旭茉 JESSICA

JESSICA PUBLICATIONS LIMITED

2005

Interim Report

JESSICA PUBLICATIONS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8137)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2005

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

This report, for which the directors of Jessica Publications Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INTERIM RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 30 June 2005, together with the comparative unaudited figures for the corresponding periods in 2004, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June		Six months ended 30 June	
		2005	2004	**2005**	2004
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Restated)	**(Unaudited)**	(Restated)
Turnover	*2 & 4*	**22,850**	20,870	**41,718**	30,852
Direct operating expenses		**(14,667)**	(16,458)	**(28,148)**	(23,436)
Other operating income		**12**	5	**32**	54
Selling and distribution costs		**(4,288)**	(4,529)	**(9,046)**	(7,364)
Administrative expenses		**(1,715)**	(2,539)	**(3,404)**	(3,945)
Net profit (loss) before taxation	*3 & 4*	**2,192**	(2,651)	**1,152**	(3,839)
Taxation	*5*	**–**	–	**–**	–
Net profit (loss) for the period		**2,192**	(2,651)	**1,152**	(3,839)
Attributable to:					
Equity holders of the parent		**2,192**	(1,094)	**1,152**	(2,282)
Minority interest		**–**	(1,557)	**–**	(1,557)
		2,192	(2,651)	**1,152**	(3,839)
Basic earnings (loss) per share	*7*	**HK0.43 cent**	HK(0.22) cent	**HK0.23 cent**	HK(0.45) cent

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**As at 30 June 2005** ***HK$'000*** **(Unaudited)**	As at 31 December 2004 *HK$'000* (Restated)
Non-current assets			
Plant and equipment		**1,578**	1,735
Intangible assets		**3,952**	3,952
		5,530	5,687
Current assets			
Trade receivables	*8*	**15,210**	16,325
Other receivables		**2,870**	3,554
Amount due from a related company		**93**	423
Bank balances and cash		**5,516**	3,992
		23,689	24,294
Total assets		**29,219**	29,981
Capital and reserves			
Share capital		**507**	507
Share premium and reserves		**4,264**	3,006
Equity attributable to equity holders of the parent		**4,771**	3,513
Minority interests		**(2,698)**	(2,698)
Total equity		**2,073**	815
Non-current liability			
Amount due to a minority shareholder of a subsidiary		**2,199**	2,199
Current liabilities			
Trade payables	*9*	**16,963**	20,068
Other payables and accrued charges		**7,984**	6,899
		24,947	26,967
Total liabilities		**27,146**	29,166
Total equity and liabilities		**29,219**	29,981

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	Share capital *HK$'000* (Unaudited)	Share premium *HK$'000* (Unaudited)	Capital reserve *HK$'000* (Unaudited)	Translation reserve *HK$'000* (Unaudited)	Accumulated losses *HK$'000* (Unaudited)	Attributable to equity holders of the parent *HK$'000* (Unaudited)	Minority interests *HK$'000* (Unaudited)	Total equity *HK$'000* (Unaudited)
2005								
At 1 January 2005	**507**	**9,218**	**(510)**	**18**	**(5,720)**	**3,513**	**(2,698)**	**815**
Effect on adoption of HKFRS 2	**–**	**–**	**4,089**	**–**	**(4,089)**	**–**	**–**	**–**
As restated	**507**	**9,218**	**3,579**	**18**	**(9,809)**	**3,513**	**(2,698)**	**815**
Recognition of share based payment	**–**	**–**	**106**	**–**	**–**	**106**	**–**	**106**
Realised on lapse of share options	**–**	**–**	**(139)**	**–**	**139**	**–**	**–**	**–**
Net profit for the period	**–**	**–**	**–**	**–**	**1,152**	**1,152**	**–**	**1,152**
Total income and expenses recognized during the period	**–**	**–**	**(33)**	**–**	**1,291**	**1,258**	**–**	**1,258**
At 30 June 2005	**507**	**9,218**	**3,546**	**18**	**(8,518)**	**4,771**	**(2,698)**	**2,073**
2004								
At 1 January 2004	507	9,218	(510)	–	(5,807)	3,408	–	3,408
Effect on adoption of HKFRS 2	–	–	3,657	–	(3,657)	–	–	–
As restated	507	9,218	3,147	–	(9,464)	3,408	–	3,408
Recognition of share based payment	–	–	340	–	–	340	–	340
Realised on lapse of share options	–	–	(77)	–	77	–	–	–
Net loss for the period	–	–	–	–	(2,282)	(2,282)	(1,557)	(3,839)
Total income and expenses recognized during the period	–	–	263	–	(2,205)	(1,942)	(1,557)	(3,499)
Capital contribution from minority shareholder of a subsidiary	–	–	–	–	–	–	2,197	2,197
At 30 June 2004	507	9,218	3,410	–	(11,669)	1,466	640	2,106

