THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Jessica Publications Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, or other agents through whom the sale was effected for transmission to the purchaser(s) or transferee(s).

旭茉 JESSICA

HONG BRIDGE CAPITAL LIMITED

(incorporated in the British Virgin Islands with limited liability)

JESSICA PUBLICATIONS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8137)

1) SUBSCRIPTION OF SHARES AND ZERO COUPON CONVERTIBLE NOTES; 2) MAJOR AND CONNECTED TRANSACTION – DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL OF JESSICA BVI; 3) APPLICATION FOR WHITEWASH WAIVER AND SPECIAL DEAL CONSENT; 4) PROPOSED CHANGE OF COMPANY NAME; 5) REFRESHMENT OF SCHEME MANDATE LIMIT OF THE SHARE OPTION SCHEME; AND 6) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to Hong Bridge Capital Limited

CIMB

CIMB-GK Securities (HK) Limited

Joint financial advisers to Jessica Publications Limited

COMMERZBANK

Commerzbank AG Hong Kong Branch

SOMERLEY LIMITED

Independent financial adviser to the Independent Board Committee and Independent Shareholders

Hercules

Hercules Capital Limited

A letter from the Independent Board Committee containing its recommendation in respect of the terms of the Subscription Agreement, the Disposal Agreement and the Whitewash Waiver to the Independent Shareholders is set out on page 29 of this circular.

A letter from Hercules Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 30 to 58 of this circular.

A notice convening the EGM to be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on 12 October 2007 at 10:00 a.m., is set out on pages 121 to 124 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's Share Registrar, Union Registrars Limited at Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of posting and on the website of Jessica Publications Limited at www.jessicahk.com.

14 September 2007

CHARACTERISTICS OF GEM

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 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. GEM-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 at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

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In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:

"Announcement"	the joint announcement of the Company and Hong Bridge Capital dated 20 August 2007
"associate(s)"	the meaning ascribed to it in the GEM Listing Rules
"Board"	the board of Directors
"business day(s)"	a day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are open for business
"BVI"	the British Virgin Islands
"Company"	Jessica Publications Limited, a company with limited liabilities incorporated in the Cayman Islands, the issued shares of which are listed on GEM
"Completion"	completion of the Subscription Agreement
"Completion Date"	the date of Completion, being a date falling on or before the second business day after the conditions under the Subscription have been fulfilled or waived (as the case may be), or such other date as the parties to the Subscription Agreement shall agree in writing
"connected person(s)"	has the meaning ascribed to it in Chapter 20 of the GEM Listing Rules
"Convertible Notes"	the convertible notes to be issued by the Company with an aggregate principal amount of HK$14.7 million under the Subscription Agreement
"Conversion Price"	the conversion price of initially HK$0.007 per Conversion Share (subject to adjustment)
"Conversion Share(s)"	the 2,100 million new Shares which shall fall to be allotted and issued by the Company upon the exercise in full of the conversion rights attaching to the Convertible Notes at the initial Conversion Price
"Deposit"	a conditionally refundable interest-free deposit of HK$2 million paid by the Subscriber to the Company

"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Jessica BVI Sale Shares
"Disposal Agreement"	the sale and purchase agreement dated 16 August 2007 entered into between Great Ready Assets and the Purchaser in relation to the Disposal
"EGM"	the extraordinary general meeting of the Company to be convened and held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on 12 October 2007 to approve, (i) the Subscription Agreement (including the issue of the Subscription Shares, the issue of the Convertible Notes and the Conversion Shares); (ii) the Disposal Agreement; (iii) the Whitewash Waiver; (iv) the change of name of the Company; and (v) the refreshment of the scheme mandate limit of the Share Option Scheme
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"GEM"	the Growth Enterprise Market operated by the Stock Exchange
"GEM Listing Committee"	the listing committee of the GEM
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Great Ready Assets"	Great Ready Assets Limited, a limited liability company incorporated in the BVI and a wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"Hercules" or "Independent Financial Adviser"	Hercules Capital Limited, a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activities
"Hong Bridge Capital"	Hong Bridge Capital Limited, a limited liability company incorporated in the BVI which is wholly-owned by Mr. He
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Shareholders"	Shareholders other than Mr. Ng and his associates and parties acting in concert with him and those who are interested in or involved in the Subscription and the Disposal

"Independent Board Committee"	an independent committee of the Board established to advise the Independent Shareholders in connection with the Subscription Agreement, the Disposal Agreement and the Whitewash Waiver
"Jessica BVI"	Jessica Publications (BVI) Limited, a limited liability company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company
"Jessica BVI Group"	Jessica BVI and its subsidiaries
"Jessica BVI Sale Shares"	the entire issued share capital of Jessica BVI
"Last Trading Day"	16 August 2007, being the last trading day when the Subscription Agreement was entered into
"Latest Practicable Date"	11 September 2007, being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information contained herein
"Mr. He"	Mr. He Xuechu, the sole director and the sole beneficial owner of the entire issued share capital of the Subscriber
"Mr. Ng"	Mr. Ng Hung Sang, a Director and the ultimate controlling Shareholder
"parties acting in concert"	has the same meaning ascribed thereto in the Takeovers Code
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
"Purchaser"	Win Gain Investments Limited, a limited liability company incorporated in the BVI and is wholly-owned by Mr. Ng
"Relevant Period"	the period commencing from the date falling six months prior to 31 July 2007 and ended on the Latest Practicable Date
"Remaining Publishing Companies"	the remaining member companies of the Group after the Disposal which mainly comprise Jessicacode Limited and Superb Taste Company Limited, which are the subsidiaries of the Company engaged in the magazine publishing business after the Disposal
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (chapter 571 of the Laws of Hong Kong)

"Share(s)"	ordinary share(s) of HK$0.001 each in the share capital of the Company
"Share Option Scheme"	the share option scheme adopted by the Company pursuant to a resolution passed on 20 December 2001 which became effective on 8 January 2002
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Hong Bridge Capital
"Subscription"	the subscription of the Subscription Shares and the Convertible Notes pursuant to the Subscription Agreement
"Subscription Agreement"	the agreement dated 16 August 2007 entered into between the Company and the Subscriber in relation to the Subscription
"Subscription Price"	the subscription price of HK$0.007 per Subscription Share
"Subscription Share(s)"	the 2,900 million new Shares to be issued pursuant to the Subscription Agreement
"Takeovers Code"	the Code on Takeovers and Mergers
"Whitewash Waiver"	the waiver to be sought from the Executive pursuant to Note 1 on the dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscriber and the parties acting in concert with it as a result of the Subscription Agreement and the conversion of the Convertible Notes to make (a) a mandatory offer for all issued Shares (other than those already owned or agreed to be acquired by the Subscriber and the parties acting in concert with it) and (b) an appropriate cancellation offer in respect of all outstanding options of the Company upon Completion
"Win Gain"	Win Gain Investments Limited, a limited liability company incorporated in the BVI which is wholly-owned by Mr. Ng
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent

JESSICA PUBLICATIONS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8137)

Executive Directors:
Mr. Ng Hung Sang *(Chairman)*
Mr. Ng Yuk Fung, Peter *(Chief Executive Officer)*

