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JESSICA

JESSICA PUBLICATIONS LIMITED

Stock Code : 8137

2006
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 2006

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 (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 GEM 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.

UNAUDITED CONSOLIDATED 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 2006 together with the comparative unaudited figures for the corresponding periods in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

	<i>Notes</i>	Three months ended 30 June		Six months ended 30 June	
		2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Revenue	2	23,576	22,850	43,117	41,718
Direct operating expenses		(17,902)	(14,667)	(34,672)	(28,148)
Other operating income		84	12	133	32
Selling and distribution costs		(5,324)	(4,288)	(10,457)	(9,046)
Administrative expenses		(2,192)	(1,608)	(4,281)	(3,250)
Other operating expenses		(492)	(107)	(492)	(154)
		<hr/>	<hr/>	<hr/>	<hr/>
(Loss) Profit before income tax	3	(2,250)	2,192	(6,652)	1,152
Income tax expense	5	–	–	–	–
		<hr/>	<hr/>	<hr/>	<hr/>
(Loss) Profit for the period		(2,250)	2,192	(6,652)	1,152
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Attributable to:					
Equity holders of the Company		(1,308)	2,192	(5,710)	1,152
Minority interests		(942)	–	(942)	–
		<hr/>	<hr/>	<hr/>	<hr/>
		(2,250)	2,192	(6,652)	1,152
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Basic (loss) earnings per share for (loss) profit attributable to the equity holders of the Company during the period	7	HK(0.26) cents	HK0.43 cents	HK(1.13) cents	HK0.23 cents
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2006 <i>HK\$'000</i> (Unaudited)	As at 31 December 2005 <i>HK\$'000</i> (Audited)
Non-current assets			
Plant and equipment		1,337	1,544
Intangible assets		<u>3,952</u>	<u>3,952</u>
		<u>5,289</u>	<u>5,496</u>
Current assets			
Trade receivables	8	16,059	20,041
Other receivables		1,206	2,638
Bank balances and cash		<u>2,890</u>	<u>7,316</u>
		<u>20,155</u>	<u>29,995</u>
Total assets		<u><u>25,444</u></u>	<u><u>35,491</u></u>
Capital and reserves			
Share capital		507	507
Share premium and reserves		<u>747</u>	<u>6,457</u>
Equity attributable to equity holders of the Company		1,254	6,964
Minority interests		<u>(3,640)</u>	<u>(2,698)</u>
Total equity		<u>(2,386)</u>	<u>4,266</u>
Non-current liability			
Amount due to a minority shareholder of a subsidiary		<u>2,241</u>	<u>2,241</u>
Current liabilities			
Trade payables	9	16,937	20,937
Other payables and accrued charges		8,237	7,487
Amount due to a related company		<u>415</u>	<u>560</u>
		<u>25,589</u>	<u>28,984</u>
Total liabilities		<u>27,830</u>	<u>31,225</u>
Total equity and liabilities		<u><u>25,444</u></u>	<u><u>35,491</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 June 2006

	Equity attributable to equity holders of the Company								
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Employee compensation		Translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
				reserve <i>HK\$'000</i>	reserve <i>HK\$'000</i>				
2006									
At 1 January 2006	507	9,218	(510)	3,937	(90)	(6,098)	(2,698)	4,266	
Loss for the period	-	-	-	-	-	(5,710)	(942)	(6,652)	
Total income and expenses									
recognized during the period	-	-	-	-	-	(5,710)	(942)	(6,652)	
Employee share-based compensation	-	-	-	(121)	-	121	-	-	
At 30 June 2006	507	9,218	(510)	3,816	(90)	(11,687)	(3,640)	(2,386)	
2005									
At 1 January 2005	507	9,218	(510)	4,089	18	(9,809)	(2,698)	815	
Profit for the period	-	-	-	-	-	1,152	-	1,152	
Total income and expenses									
recognized during the period	-	-	-	-	-	1,152	-	1,152	
Employee share-based compensation	-	-	-	(33)	-	139	-	106	
At 30 June 2005	507	9,218	(510)	4,056	18	(8,518)	(2,698)	2,073	

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

	Six months ended	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (used in) from operating activities	(4,357)	1,640
Net cash used in investing activities	(69)	(116)
Net (decrease) increase in cash and cash equivalents	(4,426)	1,524
Cash and cash equivalents, beginning of the period	7,316	3,992
Cash and cash equivalents, end of the period	2,890	5,516
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	2,890	5,516

Notes:

1 BASIS OF PRESENTATION

The unaudited consolidated financial statements for the three months and six months ended 30 June 2006 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 2005 annual financial statements of the Group.