CONDENSED CONSOLIDATED CASH FLOW STATEMENT - UNAUDITED

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Net cash from (used in) operating activities	**1,640**	(2,974)
Net cash used in investing activities	**(116)**	(3,605)
Net cash from financing activities	**–**	3,199
Net increase (decrease) in cash and cash equivalents	**1,524**	(3,380)
Cash and cash equivalents, beginning of the period	**3,992**	5,813
Cash and cash equivalents, end of the period	**5,516**	2,433
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	**5,516**	2,433

Notes:

1 BASIS OF PRESENTATION

The unaudited consolidated financial statements for the three months and six months ended 30 June 2005 have not been audited by the Company's auditors but has been reviewed by the Company's audit committee.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong, accounting standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the GEM Listing Rules.

These interim financial statements should be read, where relevant, in conjunction with the 2004 annual financial statements of the Group.

Save as disclosed below, the accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2004.

In 2005, the Group has adopted all new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKAS") (herein collectively referred to as "new HKFRSs") which are effective for periods beginning or after 1 January 2005. The relevant new HKFRSs are set out below:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKFRS 2	Share-based Payments

The comparative figures had been amended in accordance with HKFRS 3 (which the Group had early adopted as disclosed in the 2004 audited financial statements). The change had resulted in an increase in profit of HK$322,000 for the three months and six months ended 30 June 2004.

The accounting policies which have material impacts on the Group are set out below:

The adoption of HKFRS 2 has resulted in a change in accounting policy for employee share options. Prior to this, the provision of share options to employees did not result in a charge to the income statement. Following the adoption of HKFRS 2, the fair value of share options at grant date is amortised over the relevant vesting periods to the income statement. HKFRS 2 has been applied retrospectively for all equity instruments granted to directors and employees not vested at 1 January 2005.

The effect on adopting HKFRS 2 on the consolidated income statement for the three months and six months ended 30 June 2005 and 30 June 2004 are shown below:

	Three months ended 30 June		**Six months ended 30 June**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Increase in accumulated losses as at beginning of the period	**4,109**	3,806	**4,089**	3,657
Increase in capital reserve as at beginning of the period	**4,109**	3,806	**4,089**	3,657
(Decrease)/Increase in capital reserve for the period	**(53)**	114	**(33)**	263
Decrease in profit for the period	**25**	158	**106**	340

The adoption of other new HKFRSs does not result in substantial changes to the Group's accounting policies except certain presentation and disclosure of the accounts would be affected.

2 TURNOVER

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

	Three months ended 30 June		**Six months ended 30 June**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Sales of magazines	**5,357**	5,256	**10,708**	7,680
Advertising income	**14,627**	12,855	**26,102**	18,629
Promotion and marketing income	**2,866**	2,759	**4,908**	4,543
	22,850	20,870	**41,718**	30,852

3 DEPRECIATION

Net profit (loss) before taxation for the three months and six months ended 30 June 2005 is arrived at after charging depreciation of HK$140,000 and HK$273,000 respectively (three months and six months ended 30 June 2004: HK$92,000 and HK$144,000 respectively).

4 GEOGRAPHICAL SEGMENTS

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

	Three months ended 30 June		Six months ended 30 June	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Hong Kong	**15,460**	13,577	**27,410**	23,559
Other regions of the People's Republic of China (the "PRC") ("Mainland China")	**7,390**	7,293	**14,308**	7,293
	22,850	20,870	**41,718**	30,852

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

	Three months ended 30 June		Six months ended 30 June	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Restated)	**(Unaudited)**	(Restated)
Hong Kong	**2,197**	806	**1,710**	(382)
Mainland China	**(5)**	(3,457)	**(558)**	(3,457)
	2,192	(2,651)	**1,152**	(3,839)

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

5 TAXATION

No Hong Kong profits tax was provided as the Group had no estimated assessable profit arising in or derived from Hong Kong during the three months and six months ended 30 June 2005 (three months and six months ended 30 June 2004: Nil). The PRC enterprise income tax is calculated at the rates prevailing in the relevant region.

