

旭茉 JESSICA

JESSICA PUBLICATIONS LIMITED

Stock Code: 8137

2007
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 2007

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.

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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 2007, together with the comparative unaudited figures for the corresponding periods in 2006, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

	<i>Notes</i>	Three months ended		Six months ended	
		30 June		30 June	
		2007	2006	2007	2006
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	24,448	23,576	40,605	43,117
Direct operating expenses		(14,787)	(17,902)	(26,602)	(34,672)
Other operating income		24	84	59	133
Selling and distribution costs		(5,118)	(5,324)	(9,219)	(10,457)
Administrative expenses		(1,681)	(2,192)	(3,000)	(4,281)
Other operating expenses		–	(492)	(117)	(492)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Profit (Loss) before income tax	3	2,886	(2,250)	1,726	(6,652)
Income tax expense	5	–	–	–	–
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Profit (Loss) for the period		<u>2,886</u>	<u>(2,250)</u>	<u>1,726</u>	<u>(6,652)</u>
Attributable to:					
Equity holders of the Company		2,886	(1,308)	1,726	(5,710)
Minority interests		–	(942)	–	(942)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		<u>2,886</u>	<u>(2,250)</u>	<u>1,726</u>	<u>(6,652)</u>
Basic earnings (loss) per share for					
profit (loss) attributable to					
the equity holders of the Company					
during the period	7	<u>HK0.57 cents</u>	<u>HK(0.26) cents</u>	<u>HK0.34 cents</u>	<u>HK(1.13) cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	As at 30 June 2007 <i>HK\$'000</i> (Unaudited)	As at 31 December 2006 <i>HK\$'000</i> (Audited)
Non-current assets			
Plant and equipment		531	554
Intangible assets		<u>19</u>	<u>19</u>
		<u>550</u>	<u>573</u>
Current assets			
Trade receivables	8	14,027	17,657
Other receivables		1,244	435
Cash and cash equivalents		<u>2,878</u>	<u>2,563</u>
		<u>18,149</u>	<u>20,655</u>
Current liabilities			
Trade payables	9	17,883	21,981
Other payables, accrued expenses and receipts in advance		5,156	6,177
Amount due to a related company		<u>241</u>	<u>71</u>
		<u>23,280</u>	<u>28,229</u>
Net current liabilities		<u>(5,131)</u>	<u>(7,574)</u>
Net liabilities		<u><u>(4,581)</u></u>	<u><u>(7,001)</u></u>
Capital and reserves			
Share capital		509	507
Share premium and reserves		<u>(5,090)</u>	<u>(7,508)</u>
Capital deficiency		<u><u>(4,581)</u></u>	<u><u>(7,001)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 30 June 2007

	Equity attributable to equity holders of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Employee	Translation reserve HK\$'000	Accumulated losses HK\$'000	Minority interests HK\$'000	
				compensation reserve HK\$'000				
2007								
At 1 January 2007	507	9,218	(510)	3,783	114	(20,113)	-	(7,001)
Profit for the period	-	-	-	-	-	1,726	-	1,726
Total income and expenses recognized during the period	-	-	-	-	-	1,726	-	1,726
Employee share-based compensation	-	464	-	(2,214)	-	1,750	-	-
Exercise of share options	2	692	-	-	-	-	-	694
At 30 June 2007	509	10,374	(510)	1,569	114	(16,637)	-	(4,581)
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)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Net cash used in operating activities	(244)	(4,357)
Net cash used in investing activities	(135)	(69)
Net cash generated from financing activities	694	-
Net increase (decrease) in cash and cash equivalents	315	(4,426)
Cash and cash equivalents, beginning of the period	2,563	7,316
Cash and cash equivalents, end of the period	2,878	2,890
Analysis of the balance of cash and cash equivalents		
Cash at bank and in hand	2,878	2,890

Notes:

1 BASIS OF PRESENTATION

The unaudited consolidated financial statements for the three months and six months ended 30 June 2007 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

These interim financial statements should be read, where relevant, in conjunction with the 2006 annual report.

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 2006.

2 REVENUE

Revenue, which is also the Group's turnover, represents the income generated from the publication of magazines.

3 PROFIT (LOSS) BEFORE INCOME TAX

During the three months and six months ended 30 June 2007, profit (loss) before income tax is arrived at after charging depreciation of HK\$80,000 and HK\$158,000 respectively (three months and six months ended 30 June 2006: HK\$138,000 and HK\$276,000 respectively).

4 GEOGRAPHICAL SEGMENTS

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

	Three months ended		Six months ended	
	30 June		30 June	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong	21,486	18,530	36,431	31,435
Other regions of the People's Republic of China (the "PRC")	2,962	5,046	4,174	11,682
	<u>24,448</u>	<u>23,576</u>	<u>40,605</u>	<u>43,117</u>

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

	Three months ended		Six months ended	
	30 June		30 June	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong	3,833	1,406	4,570	(650)
PRC	(947)	(3,656)	(2,844)	(6,002)
	<u>2,886</u>	<u>(2,250)</u>	<u>1,726</u>	<u>(6,652)</u>

* Revenue and profit (loss) 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 2007 (three months and six months ended 30 June 2006: 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 2007 (six months ended 30 June 2006: Nil).