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 2005.

2 REVENUE

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

	Three months ended 30 June		Six months ended 30 June	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Sales of magazines	5,738	5,357	11,355	10,708
Advertising income	14,336	14,627	26,930	26,102
Promotion and marketing income	3,502	2,866	4,832	4,908
	<u>23,576</u>	<u>22,850</u>	<u>43,117</u>	<u>41,718</u>

3 DEPRECIATION

(Loss) Profit before income tax for the three months and six months ended 30 June 2006 is arrived at after charging depreciation of HK\$138,000 and HK\$276,000 respectively (three months and six months ended 30 June 2005: HK\$140,000 and HK\$273,000 respectively).

4 GEOGRAPHICAL SEGMENTS

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

	Three months ended 30 June		Six months ended 30 June	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Hong Kong	18,530	15,460	31,435	27,410
Other regions of the People's Republic of China (the "PRC") ("Mainland China")	5,046	7,390	11,682	14,308
	<u>23,576</u>	<u>22,850</u>	<u>43,117</u>	<u>41,718</u>

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

	Three months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong	1,406	2,197	(650)	1,710
Mainland China	(3,656)	(5)	(6,002)	(558)
	<u>(2,250)</u>	<u>2,192</u>	<u>(6,652)</u>	<u>1,152</u>

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

5 INCOME TAX EXPENSE

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 2006 (three months and six months ended 30 June 2005: 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 2006 (six months ended 30 June 2005: Nil).

7 (LOSS) EARNINGS PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2006 are based on the loss attributable to the equity holders of the Company of HK\$1,308,000 and HK\$5,710,000 respectively (three months and six months ended 30 June 2005: profit of HK\$2,192,000 and HK\$1,152,000 respectively) and on 506,639,716 shares in issue (three months and six months ended 30 June 2005: 506,639,716 shares).

For the three months and six months ended 30 June 2006, no diluted loss per share has been presented because the exercise of the Company's share options will reduce loss per share.

For the three months and six months ended 30 June 2005, no diluted earnings per share has been presented because the exercise price of the Company's share options was higher than the average market price per share for that period.

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	As at
	30 June	31 December
	2006	2005
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 – 30 days	4,497	8,949
31 – 60 days	3,924	3,614
61 – 90 days	3,961	714
91 – 180 days	1,997	5,495
Over 180 days	1,680	1,269
	<u>16,059</u>	<u>20,041</u>

9 TRADE PAYABLES

The following is an aging analysis of trade payables:

	As at 30 June 2006 HK\$'000 (Unaudited)	As at 31 December 2005 HK\$'000 (Audited)
0 – 30 days	1,981	5,360
31 – 60 days	3,565	5,358
61 – 90 days	4,588	2,241
91 – 180 days	5,332	3,387
Over 180 days	1,471	4,591
	<u>16,937</u>	<u>20,937</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The first half of 2006, the Group recorded turnover of HK\$43.1 million, comprised of HK\$31.4 million from Hong Kong operations, a year-on-year increase of 15%, and HK\$11.7 million from PRC operations, a year-on-year decrease of 18%. During the period, the Group recorded a loss of HK\$5.7 million, as compared with a profit of HK\$1.2 million in 2005.

Our flagship magazine “旭茉JESSICA” continues to achieve double digit percentage growth in terms of circulation income and advertising income. The joint promotion program with Hang Seng Bank Limited has however, resulted in markedly increased printing expenses, which has affected the expected contribution of the magazine.

Following the March launch of the ‘mini’ edition of our “旭茉JESSICACODE” magazine, circulation revenues have increased considerably to record an 89% growth year-on-year. Furthermore, advertising income has continued the strong trend following the second half of 2005 to reach a 133% growth year-on-year. The significant growth in circulation and advertising dollar are strong indicators that “旭茉JESSICACODE” has established itself in the market, and is expected to make positive contributions to the Group’s bottom line in the second half.

JESSICA China, still at the early stages of investment, incurred losses as advertising revenues generated were well exceeded by costs of operations. Circulation sales achieved are encouraging and grow steadily. The advertising environment has proved to be more competitive than that originally expected as more women’s monthly titles, both local and international, have entered the PRC market.

The performance of our two existing titles “完全生活手冊Paralife” and “捌週刊8 Weekly” suffered setbacks in advertising dollar due to management restructuring and changes in government advertising policies with regards to advertising. Advertising income for the first half recorded a 33% decrease year-on-year.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2006, the Group’s operation was mainly financed by the internal financial resources of the Group.