6 INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2005 (six months ended 30 June 2004: Nil).

7 EARNINGS (LOSS) PER SHARE

The calculation of basic earnings per share for the three months and six months ended 30 June 2005 are based on the profit for the periods of HK$2,192,000 and HK$1,152,000 respectively (three months and six months ended 30 June 2004: loss of HK$1,094,000 and HK$2,282,000 respectively) and on 506,639,716 shares in issue (three months and six months ended 30 June 2004: 506,639,716 shares).

For the three months and six months ended 30 June 2004 and 2005, no diluted earnings (loss) per share has been presented as it is anti-dilutive.

8 TRADE RECEIVABLES

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

The following is an aging analysis of trade receivables:

	As at 30 June 2005 *HK$'000* **(Unaudited)**	As at 31 December 2004 *HK$'000* (Audited)
0 – 30 days	**5,121**	5,958
31 – 60 days	**3,772**	3,905
61 – 90 days	**3,419**	783
91 – 180 days	**2,628**	5,068
Over 180 days	**270**	611
	15,210	16,325

9 TRADE PAYABLES

The following is an aging analysis of trade payables:

	As at 30 June 2005 *HK$'000* **(Unaudited)**	As at 31 December 2004 *HK$'000* (Audited)
0 – 30 days	**4,283**	4,894
31 – 60 days	**1,643**	3,117
61 – 90 days	**4,056**	3,653
91 – 180 days	**5,617**	7,430
Over 180 days	**1,364**	974
	16,963	20,068

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the six months ended 30 June 2005, the Group's turnover was HK$41.7 million, an increase of 35% from HK$30.9 million for the same period last year, comprising HK$27.4 million from Hong Kong operations and HK$14.3 million from the PRC operations (six months ended 30 June 2004: HK$23.6 million from Hong Kong operations, HK$7.3 million from the PRC operations). Net profit for the period was HK$1.2 million, with net profit of HK$1.7 million from Hong Kong operations and net loss of HK$0.5 million from the PRC operations (six months ended 30 June 2004: loss of HK$0.4 million from Hong Kong operations and HK$3.4 million from the PRC operations).

The three months ended 30 June 2005 saw a growth in the Group's turnover to HK$22.9 million, representing an increase of HK$2 million or 9% when compared to the same period ended 30 June 2004. Net profit for the three months ended 30 June 2005 was HK$2.2 million, a turnaround from the net loss of HK$2.7 million for the same period last year.

The six months ended 30 June 2005 saw a growth in the Group's advertising sales of approximately 40% to HK$26.1 million compared with the same period of last year HK$18.6 million. This was attributable to the improvement of both our local sales in Hong Kong and in the mainland China.

"旭茉JESSICA" magazine continues to hold its position as HK's leading women's glossy magazine, with an average monthly circulation of 85,077 copies for the three months from 1 August 2004 to 31 October 2004 according to the most recent ad hoc audit by the Hong Kong Audit Bureau of Circulations. During the first half of 2005, the magazine began to see the partial effect of the implementation of advertising income rate increases to reflect the impressive growth in its circulation base.

"旭茉JESSICACODE" magazine focused on newsstand sales, and generating greater reader awareness at the general public level, to increase the recognition of the brand.

In January 2005, LISA magazine launched a joint-promotion redemption-driven campaign with JUSCO department stores for its premium members to enrich the magazine's circulation base.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2005, the Group's operation was mainly financed by the internal financial resources of the Group.

As at 30 June 2005, the Group had net current liabilities of approximately HK$1,258,000 (31 December 2004: HK$2,673,000). The current assets comprised bank balances and cash of approximately HK$5.5 million and trade and other receivables of approximately HK$18.1 million. The current liabilities comprised trade payables, accruals and others of approximately HK$24.9 million.

As the Group had no bank borrowings, no gearing ratio is presented at 30 June 2005.

The Board is of the opinion that the Group has sufficient working capital for its present requirements.

MATERIAL ACQUISITION AND DISPOSAL

During the six months ended 30 June 2005, the Group did not have any acquisition and disposal.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

During the six months ended 30 June 2005, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

At the balance sheet date, the Group had no charges on its assets and did not have any contingent liabilities.