Non-executive Director:
Ms. Ng Yuk Mui, Jessica

Independent non-executive Directors:
Mr. So Siu Ming, George
Ms. Pong Oi Lan, Scarlett
Mr. Cheng Yuk Wo

Registered office:
Offshore Incorporations
(Cayman) Limited
Scotia Centre
4th Floor
P.O. Box 2804
George Town
Grand Cayman
Cayman Islands

Head office and principal place of Business in Hong Kong:
Unit C, 3rd Floor
Wah Shing Centre
5 Fung Yip Street
Chai Wan
Hong Kong

14 September 2007

To the Shareholders and, for information only, holders of options of the Company

Dear Sir or Madam,

1) SUBSCRIPTION OF SHARES AND ZERO COUPON CONVERTIBLE NOTES;
2) MAJOR AND CONNECTED TRANSACTION – DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL OF JESSICA BVI;
3) APPLICATION FOR WHITEWASH WAIVER AND SPECIAL DEAL CONSENT;
4) PROPOSED CHANGE OF COMPANY NAME; AND
5) REFRESHMENT OF SCHEME MANDATE LIMIT OF THE SHARE OPTION SCHEME

INTRODUCTION

On 20 August 2007, the Directors announced that on 16 August 2007, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which, the Subscriber has conditionally agreed to subscribe in cash for (i) 2,900 million Subscription Shares at the Subscription Price of HK$0.007 per Subscription Share; and (ii) the Convertible Notes in the principal amount of HK$14.7 million with an initial Conversion Price of HK$0.007 per Conversion Share.

Upon Completion, the Subscriber's equity interest in the Company will increase from 0% to (i) approximately 85.1% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares but before exercise of any conversion rights attaching to the Convertible Notes; and (ii) further to approximately 90.8% of the issue share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Conversion Shares upon the exercise in full of the conversion rights attaching to the Conversion Notes. Unless the Whitewash Waiver is granted by the Executive, an obligation to make a mandatory offer for all issued shares of the Company and other outstanding securities of the Company other than those already owned or agreed to be subscribed by the Subscriber and parties acting in concert with it will arise under Rule 26 of the Takeovers Code as a result of the Subscription and conversion of the Convertible Notes. An application has been made by the Subscriber to the Executive pursuant to Note 1 on the dispensations from Rule 26 of the Takeovers Code for the Whitewash Waiver.

On 16 August 2007, Great Ready Assets, being a wholly-owned subsidiary of the Company, also entered into the Disposal Agreement with the Purchaser, pursuant to which, Great Ready Assets has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Jessica BVI Sale Shares at a consideration of HK$1 million, payable in cash. The Subscription Agreement and the Disposal Agreement are inter-conditional upon each other.

Pursuant to Rule 2.8 of the Takeovers Code, an Independent Board Committee should comprise all non-executive Directors, namely Ms. Ng Yuk Mui, Jessica, Mr. So Siu Ming, George, Ms. Pong Oi Lan, Scarlett and Mr. Cheng Yuk Wo. Given the fact that Ms. Ng Yuk Mui, Jessica is the daughter of Mr. Ng, the controlling Shareholder who is considered being interested in the Subscription and the Disposal, the Board has considered it not appropriate to appoint Ms. Ng Yuk Mui, Jessica to the Independent Board Committee. Accordingly, an Independent Board Committee comprising all independent non-executive Directors, namely Mr. So Siu Ming, George, Ms. Pong Oi Lan, Scarlett and Mr. Cheng Yuk Wo, has been established to consider and to advise the Independent Shareholders as to whether the terms of the Subscription Agreement, the Disposal Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, and that the entering into of the aforesaid agreements (including the transactions contemplated thereunder) is in the interests of the Company and the Shareholders as a whole.

The purpose of this circular is to provide you with further details on, among other things, (i) the Subscription Agreement; (ii) the Whitewash Waiver; (iii) the principal terms of the Convertible Notes; (iv) the Disposal Agreement; (v) the change of name of the Company; and (vi) the refreshment of the scheme mandate limit of the Share Option Scheme; (vii) the letter from the Independent Board Committee; (viii) the letter of advice from the Independent Financial Adviser; together with (ix) a notice convening the EGM; and (x) information complying with other disclosure requirements under the GEM Listing Rules and the Takeovers Code.

THE SUBSCRIPTION AGREEMENT

On 16 August 2007, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which, the Subscriber has conditionally agreed to subscribe in cash for (i) 2,900 million Subscription Shares at a Subscription Price of HK$0.007 per Subscription Share; and (ii) the Convertible Notes in the principal amount of HK$14.7 million with an initial Conversion Price of HK$0.007 per Conversion Share at an aggregate consideration of HK$35 million. The Company intends to use the net proceeds to finance the operation of the Remaining Publishing Companies and for general working capital purpose.

Date of the Subscription Agreement

16 August 2007

Parties to the Subscription Agreement

Issuer	:	the Company
Subscriber	:	Hong Bridge Capital, a company incorporated in the BVI with limited liability which is beneficially wholly-owned by Mr. He. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Hong Bridge Capital and its ultimate beneficial owner are third parties independent of the Group and its connected persons.

As at the Latest Practicable Date, the Subscriber, together with any parties acting in concert with it, did not own any Shares and, save for entering into the Subscription Agreement, had not acquired any voting rights in the Company during the six months immediately prior to 31 July 2007 up to and including the Latest Practicable Date.

Deposit

Upon signing the Subscription Agreement, the Subscriber paid the interest-free deposit of HK$2 million to the Company. In the event that Completion does not take place without any fault on the part of the Company or the Subscriber but by reason of the failure to obtain the necessary consent or approval from the Stock Exchange or the SFC in fulfilment of any of the conditions set out in the paragraph "Conditions precedent to Completion" below, the Company shall be entitled to forfeit 50% of the Deposit as liquidated damages. In the event Completion does not take place other than for the aforesaid reasons, the Deposit shall be refunded to the Subscriber. In the event that Completion does not take place without any fault on the part of the Company, without prejudice to the Company's right to recover the direct and indirect loss from the Subscriber, the Company will be entitled to forfeit the entire amount of the Deposit as liquidated damages.

Conditions precedent to Completion

Completion of the Subscription Agreement and the Disposal Agreement are inter-conditional. Completion is subject to the following conditions precedent:

(i) the approval by the Independent Shareholders voting by way of poll at the EGM of:

(a) the transactions contemplated under the Subscription Agreement, including (but not limited to) the allotment and issue of the Subscription Shares, the issue of the Convertible Notes and the issue of the Conversion Shares;

(b) the transactions contemplated under the Disposal Agreement; and

(c) the Whitewash Waiver;

(ii) the Executive granting consent pursuant to Rule 25 of the Takeovers Code in relation to the Disposal;

(iii) the Executive granting the Whitewash Waiver;

(iv) the GEM Listing Committee granting the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares;

(v) the Disposal Agreement having become unconditional (other than the condition that the Subscription Agreement has to become unconditional);

(vi) no indication having been received at or before Completion from the Stock Exchange or the SFC to the effect that the listing of the Shares may be withdrawn or objected to for any reason other than an inadequate percentage of the issued Shares being held in public hands and no other events having arisen which may adversely affect the listing status of the Company on the Stock Exchange;

(vii) the warranties given or made by the Company under the Subscription Agreement remaining true and accurate in all material respects and not misleading in any material respects; and

(viii) all other requisite consents, authorisations and approvals (or as the case may be, the relevant waiver) in connection with the entering into and performance of the terms of the Subscription Agreement having been obtained by the respective parties to the Subscription Agreement.