As at 30 June 2006, the Group had net current liabilities of approximately HK\$5.4 million (31 December 2005: net current assets of HK\$1 million). The current assets comprised bank balances and cash of approximately HK\$2.9 million and trade and other receivables of approximately HK\$17.3 million. The current liabilities comprised trade payables, accruals and others of approximately HK\$25.2 million and amount due to related company of HK\$0.4 million.

As the Group had no bank borrowings, no gearing ratio is presented at 30 June 2006.

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 2006, 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 2006, 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 2006, the Group did not have any significant investment plans.

EMPLOYEES

As at 30 June 2006, the total number of employees of the Group was 131 (30 June 2005: 152). Employees' cost (including directors' emoluments) amounted to approximately HK\$11.5 million for the six months ended 30 June 2006 (six months ended 30 June 2005: approximately HK\$8.5 million).

The Group considers its employees as its most valuable assets. In addition to salary, other fringe benefits such as medical subsidies, life insurance and 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 Group's operations in Hong Kong are expected to improve with the increase in advertising spending, resulting from continued buoyancy in the Hong Kong economy, and a pick up in the advertising spending season. The management team's key focus is to overcome the increased printing expenses with more aggressive and creative selling as well as implementing stringent costs control in order to improve contribution from our Hong Kong titles. The increased circulation will pay off in the long run, as we continue to secure our dominant positions in the women's glossy magazine market in Hong Kong.

JESSICA China is our main focus of attention for the second half of the year. The "旭茉JESSICA" brand is slowly being recognized in the PRC as an emerging women's glossy title and will be developed closely with the Hong Kong flagship.

"完全生活手冊Paralife" and "捌週刊8 Weekly" are currently under review, we are confident that both brands have a strong and secure market recognition and therefore both titles will be able to maintain their respective market positions. A new management system is already in place, and we will strive to recover any lost ground in advertising income by the end of the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2006, the interests and short positions of the Directors and the chief executives 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:

(1) Long positions in the ordinary shares of HK\$0.001 each of the Company

Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate % of Shareholding
		Personal Interests	Family Interests	Corporate Interests	Other Interests		
Ng Hung Sang	Beneficial owner	18,102,800	–	318,132,403 (Note)	–	336,235,203	66.37%
Ng Yuk Mui, Jessica	Beneficial owner	1,834,000	–	–	–	1,834,000	0.36%

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, Ms. Cheung Choi Ngor 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.

(2) Long positions in the underlying shares of the Company

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 2006 were as follows:–

Name or category of participant	Number of share options					Outstanding as at 30/06/2006	Date of grant of share options (Note a)	Exercise period of share options	Exercise price per share option HK\$	Price immediately preceding the grant of share options (Note b) HK\$	Price immediately preceding the exercise of share options (Note c) HK\$
	Outstanding as at 01/01/2006	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period						
Directors											
Foo Kit Tak	1,600,000	–	–	–	–	1,600,000	15/04/2002	15/04/2003 – 07/01/2012	0.69	0.68	N/A
	1,600,000	–	–	–	–	1,600,000	02/09/2002	02/09/2003 – 07/01/2012	0.31	0.30	N/A
Cheung Mei Yu	1,600,000	–	–	–	–	1,600,000	15/04/2002	15/04/2003 – 07/01/2012	0.69	0.68	N/A
	1,600,000	–	–	–	–	1,600,000	02/09/2002	02/09/2003 – 07/01/2012	0.31	0.30	N/A
Sub-total	6,400,000	–	–	–	–	6,400,000					
Employees											
In aggregate	1,600,000	–	–	–	–	1,600,000	15/04/2002	15/04/2003 – 07/01/2012	0.69	0.68	N/A
	2,080,000	–	–	(160,000)	–	1,920,000	02/09/2002	02/09/2003 – 07/01/2012	0.31	0.30	N/A
Sub-total	3,680,000	–	–	(160,000)	–	3,520,000					
Others											
In aggregate	2,960,000	–	–	(160,000)	–	2,800,000	15/04/2002	15/04/2003 – 07/01/2012	0.69	0.68	N/A
	1,013,440	–	–	(160,000)	–	853,440	02/09/2002	02/09/2003 – 07/01/2012	0.31	0.30	N/A
Sub-total	3,973,440	–	–	(320,000)	–	3,653,440					
Total	14,053,440	–	–	(480,000)	–	13,573,440					

Notes:

- (a) All share options granted are subject to a vesting period and becoming exercisable 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 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.
- (c) The weighted average closing price of the shares immediately before the date on which the options were exercised.
- (d) As no share options were granted during the six months ended 30 June 2006, no consideration in respect of share options was received and the disclosure of value of options granted during the period is also not applicable.