7 EARNINGS (LOSS) PER SHARE

The calculation of basic earnings per share for the three months and six months ended 30 June 2007 are based on the profit attributable to the equity holders of the Company of HK\$2,886,000 and HK\$1,726,000 respectively (three months and six months ended 30 June 2006: loss of HK\$1,308,000 and HK\$5,710,000 respectively) and on the weighted average number of 506,998,397 shares and 506,820,047 shares respectively in issue (three months and six months ended 30 June 2006: 506,639,716 shares in issue).

For the three months and six months ended 30 June 2007, 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.

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.

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 2007 <i>HK\$'000</i> (Unaudited)	As at 31 December 2006 <i>HK\$'000</i> (Audited)
0 – 30 days	4,321	5,509
31 – 60 days	3,983	3,373
61 – 90 days	2,749	484
91 – 180 days	2,153	5,771
Over 180 days	821	2,520
	<u>14,027</u>	<u>17,657</u>

9 TRADE PAYABLES

The following is an aging analysis of trade payables:

	As at 30 June 2007 <i>HK\$'000</i> (Unaudited)	As at 31 December 2006 <i>HK\$'000</i> (Audited)
0 – 30 days	1,640	435
31 – 60 days	2,933	4,463
61 – 90 days	3,506	3,480
91 – 180 days	6,959	10,006
Over 180 days	2,845	3,597
	<u>17,883</u>	<u>21,981</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the first half of 2007, the Group recorded turnover of HK\$40.6 million, comprised HK\$36.4 million from Hong Kong operations and HK\$4.2 million from PRC operations. Net profit for the period amounted to HK\$1.7 million compared to a loss of HK\$6.7 million in the same period last year.

The Group's Hong Kong operations improved owing to an increase in advertising income in “旭茉JESSICA”, “旭茉JESSICACODE” and “Lisa 味道生活” remained stable. Effective cost control measures also contributed positively to the bottom-line of the current period results.

Turnover of our PRC operations decreased from HK\$11.7 million to current period's HK\$4.2 million, the net loss of our PRC operations was reduced from HK\$6.0 million to HK\$2.8 million during this period, following from the disposal of two titles in October 2006.

“旭茉JESSICA” mainland China edition continues to be in the early stages of its investment period.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2007, the Group's operation was mainly financed by the internal financial resources of the Group.

As at 30 June 2007, the Group had net current liabilities of approximately HK\$5.1 million (31 December 2006: HK\$7.6 million). The current assets comprised bank balances and cash of approximately HK\$2.9 million and trade and other receivables of approximately HK\$15.2 million. The current liabilities comprised trade payables, accruals and others of approximately HK\$23 million and amount due to related company of HK\$0.2 million.

As at 30 June 2007, the Group had aggregate banking facilities granted under corporate guarantee by the Company in respect of an unsecured revolving term loan of HK\$1 million, none of which had been utilized. Therefore, the gearing ratio of the Group, which is measured by bank borrowings to total equity, remained zero as at 30 June 2007.

The Board is of the opinion that taking into account the internal financial resources of the Group and the financial support provided by the substantial shareholder, the Group has sufficient working capital for its present requirements.

MATERIAL ACQUISITION AND DISPOSAL

During the six months ended 30 June 2007, the Group did not have any acquisition and disposal.

As announced on 31 July 2007, the Company is considering a fund-raising exercise and the positioning of the Company's future business development. Such fund-raising exercise may involve the issue of new shares and/or convertible securities to a third party investor which may result in a mandatory general offer under the Code on Takeovers and Mergers (the “Takeovers Code”) unless a Whitewash Waiver (as defined in the Takeovers Code) is granted by the Executive (as defined in the Takeovers Code) and approved by the independent shareholders of the Company at an extraordinary general meeting. In connection with the possible fund-raising exercise, the Company is also considering a possible divestment which may constitute a notifiable and connected transaction under the GEM Listing Rules.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

During the six months ended 30 June 2007, 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.

EMPLOYEES

As at 30 June 2007, the total number of employees of the Group was 79 (30 June 2006: 131). Employees' cost (including directors' emoluments) amounted to approximately HK\$10.1 million for the six months ended 30 June 2007 (six months ended 30 June 2006: approximately HK\$11.5 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 performance of our Group in the first half of the year, although satisfactory, still has much room for improvement to meet market norms, particularly in the mainland market where significant investments will need to be made before seeing satisfactory returns.