The Subscriber has the right to waive conditions numbered (vii) and (viii) above at any time by notice in writing to the Company. Neither party to the Subscription Agreement shall have the right to waive any of the other conditions set out above. In the event that the conditions set out above are not fulfilled or waived by the Subscriber (as the case may be) on or before 30 November 2007 (or such other date as the Company and Subscriber may agree in writing), none of the parties to the Subscription Agreement shall be bound to proceed with the Subscription. The Subscription Agreement shall be automatically terminated and ceased, and neither party to the Subscription Agreement shall have any claim under the Subscription Agreement against the other save in respect of any antecedent breaches of the Subscription Agreement.

As at the Latest Practicable Date, none of the above conditions had been fulfilled.

Completion

Completion shall take place at the same time as completion of the Disposal Agreement. Completion shall take place on the Completion Date, being on or before the second business day after all of the above conditions have been fulfilled or waived (as the case may be) or such other date as may be agreed in writing between the parties to the Subscription Agreement.

Changes in composition of the Board

As at the Latest Practicable Date, the Board comprised two executive Directors, one non-executive Director and three independent non-executive Directors. All of the existing Directors will resign with effect upon Completion or the earliest time permitted under the Takeovers Code, whichever is later. The Subscriber intends to nominate three Directors to the Board upon Completion.

The Subscription Shares

As at the Latest Practicable Date, there were 509,199,716 Shares in issue, and the 2,900 million Subscription Shares represents:

(i) approximately 569.52% of the issued share capital of the Company as at the Latest Practicable Date;

(ii) approximately 85.06% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares but before the exercise of any conversion rights attaching to the Convertible Notes; and

(iii) approximately 52.64% of the issued share capital of the Company as enlarged by the allotment and issue of Subscription Shares and the Conversion Shares upon the exercise in full of the conversion rights attaching to the Convertible Notes.

The Subscription Price of HK$0.007 represents:

(i) a discount of approximately 99.0% to the closing price of HK$0.74 per Share as quoted on GEM on the Last Trading Day;

(ii) a discount of approximately 99.1% to the average closing price of HK$0.81 per Share as quoted on GEM for the last 5 consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 99.2% to the average closing price of HK$0.857 per Share as quoted on GEM for the last 10 consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 99.0% to the closing price of HK$0.71 per Share as quoted on GEM on the Latest Practicable Date; and

(v) a premium of approximately HK$0.016 over the consolidated deficiency in net assets of the Company per Share of HK$0.009 as at 30 June 2007 (based on the total number of issued Shares of 509,199,716 as at the Latest Practicable Date).

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber and took into account a number of factors including the Group's current financial position, particularly its deficiency in unaudited consolidated net assets of approximately HK$4.6 million as at 30 June 2007, the competitive business environment in which the Group is currently operating, and the fact that the Group incurred losses in four out of the last five financial years (the Group recorded a net profit of approximately HK$3.4 million for the financial year ended 31 December 2005). Having considered the above, the Directors do not consider the market price of the Shares, which closed at HK$0.74 per Share on 16 August 2007 (being the Last Trading Day) equating to a market capitalisation of about HK$376.6 million, to be a realistic indicator of the value of the Shares. The Directors believe that in the circumstances, the Subscription Price and the Conversion Price under the Subscription Agreement were the best they could have negotiated and the terms of the Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Upon Completion, the total consideration for the Subscription Shares of HK$20.3 million will be paid by the Subscriber to the Company in cash.

The Company will closely monitor the trading prices of the Shares after Completion and will consider a share consolidation should the Share price approach the extremity of HK$0.01 as required under Rule 17.76 of the GEM Listing Rules.

The Convertible Notes

Pursuant to the Subscription Agreement, the Subscriber will also subscribe for the Convertible Notes in the principal amount of HK$14.7 million. Set out below are the principal terms of the Convertible Notes:

Principal amount	:	HK$14.7 million
Issue date	:	The Completion Date (i.e. on or before the second business day after all the conditions precedent set out in the Subscription Agreement have been satisfied or waived (as the case may be), or such other date as may be agreed by the Company and the Subscriber in writing)
Maturity date	:	24 months after the date of issue of the Convertible Notes
Coupon rate	:	Zero coupon
Transferability	:	Subject to the conditions, approval requirements and any other provisions of or under (i) the Stock Exchange (and any other stock exchange on which the Shares may be listed at the relevant time) or its rules and regulations; (ii) the approval for listing in respect of the Conversion Shares; and (iii) all applicable laws and regulations, the Convertible Notes may be transferred. Should the Convertible Notes, whether in whole or in part, be transferred to any connected persons of the Company, the Company will immediately notify the Stock Exchange.
Listing of the Convertible Notes	:	The Convertible Notes will not be listed on the Stock Exchange or any other stock exchanges.
Conversion Price	:	HK$0.007 per Conversion Share (which is the same as the Subscription Price), subject to adjustment.
Conversion	:	Holders of the Convertible Notes will have the right to convert the Convertible Notes in whole or in part, in an amount or integral amount of HK$490,000 into Shares at any time commencing from the issue of the Convertible Notes to the date falling 5 business days prior to the maturity date of the Convertible Notes, at the Conversion Price of HK$0.007 per Conversion Share, subject to adjustment. Holders of the Convertible Notes may exercise their conversion rights to the extent that the public float of the Company will not be less than 25% of the issued share capital of the Company immediately after conversion.

Adjustment to the Conversion Price	:	The Conversion Price is subject to adjustment for re-classification, subdivision, or consolidation of Shares, issue of any Shares credited as fully paid by way of capitalisation of profits or reserves, distribution to Shareholders (both capital and cash), rights issues, issue of new Shares or options of the Company and the declaration of dividend in Shares, and in any case, the Conversion Price will not be capable of being adjusted to a price below the nominal value of the Shares, and in such case, an adjustment shall be made to the effect that the Conversion Price be reduced to the nominal value of the Shares, being HK$0.001 per Share as at the Latest Practicable Date.
Redemption	:	Upon maturity, unless previously converted in accordance with the terms of the Convertible Notes, the Company shall redeem all outstanding Convertible Notes at their principal amount.
Voting	:	The Convertible Notes do not confer any voting rights on the holders thereof at any Shareholders' meetings of the Company.

Subject to Completion, the Company will make a monthly announcement (the "Monthly Announcement") on the website of the Stock Exchange for so long as any Convertible Notes are outstanding. Such Monthly Announcement will be made on or before the fifth business day following the end of each calendar month and will include the following information in table form:

(i) whether there has been any conversion of the Convertible Notes during the relevant month. If yes, the relevant Monthly Announcement will set out details of the conversion(s), including the conversion date, number of new Shares issued and the conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect will be made;

(ii) the outstanding principal amount of the Convertible Notes after the conversion, if any;

(iii) the total number of Shares issued pursuant to other transactions during the relevant month, including Shares issued pursuant to the exercise of options under any share option scheme(s) of the Company; and

(iv) the total issued share capital of the Company as at the commencement of the relevant month and as at the last day of the relevant month.