Save as disclosed above and the interests as disclosed under the sub-section headed “Share Option Scheme”, none of the Directors or chief executives of the Company had, as at 30 June 2006, any interests or short positions 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) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

So far as is known to any Director or chief executive of the Company, as at 30 June 2006, shareholders (other than Directors or chief executives of the Company) 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, which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions of substantial shareholders in the ordinary shares of HK\$0.001 each of the Company

Name	Capacity	Number of ordinary shares	Approximate % of shareholding
Parkfield	Beneficial owner	92,966,000 (<i>Note a</i>)	18.35%
Fung Shing	Beneficial owner	99,012,563 (<i>Note a</i>)	19.54%
Earntrade	Beneficial owner	62,661,600 (<i>Note b</i>)	12.37%
	Interest of a controlled corporation	59,325,840 (<i>Note b</i>)	11.71%
Bannock	Beneficial owner	59,325,840 (<i>Note b</i>)	11.71%

Notes:

- (a) Each of Parkfield and Fung Shing is wholly owned by Mr. Ng Hung Sang, the Chairman of the Company.
- (b) Earntrade, which is owned as to 60%, 20% and 20% by Mr. Ng Hung Sang, Ms. Cheung Choi Ngor and Mr. Richard Howard Gorges, directors of South China Holdings, respectively, is the holding company of Bannock. Thus, Earntrade is deemed to be interested in the 59,325,840 shares of the Company held by Bannock.

Save as disclosed above, as at 30 June 2006, the Company had not been notified by any other persons (other than the Directors or chief executives of the Company) 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Ng Hung Sang, the Chairman and management shareholder of the Company, is also the Chairman of South China Holdings and a Co-Chairman of Capital Publications Limited ("Capital"). Mr. Ng Hung Sang, personally and through Parkfield, Fung Shing and Ronastar, has interest in South China Holdings and Capital. Mr. Ng Hung Sang together with Ms. Cheung Choi Ngor 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, who is an ex-director of Capital Publishing Limited, a wholly owned subsidiary of Capital and Mr. Richard Howard Gorges, are directors of various members of South China Holdings and Mr. Ng Yuk Fung, Peter, an Executive Director and the Chief Executive Officer of the Company, is also an Executive Director of South China Holdings and Capital. As Capital and certain members of South China Media Limited, a subsidiary of South China Holdings, are principally engaged in magazine publication, therefore Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges and Mr. Ng Yuk Fung, Peter are regarded as interested in competing business of the Group.

Ms. Ng Yuk Mui, Jessica, a Non-executive Director of the Company, is also a Non-executive Director of South China Holdings and Capital. She is not regarded to have any business competing with the business of the Group since she is not involved in the day-to-day running of the business of the Group.

Save as disclosed above, none of the Directors or the management 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 2006.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices of the GEM Listing Rules through the adoption of relevant practices and procedure during the six months ended 30 June 2006 with the exception that the Non-executive Directors are not appointed for a specific term, the Articles of Association of the Company does not provide that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years and that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the next following annual general meeting of the Company instead of the first general meeting of the Company after their appointment. In view of good corporate governance practices, all Non-executive Directors have agreed to comply with the GEM Listing Rules and that their term of appointment will be limited accordingly. Furthermore, every director of the Company, including those appointed for a specific term, voluntarily retires from his office by rotation at least once every three years notwithstanding that he is not required to do so by the Articles of Association of the Company.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules for Directors.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transaction throughout the six months ended 30 June 2006.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rule 5.28 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 Siu Ming, George (Committee Chairman), 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 2006 were 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 were made.

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

During the six months ended 30 June 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

As at the date of this Report, the Board comprises (1) Mr. Ng Hung Sang, Mr. Ng Yuk Fung, Peter, Ms. Foo Kit Tak and Ms. Cheung Mei Yu as Executive Directors; (2) Ms. Ng Yuk Mui, Jessica as a Non-executive Director; and (3) Mr. So Siu Ming, George, Ms. Pong Oi Lan, Scarlett and Mr. Cheng Yuk Wo as Independent Non-executive Directors.

On behalf of the Board

Ng Hung Sang

Chairman

Hong Kong, 8 August 2006