SIGNIFICANT INVESTMENT PLANS

As at 30 June 2005, the Group did not have any significant investment plans.

EMPLOYEES

As at 30 June 2005, the total number of employees of the Group was 152 (30 June 2004: 142). Employees' cost (including directors' emoluments) amounted to approximately HK$8.5 million for the six months ended 30 June 2005 (six months ended 30 June 2004: approximately HK$8 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 Hong Kong management team expects a very favourable advertising environment for the second half. The magnitude of growth for advertising spending year-on-year is expected to continue into the second half which will couple with the effect of entering the peak season for glossy women magazines. We believe our first half strategy of increasing our advertising rates, brand building and enhancing target readership, has established a stronger base to take advantage of such favourable market conditions for the coming 6 months.

We intend to realize the maximum potential advertising dollar and circulation income, while our primary focus in the second half will still be the promotion of our brands.

Our PRC management team also expects the industry to enjoy a stronger second half. The coming 6 months will be a prime opportunity for us to leverage on our PRC experience, the maturing publishing environment on the mainland, and our portfolio of established Hong Kong brands to push future developments in this growing market.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN EQUITY SECURITIES

As at 30 June 2005, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, relating to the required standards of dealing by directors of listed issuers, to be notified to the Company and the Stock Exchange were as follows:

Name of director	Name of company	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Mr. Ng Hung Sang, Robert	The Company	Beneficial owner	18,102,800	3.57%
	The Company	Corporate interest	318,132,403 *(Note)*	62.79%
Ms. Ng, Jessica Yuk Mui	The Company	Beneficial owner	440,000	0.09%

Note: The 318,132,403 shares referred to above include 92,966,000 shares held by Parkfield Holdings Limited ("Parkfield"), 99,012,563 shares held by Fung Shing Group Limited ("Fung Shing"), 4,166,400 shares held by Ronastar Investments Limited ("Ronastar") and 121,987,440 shares held by Earntrade Investments Limited ("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 Limited ("South China Holdings"), respectively. The 121,987,440 shares referred to above include the 59,325,840 shares held by Bannock Investment Limited ("Bannock") which is a wholly owned subsidiary of 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 Company.

Save as disclosed above and the interests of certain directors of the Company in the share options of the Company as disclosed in the section headed "SHARE OPTION SCHEME" below, as at 30 June 2005, none of the directors or chief executive of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, relating to the required standards of dealing by directors of listed issuers, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company's existing share option scheme (the "Scheme") was adopted on 20 December 2001 and became effective on 8 January 2002. Particulars and movements of the outstanding share options granted under the Scheme during the six months ended 30 June 2005 were as follows:–

	Number of share options								Price of the Company's shares		
Name or category of participant	As at 1/1/2005	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 30/6/2005	Date of grant of share options *(Note a)*	Exercise period of share options	Initial exercise price per share option *(Note b)* *HK$*	Immediately preceding the grant date of share options *(Note c)* *HK$*	Immediately preceding the exercise date of share options *HK$*
Directors											
Ms. Foo Kit Tak	1,600,000	–	–	–	–	1,600,000	15/4/2002	15/4/2003 – 7/1/2012	0.69	0.68	N/A
	1,600,000	–	–	–	–	1,600,000	2/9/2002	2/9/2003 – 7/1/2012	0.31	0.30	N/A
Ms. Cheung Mei Yu	1,600,000	–	–	–	–	1,600,000	15/4/2002	15/4/2003 – 7/1/2012	0.69	0.68	N/A
	1,600,000	–	–	–	–	1,600,000	2/9/2002	2/9/2003 – 7/1/2012	0.31	0.30	N/A
Sub-total	6,400,000	–	–	–	–	6,400,000					
Employees											
In aggregate	1,760,000	–	–	160,000	–	1,600,000	15/4/2002	15/4/2003 – 7/1/2012	0.69	0.68	N/A
	2,560,000	–	–	160,000	–	2,400,000	2/9/2002	2/9/2003 – 7/1/2012	0.31	0.30	N/A
Sub-total	4,320,000	–	–	320,000	–	4,000,000					
Others											
In aggregate	3,440,000	–	–	160,000	–	3,280,000	15/4/2002	15/4/2003 – 7/1/2012	0.69	0.68	N/A
	1,013,440	–	–	160,000	–	853,440	2/9/2002	2/9/2003 – 7/1/2012	0.31	0.30	N/A
Sub-total	4,453,440	–	–	320,000	–	4,133,440					
Total	15,173,440	–	–	640,000	–	14,533,440					