In addition to the Monthly Announcement, if the cumulative amount of new Shares issued pursuant to the conversion of the Convertible Notes reaches 5% of the issued share capital of the Company as stated in the immediately preceding Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will as soon as practicable, but in any event no later than the fifth business day thereafter, issue an announcement on the website of the Stock Exchange which will set out the information stated in (i) to (iv) above for the period commencing from the date of the immediately preceding Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be) up to the date of the conversion triggering such announcement.

Further, if the Company forms the view that the issue of any Shares pursuant to a conversion of the Convertible Notes will trigger a disclosure requirement under Rule 17.10 of the GEM Listing Rules, the Company shall, notwithstanding the above, issue an announcement accordingly.

The Conversion Price

The initial Conversion Price of HK$0.007 represents:

(i) a discount of approximately 99.0% to the closing price of HK$0.74 per Share as quoted on GEM on the Last Trading Day;

(ii) a discount of approximately 99.1% to the average closing price of HK$0.81 per Share as quoted on GEM for the last 5 consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 99.2% to the average closing price of HK$0.857 per Share as quoted on GEM for the last 10 consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 99.0% to the closing price of HK$0.71 per Share as quoted on GEM on the Latest Practicable Date; and

(v) a premium of approximately HK$0.016 over the consolidated deficiency in net assets of the Company per Share of HK$0.009 as at 30 June 2007 (based on the total number of issued Shares of 509,199,716 as at the Latest Practicable Date).

The Conversion Shares

As at the Latest Practicable Date, there were 509,199,716 Shares in issue. The 2,100 million Conversion Shares which may fall to be issued upon the exercise in full of the conversion rights attaching to the Convertible Notes represents:

(i) approximately 412.41% of the issued share capital of the Company as at the Latest Practicable Date;

(ii) approximately 61.60% of the issued share capital of the Company as enlarged by the allotment and issue of Subscription Shares; and

(iii) approximately 38.12% of the issued share capital of the Company as enlarged by the allotment and issue of Subscription Shares and the Conversion Shares upon the exercise in full of the conversion rights attaching to the Convertible Notes.

Listing of the Shares to be issued

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares.

Status of the Shares to be issue

The Subscription Shares and the Conversion Shares will rank pari passu amongst themselves and in all respect with the existing Shares in issue.

Fund-raising activities of the Group during the past twelve months

The Company did not conduct any fund-raising activities during the twelve months preceding the Latest Practicable Date.

THE DISPOSAL AGREEMENT

On 16 August 2007, Great Ready Assets entered into the Disposal Agreement to dispose of the Jessica BVI Sale Shares to the Purchaser.

Date of the Disposal Agreement

16 August 2007

Parties to the Disposal Agreement

Vendor	:	Great Ready Assets, a wholly-owned subsidiary of the Company
Purchaser	:	Win Gain, being an investment holding company and a company wholly-owned by Mr. Ng, a Director and the controlling Shareholder

Assets to be disposed of

Subject to the terms and conditions of the Disposal Agreement, the Purchaser has agreed to acquire and Great Ready Assets has agreed to dispose of the Jessica BVI Sale Shares. The Jessica BVI Sale Shares represent the entire issued share capital of Jessica BVI, an indirect wholly-owned subsidiary of the Company.

Jessica BVI is an investment holding company and the Jessica BVI Group is principally engaged in the publication of two magazines, namely "*旭茉JESSICA*" and "*JESSICA China*". Having considered that:

(i) the Jessica BVI Group made losses for the past three years ended 31 December 2006 and the six months ended 30 June 2007. For the three years ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007, the Jessica BVI Group recorded unaudited combined net losses before tax of approximately HK$1.6 million, HK$0.1 million, HK$16.1 million and HK$1.8 million respectively, and net losses after tax of approximately HK$1.6 million, HK$0.1 million, HK$16.1 million and HK$1.8 million respectively; and

(ii) as at 30 June 2007, the unaudited combined deficiency in net assets of the Jessica BVI Group amounted to approximately HK$3.9 million.

Upon completion of the Disposal, the Company will cease to hold any shareholding interest in the Jessica BVI Group and Jessica BVI will cease to be a subsidiary of the Company. The Group will not engage in the publication of "*旭茉JESSICA*" or "*JESSICA China*", but will continue to run the magazine publishing business in respect of "*旭茉JESSICACODE*" and "*Lisa味道生活*" through its interests in the Remaining Publishing Companies.

Each of the Jessica BVI Group and the Remaining Publishing Companies has its own team of editors, reporters and sales and marketing staff to monitor and operate its own magazines. As at 30 June 2007, the number of staff employed under the Jessica BVI Group and the Remaining Publishing Companies were 37 and 42 respectively. The loss of the Group for the year ended 31 December 2006 was mainly attributable to the unaudited combined net loss after tax of approximately HK$16.1 million from the Jessica BVI Group while the Remaining Publishing Companies recorded an unaudited combined net profit after tax of approximately HK$1.9 million.

After completion of the Disposal, the Remaining Publishing Companies will continue to engage in their publication business in Hong Kong. Based on the unaudited financial statements of the Remaining Publishing Companies for the year ended 31 December 2006 and the six months ended 30 June 2007, the Remaining Publishing Companies, in aggregate, recorded an unaudited combined turnover of approximately HK$22.7 million and HK$11.5 million respectively, and unaudited combined net profit after tax of approximately HK$1.9 million and HK$3.5 million respectively. The Directors are of the view that the Group complies with Rule 17.26 of the GEM Listing Rules after completion of the Disposal.

Conditions precedent to completion of the Disposal Agreement

Completion of the Disposal Agreement is subject to the following conditions precedent:

(i) the approval of the transactions contemplated under the Disposal Agreement by the Independent Shareholders voting by way of poll at the EGM;

(ii) the Executive granting consent pursuant to Note 4 to Rule 25 of the Takeovers Code in respect of the Disposal Agreement; and

(iii) the Subscription Agreement having become unconditional (other than the condition that the Disposal Agreement has to become unconditional).

Neither party to the Disposal Agreement has the right to waive any of the conditions above. In the event any of the above conditions has not been fulfilled on or before 30 November 2007, none of the parties to the Disposal Agreement shall be bound to proceed with the sale and purchase of the Jessica BVI Sale Shares, and the Disposal Agreement shall be automatically terminated, and neither party to the Disposal Agreement shall have any claim under the Disposal Agreement against the other save in respect of any antecedent breaches of the Disposal Agreement.

As at the Latest Practicable Date, none of the above conditions had been fulfilled.

Completion of the Disposal Agreement

Completion of the Disposal Agreement shall take place simultaneously with Completion.

Consideration for the Disposal

Upon completion of the Disposal Agreement, the consideration for the Disposal, being HK$1 million in cash, will be paid by the Purchaser to Great Ready Assets.

The consideration for the Disposal was arrived at after arm's length negotiations between Great Ready Assets and the Purchaser with reference to:

(i) the loss-making track record of the Jessica BVI Group for the three years ended 31 December 2006 and the six months ended 30 June 2007;

(ii) the unaudited combined deficiency in net assets of the Jessica BVI Group as at 30 June 2007 of approximately HK$3.9 million; and

(iii) the competitive magazine publication market conditions faced by the Jessica BVI Group.

