TRADE PAYABLES

The following is an aged analysis of trade payables:

	2004	2003
	HK$'000	HK$'000
0 to 30 days	**4,894**	1,129
31 to 60 days	**3,117**	2,268
61 to 90 days	**3,653**	2,051
91 to 180 days	**7,430**	3,857
Over 180 days	**974**	369
	20,068	9,674

17. AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount is unsecured, interest-free and has no fixed repayment terms. In the opinion of the Directors, the loans will not be required to be repaid within the next twelve months, accordingly, the amount is shown as non-current.

18. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.001 each		
Authorised:		
At 31st December, 2003 and 31st December, 2004	1,000,000,000,000	1,000,000
Issued and fully paid:		
At 1st January, 2003	506,479,876	506
Shares issued on exercise of share options	159,840	1
At 31st December, 2003 and 31st December, 2004	506,639,716	507

19. SHARE PREMIUM AND RESERVES

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY			
At 1st January, 2003	9,169	(379)	8,790
Exercise of share options	49	–	49
Net loss for the year	–	(263)	(263)
At 31st December, 2003	9,218	(642)	8,576
Net loss for the year	–	(5,304)	(5,304)
At 31st December, 2004	**9,218**	**(5,946)**	**3,272**

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its articles of association and a statutory solvency test. It is provided that a dividend cannot be paid if this would result in the Company being unable to pay its debts as they fall due. In accordance with the Company's articles of association, the Company's reserves available for distribution to shareholders represent the accumulated losses and share premium which in total amounted to approximately HK$3,272,000 (2003: HK$8,576,000).

For the year ended 31st December, 2004

20. MINORITY INTERESTS

A minority shareholder of a subsidiary has committed to share the operating losses incurred by the subsidiary up to the amount of its capital injected and advance to the subsidiary.

21. ACQUISITION OF A SUBSIDIARY

On 30th March, 2004, the Group acquired 55% of the equity interest of BCM for consideration of HK$519,000. The acquisition has been accounted for by the acquisition method of accounting.

The amount of goodwill arising as a result of the acquisition was HK$3,933,000.

	Carrying amounts HK$'000	**Fair value adjustments** HK$'000	**Fair values** HK$'000
Net assets acquired:			
Plant and equipment	533	–	533
Trademark	19	–	19
Goodwill	5,732	(5,732)	–
Trade and other receivables	2,875	–	2,875
Bank balances and cash	1	–	1
Other payables and accrued charges	(4,073)	–	(4,073)
Amount due to a minority shareholder of a subsidiary	(5,562)	–	(5,562)
Minority interest	214	2,579	2,793
	(261)	(3,153)	(3,414)
Goodwill			3,933
Total consideration			519
Satisfied by:			
Cash			68
Deposit paid in prior year			451
			519
Net cash outflow arising on acquisition:			
Cash consideration paid			68
Bank balances and cash acquired			(1)
Net outflow of cash and cash equivalents in respect of the purchase of a subsidiary			67

21. ACQUISITION OF A SUBSIDIARY (Cont'd)

The subsidiary acquired during the year contributed HK$25,214,000 to the Group's turnover, and loss of HK$5,001,000 to the Group's loss from operations.

Pro forma Group's revenue and results

If the acquisition had been completed on 1st January, 2004, unaudited group's revenue and group's loss attributable to the equity holders of the Company for the year ended 31st December, 2004 would have been HK$83,538,000 and HK$689,000 respectively. The pro forma information is presented for illustrative purposes only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2004, nor is it intended to be a projection of future results.

22. RELATED PARTY TRANSACTIONS

During the year, the Group had significant transactions with companies controlled by, or affiliated with, 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	2004 HK$'000	2003 HK$'000
Expenses:		
Administrative service fees	**984**	978
Colour separation and photo processing fees	**874**	969
Marketing service fees	**17**	16
Phototaking service fees	**488**	509
Rental expenses in respect of office premises	**237**	237

Mr. Ng Hung Sang, Robert, Parkfield, Fung Shing, Ronstar, Earntrade and 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 wavier of amounts due to related companies (see note 24(a)).

In the opinion of the Directors, the above transactions during the year ended 31st December, 2004 were conducted in accordance with the respective arrangements between the Group and the related parties.

At the balance sheet date, the Group had amounts due from/to related company arising from certain of the above related party transactions. The amounts are unsecured, interest-free and have no fixed repayment terms.

23. OPERATING LEASE COMMITMENTS

	2004	2003
	HK$'000	HK$'000
The minimum lease payments paid under operating leases during the year in respect of premises	**896**	237

At the balance sheet date, the Group had commitments for future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	2004	2003
	HK$'000	HK$'000
Within one year	**119**	237
In the second to fifth year inclusive	**–**	119
	119	356

The leases are negotiated for an average term of three years and the rentals are fixed for an average term of three years.