Notes:

(a) The vesting period of the share options is the period from the date of grant until the commencement of the exercise period. All share options referred to above are subject to one year's vesting period. The share options may be exercised, in whole or in part, in the following manner:

From the date of grant of share options	Exercisable percentage
Within 12 months	Nil
13th – 24th months	$33^1/_3$%
25th – 36th months	$33^1/_3$%
37th – 48th months	$33^1/_3$%

(b) The exercise price is subject to adjustment. Provided always that any part of the share options not exercised in full in accordance with the periods specified above shall remain exercisable during the exercise period of share options but the exercise price shall be adjusted by increasing 5% per annum (on a cumulative basis) until such time as the relevant portion of the share options shall have been fully exercised or lapsed in accordance with the Scheme.

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

(d) No consideration in respect of share options was received because no share options were granted during the six months ended 30 June 2005.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 30 June 2005, 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 30 June 2005, 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.

COMPETING INTERESTS

Mr. Ng Hung Sang, Robert, Chairman and management shareholder of the Company, is also Chairman of South China Holdings and Co-Chairman and Chief Executive Officer of Capital Publications Limited ("Capital"). Mr. Ng Hung Sang, Robert, personally and through Parkfield, Fung Shing and Ronastar, has interest in South China Holdings and Capital. Mr. Ng Hung Sang, Robert together with Ms. Cheung Choi Ngor, Christina and Mr. Richard Howard Gorges, management shareholders of the Company, have beneficial interests in Earntrade, which directly and indirectly through Bannock holds shares in South China Holdings and Capital. Ms. Cheung Choi Ngor, Christina, who is an ex-director of Capital Publishing Limited, a wholly owned subsidiary of Capital and Mr. Richard Howard Gorges, are also directors of various members of South China Holdings. As Capital and certain members of South China Media Limited, a subsidiary of South China Holdings, are principally engaged in magazine publication, Mr. Ng Hung Sang, Robert, Ms. Cheung Choi Ngor, Christina and Mr. Richard Howard Gorges are regarded to be interested in such competing businesses of the Group. Likewise, as at 30 June 2005, 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. She is therefore regarded to be interested in such competing businesses of the Group.

Save as disclosed above, none of the directors or chief executives of the Group, the management shareholders or the substantial shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete or had any conflicts of interest with the business of the Group for the six months ended 30 June 2005.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in Code of Corporate Governance Practice (the "Code on CG Practices") contained in Appendix 15 to the GEM Listing Rules, except that the non-executive directors of the Company are not appointed for specific terms, but are subject to retirement by rotation in accordance with the Company's articles of association. To comply with the Code on CG Practices, the Board proposes to amend the articles of association of the Company that all non-executive directors will be appointed for a specific term of no more than three years, but be eligible for re-appointment upon retirement.

AUDIT COMMITTEE

The Company established an audit committee on 4 September 2001 with written terms of reference in compliance with Rule 5.28 and the Code on CG Practices of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting and internal control procedures of the Group. The audit committee comprises three members, Mr. So, George Siu Ming, Ms. Pong Oi Lan, Scarlett and Mr. Cheng Yuk Wo, who are independent non-executive directors of the Company.

The Group's unaudited results for the three months and six months ended 30 June 2005 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.

REMUNERATION COMMITTEE

The Company established a remuneration committee, comprising three members, Mr. So, George Siu Ming, Ms. Pong Oi Lan, Scarlett and Mr. Cheng Yuk Wo, who are independent non-executive directors of the Company.

The principal responsibilities of the remuneration committee include making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management by reference to corporate goals and objects resolved by the Board from time to time.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all directors and the Company are not aware of any non-compliance with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2005.

As at the date of this report, the board of directors of the Company comprises (1) Mr. Ng Hung Sang, Robert, Mr. Ng Yuk Fung, Peter, Ms. Foo Kit Tak and Ms. Cheung Mei Yu as executive directors; (2) Ms. Ng, Jessica Yuk Mui as non-executive director; and (3) Mr. So, George Siu Ming, Ms. Pong Oi Lan, Scarlett and Mr. Cheng Yuk Wo as independent non-executive directors.

On behalf of the Board
Ng Hung Sang, Robert
Chairman

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

9 August 2005