Based on the unaudited management account of the Group as at 30 June 2007, a net gain of approximately HK$4.9 million, being the difference between the consideration for the Disposal of HK$1 million and the combined net liabilities of the Jessica BVI Group attributable to the Group of approximately HK$3.9 million (being the net of total assets and total liabilities of HK$11.4 million and HK$15.3 million respectively) is estimated to be recorded by the Group as a result of the Disposal. The Company intends to apply the proceeds from the Disposal for general working capital purpose. In addition, based on the unaudited management account of the Group as at 30 June 2007, the Group recorded a consolidated net liabilities of approximately HK$4.6 million, as such, the disposal of the Jessica BVI Group with unaudited combined net liabilities of approximately HK$3.9 million and the consideration of the HK$1 million will result in an increase in the net assets of the Group to approximately HK$0.3 million.

Having considered (i) the positive financial impact on the Group; (ii) the additional capital obtained from the net proceeds of the Disposal; and (iii) the benefit of streamlining the operations of the Group by disposing of the loss-making Jessica BVI Group, which would reduce the relevant working capital requirement of the Group after completion of the Disposal, the Directors consider that the Disposal is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

CHANGE IN THE SHAREHOLDING AND GROUP STRUCTURE

Change in the shareholding structure of the Company

	As at the Latest Practicable Date		Immediately after Completion but before exercise of any conversion rights attaching to the Convertible Notes and exercise of the share options		Immediately after Completion and exercise in full of the conversion rights attaching to the Convertible Notes but before exercise of the share options		Immediately after Completion, exercise in full of the conversion rights attaching to the Convertible Notes and exercise in full of the share options *(Note3)*	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Mr. Ng and his associates *(Note 1)*	336,235,203	66.03	336,235,203	9.86	336,235,203	6.10	336,235,203	6.10
Ms. Ng Yuk Mui, Jessica *(Note 1)*	1,834,000	0.36	1,834,000	0.05	1,834,000	0.03	1,834,000	0.03
Subtotal	338,069,203	66.39	338,069,203	9.92	338,069,203	6.13	338,069,203	6.13
The Subscriber	–	–	2,900,000,000	85.06	5,000,000,000	90.76	5,000,000,000	90.69
Other Public Shareholders *(Note 2)*	171,130,513	33.61	171,130,513	5.02	171,130,513	3.11	175,477,233	3.18
	509,199,716	100.00	3,409,199,716	100.00	5,509,199,716	100.00	5,513,546,436	100.00

Notes:

1. Mr. Ng and Ms. Ng Yuk Mui, Jessica are Directors. The Shares owned by them and their respective associates will be classified as part of the public shareholding after Completion.

2. Under the terms of the Convertible Notes, no conversion of the Convertible Notes may take place if such conversion will result in insufficient public float as required under the GEM Listing Rules.

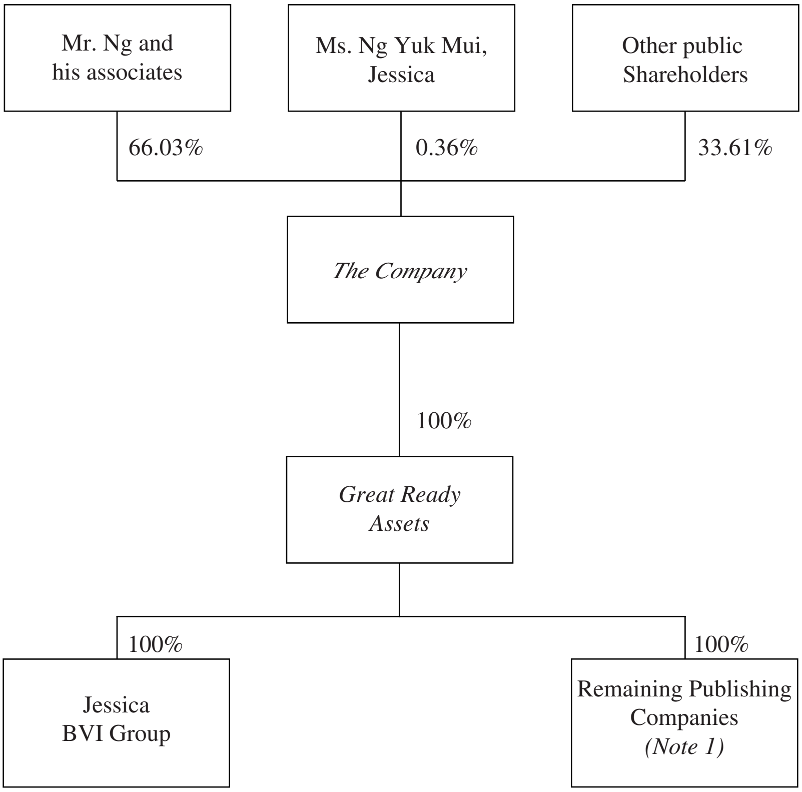
3. As at the Latest Practicable Date, the outstanding share options of the Company carry rights to subscribe for 4,346,720 Shares and no Directors hold any of these share options.

The above shareholding structure is for illustrative purpose only. The Subscriber intends to maintain the listing status of the Shares on the Stock Exchange and the 25% minimum public float requirement upon Completion. It is proposed on the date of Completion, the Subscriber will enter into a placing agreement with an independent placing agent to place out sufficient Subscription Shares to independent placees such that the Company will continue to maintain the 25% minimum public float requirement upon and following Completion. The Company will publish an announcement on the Completion Date disclosing information regarding the above-mentioned placing arrangement.

Completion of the said placing agreement will be subject to the granting of approval for the listing of, and the permission to deal in, the Subscription Shares by the GEM Listing Committee.

Change in the Group Structure

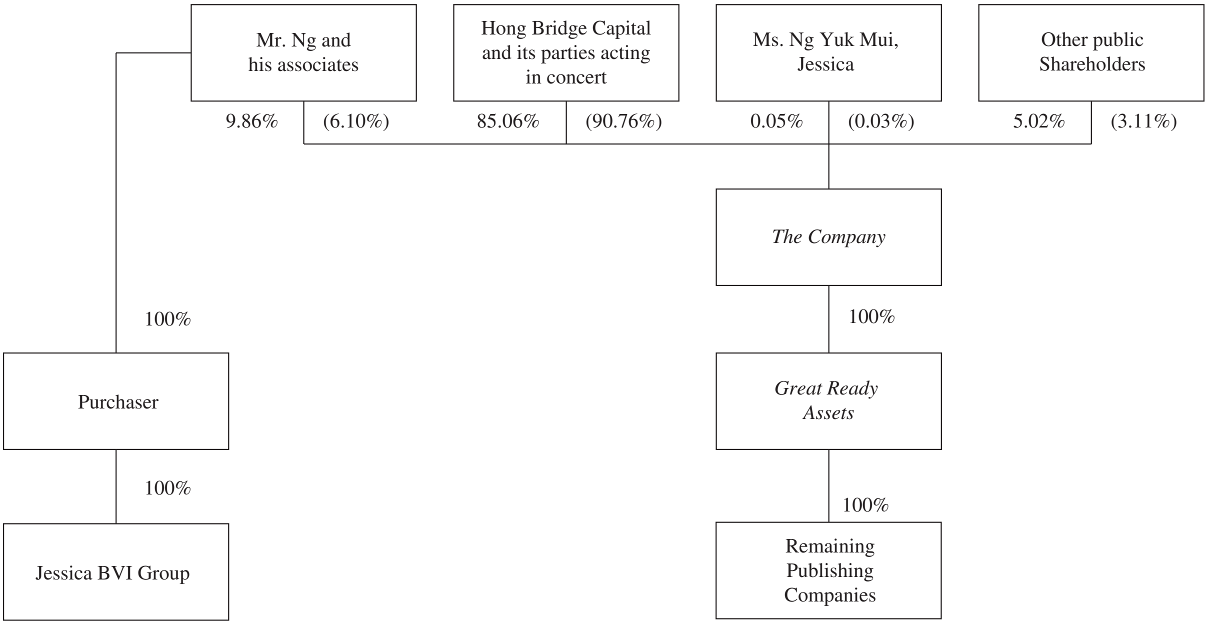
Group structure before completion of the Subscription and the Disposal