At the balance sheet date, the Company had no arrangement under non-cancellable operating leases.

24. CONTINGENT LIABILITIES

As at 31st December, 2004, the Group had the following contingent liabilities:

(a) On 30th 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 that any one of these related companies is wound up by reason of insolvency or the Waiver is ordered by courts or other competent authorities to be restored to the related companies, the Group may be required to compensate these related companies. In the opinion of the Directors, the risk of winding up of these related companies by reason of insolvency or restoring the balances to these related companies is remote, and therefore, it is not probable that the Group will compensate those related companies. Accordingly, 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, Earntrade and Bannock, shareholders of the Company, in favour of the Group.

24. CONTINGENT LIABILITIES (Cont'd)

(b) As at 31st December, 2004, the Company had provided a corporate guarantee to a bank to secure a bank facility of HK$1,000,000 (2003: HK$1,000,000) granted to a subsidiary, which remained unused as at 31st December, 2004.

25. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 20th December, 2001 for the primary purpose of providing incentives to directors and eligible employees and will be expired on 7th January, 2012. Under the Scheme, the board of directors of the Company may offer to any director or employee of the Company, or any of its subsidiaries, options to subscribe for shares in the Company.

At 31st December, 2004, the number of shares in respect of which options had been granted under the Scheme was 15,173,440 (2003: 16,560,160), representing 3.0% (2003: 3.3%) of the shares of the Company in issue at that date. Without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, and the number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

Options may be exercised at any time for a period of ten years commencing on the first anniversary of the date of grant. The exercise price of the option shares would be at a price equal to the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer; (ii) the average closing price of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the options; and (iii) the nominal value of a share.

25. SHARE OPTION SCHEME (Cont'd)

The following tables disclose details of the Company's share options held by employees (including directors) and movements in such holdings during the year:

Date of grant	Outstanding at 1.1.2003	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2003 and 1.1.2004	Lapsed during the year	Outstanding at 31.12.2004
15th April, 2002	12,640,000	–	3,760,000	8,880,000	480,000	8,400,000
2nd September, 2002	9,760,000	159,840	1,920,000	7,680,160	906,720	6,773,440
	22,400,000	159,840	5,680,000	16,560,160	1,386,720	15,173,440

Details of specific categories of options are as follows:

Date of grant	Exercise period	Exercise price	Number of options vested at 31.12.2003	Number of options vested at 31.12.2004
15th April, 2002	15th April, 2003 to 7th January, 2012	HK$0.69	8,880,000	8,400,000
2nd September, 2002	2nd September, 2003 to 7th January, 2012	HK$0.31	7,680,160	6,773,440
			16,560,160	15,173,440

The vesting period of 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 12th months	Nil
13th – 24th month	$33^1/_3$%
25th – 36th month	$33^1/_3$%
37th – 48th month	$33^1/_3$%

25. SHARE OPTION SCHEME (Cont'd)

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.

No charge is recognised in the income statement in respect of the value of options granted during the year.

26. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the ORSO Scheme) and a Mandatory Provident Fund Scheme (the MPF Scheme) established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Company, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by the employee. Both the employer's and the employees' contributions are subject to a maximum of monthly earnings of HK$20,000 per employee and thereabove contributions are voluntary.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employee's basic salary. The employees are entitled to receive their entire contributions and the accrued interest thereon, and 100% of the employer's contributions and the accrued interest thereon upon retirement or leaving the employer after completing 10 years of service or at a reduced scale of between 30% to 90% after completing 3 to 9 years of service.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. The amount of forfeited contributions utilised in this manner during the year was HK$101,534 (2003: HK$5,224). As at 31st December, 2004, no material forfeited contributions, which arose upon employees leaving the ORSO Scheme, are available to reduce the contributions payables in future years.

Employees located in the PRC are covered by the retirement and pension schemes defined by local practice and regulations and which are essentially defined contribution schemes.

The calculation of contributions for the PRC eligible staff is based on certain percentage of the applicable payroll costs.

For the year ended 31st December, 2004

27. DEFERRED TAX

The following are the major deferred taxation assets and liabilities recognised by the Group and movements thereon during the current and prior reporting periods.

	Accelerated tax depreciation	Tax losses	Total
	HK$'000	HK$'000	HK$'000
At 31st December, 2002	29	(29)	–
Charge (credit) to income	33	(33)	–
At 31st December, 2003	62	(62)	–
Charge (credit) to income	18	(18)	–
At 31st December, 2004	**80**	**(80)**	**–**

At 31st December, 2004, the Group has unused tax losses of HK$15,677,000 (2003: HK$13,772,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$457,000 (2003: HK$354,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$15,220,000 (2003: HK$13,418,000) due to the unpredictability of future profit streams. Included in unrecognised estimated tax losses of HK$5,013,000 (2003: HK$Nil) that will expire within 5 years. Other losses may be carried forward indefinitely.