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

As at 30 June 2007, 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	Number of Ordinary Shares			Approximate Percentage of Shareholding
	Beneficial Owner	Interests of Controlled Corporation(s)	Total	
Ng Hung Sang	18,102,800	318,132,403 (Note)	336,235,203	66.07%
Ng Yuk Mui, Jessica	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 Eartrade Investments Limited ("Eartrade"), 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 Eartrade. 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 2007 (the "Period") were as follows:–

Name or category of participant	Number of share options					Outstanding as at 30/06/2007	Date of grant of share options (Note a)	Exercise period of share options	Subscription price per share HK\$	Price per share immediately preceding the grant date of share options (Note b) HK\$	Price per share immediately preceding the exercise date of share options (Note c) HK\$
	Outstanding as at 01/01/2007	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period						
Directors											
Foo Kit Tak (Note e)	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 (Note e)	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	<u>6,400,000</u>	<u>–</u>	<u>–</u>	<u>(6,400,000)</u>	<u>–</u>	<u>–</u>					
Employees											
In aggregate	1,600,000	–	–	–	–	1,600,000	15/04/2002	15/04/2003 – 07/01/2012	0.69	0.68	N/A
	1,760,000	–	(1,760,000)	–	–	–	02/09/2002	02/09/2003 – 07/01/2012	0.31	0.30	0.460
Sub-total	<u>3,360,000</u>	<u>–</u>	<u>(1,760,000)</u>	<u>–</u>	<u>–</u>	<u>1,600,000</u>					
Others											
In aggregate	2,800,000	–	–	–	–	2,800,000	15/04/2002	15/04/2003 – 07/01/2012	0.69	0.68	N/A
	853,440	–	(480,000)	–	–	373,440	02/09/2002	02/09/2003 – 07/01/2012	0.31	0.30	0.455
Sub-total	<u>3,653,440</u>	<u>–</u>	<u>(480,000)</u>	<u>–</u>	<u>–</u>	<u>3,173,440</u>					
Total	<u><u>13,413,440</u></u>	<u><u>–</u></u>	<u><u>(2,240,000)</u></u>	<u><u>(6,400,000)</u></u>	<u><u>–</u></u>	<u><u>4,773,440</u></u>					

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) Under the Scheme, the weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised during the Period in respect of the category of "Employees" was HK\$0.460 and in respect of the category of "Others" was HK\$0.455.
- (d) As no share options were granted during the six months ended 30 June 2007, no consideration in respect of share options was received and the disclosure of value of options granted during the period is also not applicable.
- (e) Ms. Cheung Mei Yu and Ms. Foo Kit Tak resigned as Directors of the Company with effect from 2 April 2007 and 28 May 2007 respectively.

Save as disclosed above, none of the Directors or chief executives of the Company had, as at 30 June 2007, 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 2007, 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 of shareholder	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Parkfield	Beneficial owner	92,966,000 (<i>Note a</i>)	18.27%
Fung Shing	Beneficial owner	99,012,563 (<i>Note a</i>)	19.45%
Earntrade	Beneficial owner	62,661,600 (<i>Note b</i>)	12.31%
	Interest of a controlled corporation	59,325,840 (<i>Note b</i>)	11.66%
Bannock	Beneficial owner	59,325,840 (<i>Note b</i>)	11.66%

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 2007, 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' AND MANAGEMENT SHAREHOLDERS' 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 the Chairman of South China Land Limited ("SCL"). Mr. Ng Hung Sang, personally and through Parkfield, Fung Shing and Ronastar, has interest in South China Holdings and SCL. Mr. Ng Hung Sang together with Ms. Cheung Choi Ngor and Mr. Richard Howard Gorges, management shareholders of the Company and executive directors of South China Holdings, have beneficial interests in Earntrade which directly and indirectly through Bannock holds shares in South China Holdings and SCL. Since SCL and certain members of South China Media Limited, a subsidiary of South China Holdings, are principally engaged in magazine publication, Mr. Ng Hung Sang is regarded as interested in such competing business of the Group. Mr. Ng Yuk Fung, Peter, an Executive Director and Chief Executive Officer of the Company, is also an Executive Director of South China Holdings and SCL, is regarded as interested in such 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 SCL. She is not regarded to have any competing businesses with the Group since she is not involved in the day-to-day running of the businesses of South China Holdings and SCL.

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 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company complied with the Code on Corporate Governance Practices (the "CG Code") of the GEM Listing Rules throughout the six months ended 30 June 2007 with exception to code provision A.4.1 that non-executive directors of the Company were not appointed for a specific term and to code provision A.4.2 that the Articles of Association of the Company did not provide that (a) every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting of the Company after their appointment.

In order to comply with the code provision A.4.2 of CG Code, a special resolution was passed at the annual general meeting of the Company on 27 March 2007 to amend the Articles of Association of the Company, inter alia, to the effect that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years and all newly appointed directors should be subject to re-election by shareholders at the first general meeting of the Company after their appointment.

As all non-executive directors of the Company are subject to the retirement and rotation requirements in accordance with the Company's Articles of Association, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than code provision A.4.1 of the CG Code.

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 2007.

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 2007 were reviewed by the audit committee, which 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 2007, 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 and Mr. Ng Yuk Fung, Peter 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, 7 August 2007