Note:

1. include Superb Taste Company Limited, Jessicacode Limited and other subsidiary companies that are mainly dormant or engaged in the provision of management services to other Group companies with insignificant operations.

Group structure after completion of the Subscription and the Disposal



Notes:

1. Percentage in brackets denotes the shareholding percentage after the exercise in full of the conversion rights attaching to the Convertible Notes.

2. Under the terms of the Convertible Notes, no conversion of the Convertible Notes may take place if such conversion will result in insufficient public float as required under the GEM Listing Rules.

3. As set out in the sub-paragraph headed “Change in the shareholding and Group structure” above, a placement of Subscription Shares requirement is intended to be carried out upon Completion in order to maintain the 25% minimum public float.

INFORMATION ON THE GROUP

The Group is principally engaged in the magazine publication business. The magazines published by the Group include "*旭茉JESSICA*" and "*JESSICA China*" under the Jessica BVI Group, and "*旭茉JESSICACODE*" and "*Lisa味道生活*" under the Remaining Publishing Companies. Each of the Jessica BVI Group and the Remaining Publishing Companies has its own team of editors, reporters and sales and marketing staff to monitor and operate its own magazines publication business. Set out below is a summary of the Group's financial information for the two years ended 31 December 2006 and the six months ended 30 June 2007:

	Financial year ended 31 December		**Six months ended 30 June**
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
	Audited	Audited	Unaudited
Turnover	94,855	83,464	40,605
Profit/(Loss) before taxation	3,430	(14,169)	1,726
Profit/(Loss) attributable to the Shareholders	3,430	(14,169)	1,726
Total assets	35,491	21,228	18,699
Net assets/(liabilities)	4,266	(7,001)	(4,581)

The Group has reported losses for the financial year ended 31 December 2006. However, the Group recorded profit for the six months ended 30 June 2007, mainly due 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 result.

As published in the Company's annual report for the year ended 31 December 2006, the Group recorded a cash and cash equivalent amounted to approximately HK$2.6 million. As at 30 June 2007, the Group did not have any bank borrowings.

INFORMATION RELATING TO THE SUBSCRIBER

The Subscriber is a private limited company incorporated in the BVI. It has not carried on any business activities since its incorporation other than entering into the Subscription Agreement. The Subscriber is beneficially wholly-owned by Mr. He. Mr. He is the sole director of the Subscriber.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND THE DISPOSAL

Save for the year ended 31 December 2005, the Group recorded net losses for the past five financial years. In particular, the Group recorded a substantial audited consolidated net loss after tax of approximately HK$14.2 million for the year ended 31 December 2006. Such substantial loss was mainly attributable to the unaudited combined net loss after tax of approximately HK$16.1 million from the Jessica BVI Group while the Remaining Publishing Companies were able to record an unaudited combined net profit after tax of approximately HK$1.9 million.

The substantial loss of the Jessica BVI Group was mainly resulted from the expansion in the circulation of "*JESSICA China*" in the PRC since the second half of 2005 and the discontinuation of two magazines (namely "*Paralife*" and "*8 Weekly*") in 2006. For the year ended 31 December 2006, the publication business of the Jessica BVI Group in respect of "*Paralife*" and "*8 Weekly*" incurred an unaudited net loss of approximately HK$6.2 million. For the six months ended 30 June 2007, the Jessica BVI Group recorded an unaudited combined net loss after tax of approximately HK$1.8 million. The Directors consider that the Disposal will provide the Group with an opportunity to streamline the operations of the Group while at the same time, the net proceeds from the Disposal and the Subscription will enhance the financial position of the publication business of the Remaining Publishing Companies.

Accordingly, the Directors consider that the transactions under the Subscription Agreement and the Disposal Agreement are in the interests of the Company and the Shareholders as a whole.

MANAGEMENT OF THE COMPANY

As at the Latest Practicable Date, the Board comprised six Directors, namely Mr. Ng and Mr. Ng Yuk Fung, Peter as the executive Directors, Ms. Ng Yuk Mui, Jessica, as the non-executive Director and Mr. So Siu Ming, George, Ms. Pong Oi Lan, Scarlett and Mr. Cheng Yuk Wo as the independent non-executive Directors. Upon Completion, the Subscriber will nominate (i) Mr. He as the executive Director and chairman of the Company; (ii) Mr. Liu Wei as an executive Director and the chief executive officer of the Company; and (iii) Mr. Shi Lixin as an executive Director.

Set out below is the brief biography of the three proposed Directors:

Mr. He, aged 45, has extensive experience in financial management and in the investment field. Mr. He graduated from 安徽財貿學院 (Anhui Finance and Trade College), the PRC in 1983 with a bachelor degree in economics. Between 1983 and 1985, Mr. He was employed by 中華人民共和國商業部 (the Domestic Trade Ministry of the PRC). Thereafter, he joined China Resources (Holdings) Co., Ltd.. Before establishing his own private business, Mr. He was the deputy general manager in the finance department of China Resources Holdings Co. Ltd.. During the period from 2001 to 2005, Mr. He was a director and substantial shareholder of a number of companies, the shares of which are listed on the Stock Exchange, including Shanghai Zendai Property Limited (stock code: 0755), and Geely Automobile Holdings Limited (stock code: 0175).

Mr. He is now the chairman of Nority International Group Limited, the shares of which are listed on the Stock Exchange (stock code: 0660) and is also the chairman of ChinaGrowth South Acquisition Corporation (USOTCBB symbol: CGSUF), the shares of which are quoted on Over-The-Counter Bulletin Board in the United States of America and a director of ChinaGrowth North Acquisition Corporation (USOTCBB symbol: CGNUF), the shares of which are quoted on Over-The-Counter Bulletin Board in the United States of America.

Mr. Liu Wei, aged 43, has over 10 years of experience in corporate banking and corporate finance, including his previous employment with The Hongkong Chinese Bank Ltd. and Lippo Group. During the period from 2004 to 2006, Mr. Liu was a director of Hans Energy Company Limited (stock code: 0554), the shares of which are listed on the Stock Exchange. Mr. Liu was also a director of China Metal and Technologies (H.K.) Limited, a private company engaged in the trading of non-ferrous metal. He was the managing director of a private company engaged in media business. Mr. Liu was experienced in the publication business and was involved in the publication of 世界經濟論壇 (World Economic Journal Monthly), 今日健康生活 (Healthy Life Today) and 中國新聞周刊 (China News Weekly) during his tenure with the above private company. Mr. Liu holds a master degree in business administration from the University of San Francisco.