For the year ended 31st December, 2004

28. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by Company Directly	Indirectly	Principal activity
Beforward Trading Limited	British Virgin Islands	US$2	–	100%	Investment holding
Cathy Success Limited	British Virgin Islands	US$1	–	100%	Investment holding
Grandpress Limited	Hong Kong	HK$2	–	100%	Investment holding
Great Ready Assets Limited	British Virgin Islands	US$2	100%	–	Investment holding
Jessica Publications (BVI) Limited	British Virgin Islands	US$2	–	100%	Investment holding
Jessica (BVI) Limited	British Virgin Islands	US$2	–	100%	Investment holding
Jessicacode Limited	Hong Kong	HK$2	–	100%	Publication of "旭茉 JESSICACODE" magazine
Jessica Management Limited	Hong Kong	HK$2	–	100%	Provision of employee and personnel services and holding of a lease agreement

28. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

Name of subsidiary	Place of incorporation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by Company		Principal activity
			Directly	Indirectly	
Jessica Limited	Hong Kong	HK$2	–	100%	Publication of "旭茉 JESSICA" magazine
Shanghai South China & Boyang Business Consultation Co., Ltd. (Sino-foreign joint venture)	PRC	RMB1,000,000	–	55%	Not yet commence business
BCM (Sino-foreign joint venture)	PRC	RMB5,200,000	–	55%	Distribution and selling of advertising space in Chinese language publications
Superb Taste Company Limited	Hong Kong	HK$2	–	100%	Publication of "味道 LISA" magazine

The above table lists the subsidiaries of the Group which in the opinion of the Directors, principally affected the results or assets of the Group.

29. COMPARATIVE FIGURE

In previous year, certain direct operating costs were classified as selling and distribution costs. The directors consider that these expenses were directly related to the turnover of the Group and it is more informative to the readers after reclassifying these expenses to direct operating expenses.

RESULTS

	For the year ended 31st December,				
	2000	2001	2002	2003	**2004**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
	(Note i & ii)	*(Note i & ii)*	*(Note ii)*	*(Note ii)*	
Turnover	16,244	20,034	27,599	41,287	**81,389**
Direct operating expenses	(14,529)	(15,966)	(19,099)	(28,457)	**(58,209)**
Other operating income	201	437	104	164	**67**
Selling and distribution costs	(3,493)	(5,000)	(6,057)	(10,180)	**(17,603)**
Administrative expenses	(2,547)	(5,164)	(4,591)	(4,329)	**(7,812)**
Net loss from operations	(4,124)	(5,659)	(2,044)	(1,515)	**(2,168)**
Waiver of amounts due to related companies	–	7,611	–	–	**–**
Net (loss) profit before taxation	(4,124)	1,952	(2,044)	(1,515)	**(2,168)**
Taxation (charge) credit	–	(117)	117	–	**–**
Net (loss) profit for the year	(4,124)	1,835	(1,927)	(1,515)	**(2,168)**
Minority interests	–	–	–	–	**2,255**
Net (loss) profit attributable to shareholders	(4,124)	1,835	(1,927)	(1,515)	**87**

ASSETS AND LIABILITIES

	As at 31st December,				
	2000	2001	2002	2003	**2004**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
	(Note iii)	*(Note iii)*			
Total assets	11,728	7,355	14,148	17,176	**29,981**
Total liabilities	(15,928)	(9,720)	(9,275)	(13,768)	**(29,166)**
Minority interests	–	–	–	–	**2,698**
Shareholders' funds	(4,200)	(2,365)	4,873	3,408	**3,513**

Notes:

(i) The results for each of the two years ended 31st December, 2001 have been prepared on a combined basis as if the group structure immediately after the group reorganisation in September 2001 had been in existence throughout the relevant years.

(ii) In previous year, certain direct operating costs were classified as selling and distribution costs. The directors consider that these expenses were directly related to the turnover of the Group and it is more informative to the readers after reclassifying these expenses to direct operating expenses. The amounts reclassified from selling and distribution costs to direct operating expenses for the four years 31st December, 2000, 2001, 2002 and 2003 are HK$2,263,000, HK$355,000, HK$431,000 and HK$1,197,000 respectively.

(iii) The Company was incorporated in Cayman Islands on 29th June, 2001 and became the holding company of the Group as a result of the group reorganisation which took place on 10th September, 2001. Accordingly, the balance sheet for the Group that have been prepared are those set out above.