Mr. Shi Lixin, aged 40, a postgraduate diploma holder in business administration from the University of Wales College, Newport, has extensive experience in mergers and acquisitions and project finance. Mr. Shi is currently the chief executive officer of 萬博港工業品超市有限公司 (Wanbo Industrial Provision & Exposition Co., Ltd.) and was once the special assistant to the chairman of 湖南投資集團股份有限公司 (Hunan Investment (Group) Corporation). Mr. Shi was also the chief executive officer of a company which was involved in the business procurement of 湘潭高新技術產業開發區 (Xiantan Hi-Tech Industrial Development Zone), which in turn contains the 湘潭(德國)工業園 (Xiangtang (Germany) Industrial Park).

The Subscriber believes that the varied management experience of Mr. He, Mr. Liu and Mr. Shi would be valuable to the management and operations of the Group after Completion.

INTENTION OF THE SUBSCRIBER REGARDING THE GROUP

The Subscriber intends that the Group will continue its existing businesses following Completion. Meanwhile, the Subscriber will conduct a review of the business operation and financial position of the Group for the purpose of formulating business plans and strategies for streamlining the Group's existing business operation and improving the financial position of the Group with a view to the future business development of the Group. Subject to the results of the review and should suitable investment or business opportunities arise, the Subscriber may consider, leveraging on the business experience of its sole shareholder, diversifying the business of the Group, which diversification may include businesses in relation to the energy and resources industry and automobile parts industry, with an objective to broaden the Group's income source. However, no such investment or business opportunities have been identified at this stage. The Subscriber has no intention to re-deploy the employees or the fixed assets of the Group other than in its ordinary course of business.

CHANGE OF COMPANY NAME

The Board also proposes that, subject to Completion, the name of the Company will be changed from "Jessica Publications Limited" to "Honbridge Holdings Limited 洪橋集團有限公司" to reflect more appropriately the identity of the Subscriber, being "Hong Bridge Capital Limited", as the new controlling Shareholder upon Completion.

The proposed change of the Company's name is subject to, among other things, (i) Completion; and (ii) the passing of a special resolution by the Shareholders at the EGM approving the change of name by way of show of hands (unless a poll is validly demanded). Subject to the approval of the Shareholders, the Company will carry out necessary filing procedures and actions with the Registrars of Companies in the Cayman Islands and in Hong Kong. The Company will issue an announcement when the proposed change of company name and stock short name has become effective and all necessary filing procedures have been completed.

The change of name of the Company will not affect any of the rights of the existing Shareholders. The share certificates bearing the Company's existing name will continue to be evidence of title and valid for trading, settlement, and registration purposes. There will not be any arrangement for free exchange of existing share certificates for new share certificates under the new name of the Company. New certificates for the Shares will only be issued following the change of the Company's name becoming effective.

Shareholders who wish to exchange the Company's existing share certificates for new share certificates bearing the new name may do so from 9:00 a.m. to 4:00 p.m. on any business day after the change of name has become effective, submit their existing share certificates to the Company's share registrar, Union Registrars Limited, Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong to exchange for new share certificates at the expense of the Shareholders. A share certificate exchange fee of HK$2.50 (or such higher amount as may be prescribed or allowed under the GEM Listing Rules from time to time) for each new share certificate to be issued or each existing certificate received, by reference to the higher number of certificates may be, will be charged to the relevant Shareholders. It is expected that new share certificates will be available within 10 business days from the date of submission of the existing share certificates in exchange for the new share certificates.

REFRESHMENT OF SCHEME MANDATE LIMIT OF THE SHARE OPTION SCHEME

The Board also proposes to seek the approval of the Shareholders to refresh the 10% scheme mandate limit of the Share Option Scheme. Under the existing scheme mandate limit of the Share Option Scheme, the Directors are authorised to grant options to subscribe up to 50,647,987 Shares, representing 10% of the issued share capital of the Company as at the date of the refreshment of the scheme mandate limit of the Share Option Scheme on 29 April 2003. As at the Latest Practicable Date, options to subscribe for a total of 4,346,720 Shares had been granted and remain outstanding under the Share Option Scheme.

In order to provide the Company with greater flexibility in granting share options to eligible persons under the Share Option Scheme as incentive or rewards for their contribution to the Group, the Board has decided to seek approval from the Shareholders at the EGM to refresh the scheme mandate limit of the Share Option Scheme. The Directors consider such refreshment of the scheme mandate limit of the Share Option Scheme to be in the interests of the Company and the Shareholders as a whole.

Based on the 509,199,716 Shares in issue as at the Latest Practicable Date and assuming no further Shares are repurchased or issued prior to the EGM, upon the approval of the refreshment of the scheme mandate limit of the Share Option Scheme, the Directors will be authorised to grant new options to subscribe for a total of 50,919,971 Shares, representing approximately 10% of such total number of Shares in issue.

No outstanding share options of the Company will lapse as a result of the refreshment of the scheme mandate limit of the Share Option Scheme. The aggregate number of Shares which may be issued upon the exercise of all outstanding share options granted but yet to be exercised under the Share Option Scheme and any other share option schemes of the Company had not exceeded 30% of the Shares in issue as at the Latest Practicable Date. In addition, none of the grantees have been granted options under the Share Option Scheme entitling any of them to subscribe for more than 1% of the issued share capital of the Company.

Save for the Share Option Scheme, the Company had no other share option schemes as at the Latest Practicable Date.

The refreshment of the scheme mandate limit of the Share Option Scheme is conditional upon:

(i) the passing of an ordinary resolution by the Shareholders at the EGM approving the refreshment of the scheme mandate limit of the Share Option Scheme by show of hands; and

(ii) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares, representing 10% of the Shares in issue as at the date of passing of the ordinary resolution at the EGM, which may be issued pursuant to the exercise of the options to be granted under the refreshed scheme mandate limit.

The purpose of refreshing the scheme mandate limit of the Share Option Scheme is to provide greater flexibility so that a greater number of Shares can be granted under the Share Option Scheme as incentive or reward to encourage the eligible personnel's continuous contribution to the success of the Group. The Directors consider that such refreshment of the scheme mandate limit of the Share Option Scheme is in the interests of the Company and the Shareholders as a whole.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be allotted and issued upon the exercise of any options that may be granted pursuant to the refreshed scheme mandate limit of the Share Option Scheme.

IMPLICATIONS OF THE GEM LISTING RULES AND THE TAKEOVERS CODE

Major and connected transaction

Since the Purchaser is wholly-owned by Mr. Ng (a Director and the controlling Shareholder), the Purchaser is a connected person of the Company for the purposes of the GEM Listing Rules. Accordingly, the Disposal constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. As the relevant percentage ratios (as defined under the GEM Listing Rules) are greater than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules. The Disposal is subject to the approval of the Independent Shareholders, voting by way of poll at the EGM. Save for Mr. Ng and his associates, to the best knowledge, information and belief of the Company after having made all reasonable enquiries, the Company is not aware of any other Shareholders who have an material interests in the Disposal.

Special deal

The Disposal Agreement is a special deal for the purposes of Rule 25 of the Takeovers Code, and therefore requires the consent of the Executive, which if granted will be subject to the public statement of Hercules, the independent financial adviser appointed by the Company, that the terms of the Disposal Agreement are fair and reasonable and approval of the Independent Shareholders voted by way of poll at the EGM. Since the Purchaser is beneficially wholly-owned by Mr. Ng, Mr. Ng, together with his associates and parties acting in concert with him will abstain from voting on any resolution relating to the Disposal Agreement.

Application for Whitewash Waiver

The shareholding of the Subscriber in the Company will, upon Completion, increase from 0% (i) to approximately 85.1% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares but before the exercise of any conversion rights attaching to the Convertible Notes; and (ii) further to approximately 90.8% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Conversion Shares upon the exercise in full of the conversion rights attaching to the Convertible Notes. Unless the Whitewash Waiver is granted by the Executive, an obligation to make a mandatory offer for all issued Shares and other outstanding securities of the Company other than those already owned or agreed to be subscribed by the Subscriber and parties acting in concert with it will arise under Rule 26 of the Takeovers Code as a result of the Subscription and conversion of the Convertible Notes.

An application has been made by the Subscriber to the Executive for the Whitewash Waiver pursuant to Note 1 on the dispensations from Rule 26 of the Takeovers Code, which, if granted, will be subject to the approval by the Independent Shareholders voting by way of poll at the EGM. Mr. Ng, together with his associates and parties acting in concert with him will abstain from voting on the resolution to approve the Whitewash Waiver.

The aggregate shareholding of the Subscriber and parties acting in concert with it after Completion will exceed 50% of the issued share capital of the Company as enlarged by the Subscription Shares to be issued pursuant to the Subscription Agreement (but before the exercise of any conversion rights attaching to the Convertible Notes). Accordingly, if the Whitewash Waiver is approved by the Independent Shareholders, any additional acquisition of Shares by the Subscriber and parties acting in concert with it will not incur any further obligation under Rule 26 of the Takeovers Code to make a mandatory offer.

Substantially high level of cash balance

Upon completion of the Subscription and the Disposal, the Group's principal assets will mainly comprise (i) those of the Remaining Publishing Companies, which based on the unaudited financial statements of the Remaining Publishing Companies, recorded a combined total assets, net liabilities and cash and bank balance of approximately HK$7.3 million, HK$0.7 million and HK$2.77 million, respectively, as at 30 June 2007, and (ii) an aggregate cash inflow of approximately HK$36 million, thus resulting in the Group having a high cash level. The Directors are of the view that this high cash level will be of temporary nature and the Group's high cash level position immediately following the completion of the Subscription and the Disposal will be translated into future contribution to the Group's magazine publication business and participation in the new investment opportunities identified by the Company.

The Directors and the Subscriber have confirmed that they will take appropriate actions to ensure full compliance with the relevant GEM Listing Rules, including, but not limited to Rule 11.06 and Chapter 9 of the GEM Listing Rules. In the event that the Group's assets comprise wholly or substantially all of cash, the Stock Exchange may suspend dealings in the Shares.

EGM

Set out in this circular is a notice convening the EGM which will be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on 12 October 2007, at 10:00 a.m. at which resolutions will be proposed to approve, *inter alia,* the Subscription Agreement, the Disposal Agreement, the Whitewash Waiver by the Independent Shareholders, and the change of name of the Company and the refreshment of the scheme mandate limit of the Share Option Scheme by the Shareholders. As at the Latest Practicable Date, Mr. Ng. together with his associates and parties acing in concert with him have control or are entitled to control 338,069,203 Shares (representing 66.39% of the entire issued share capital of the Company) and will abstain from voting at the EGM for resolutions in respect of the Subscription Agreement, the Disposal Agreement and the Whitewash Waiver.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the meeting, you are requested to complete the accompanying form of proxy and return it in accordance with the instructions printed thereon as soon as possible to the Company's share registrar, Union Registrars Limited at Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong and in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

Procedures for demanding a poll

Pursuant to article 80 of the articles of association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

(a) the chairman of the meeting; or

(b) at least five members present in person or by proxy and entitled to vote or who represent in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or

(c) any member or members present in person or by proxy and holding shares of the Company conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares of the Company conferring that right; or

(d) if required by the GEM Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent (5%) or more of the total voting rights at such meeting.

Unless a poll is so demanded and not withdrawn, a declaration by the chairman of the meeing that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Company's book containing the minutes of proceedings of meetings of the Company shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.8 of the Takeovers Code, an Independent Board Committee should comprise all non-executive Directors, namely Ms. Ng Yuk Mui, Jessica, Mr. So Siu Ming, George, Ms. Pong Oi Lan, Scarlett and Mr. Cheng Yuk Wo. Given the fact that Ms. Ng Yuk Mui, Jessica is the daughter of Mr. Ng, the controlling Shareholder who is considered being interested in the Subscription and the Disposal, the Board has considered it not appropriate to appoint Ms. Ng Yuk Mui, Jessica to the Independent Board Committee. Accordingly, an Independent Board Committee comprising all independent non-executive Directors, namely Mr. So Siu Ming, George, Ms. Pong Oi Lan, Scarlett and Mr. Cheng Yuk Wo, has been established to consider and to advise the Independent Shareholders as to whether the terms of the Subscription Agreement, the Disposal Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, and that the aforesaid agreements (including the transactions contemplated thereunder) are in the interests of the Company and the Shareholders as a whole.

Hercules has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The text of the letter of advice from Hercules containing their recommendation and the principal factors they have taken into account in arriving at their recommendation is set out on pages 30 to 58 of this circular.

RECOMMENDATIONS

Having considered the potential benefits which the Subscription and the Disposal may bring to the Group and the advice given by Hercules as contained in this circular, the Directors consider that the terms of the Subscription Agreement, the Disposal Agreement and the Whitewash Waiver are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to approve the Subscription Agreement, the Disposal Agreement and the Whitewash Waiver.

Independent Shareholders are urged to read carefully the advice of Hercules and the recommendation of the Independent Board Committee before deciding on how to vote at the EGM.

GENERAL

Completion of the Subscription Agreement and the Disposal Agreement are conditional upon fulfilment of the conditions set out above. The issue of this circular does not indicate that the Subscription Agreement and the Disposal Agreement will be successfully implemented and completed.

Your attention is drawn to the letters from Hercules and the Independent Board Committee and the additional information set out in the appendices to this circular.

Yours faithfully,
On behalf of the board
Ng Hung Sang
Chairman

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the terms of the Subscription Agreement, the Disposal Agreement and the Whitewash Waiver.

JESSICA PUBLICATIONS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8137)

14 September 2007

To the Independent Shareholders

Dear Sir or Madam,

As members of the Independent Board Committee, we have been appointed to advise you in connection with the terms of the Subscription Agreement, the Disposal Agreement and the Whitewash Waiver, details of which are set out in the Letter from the Board contained in the circular to the Shareholders dated 14 September 2007 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the Subscription Agreement, the Disposal Agreement and the Whitewash Waiver and the advice of Hercules Capital Limited in relation thereto as set out on pages 30 to 58 of the Circular, we are of the opinion that the terms of the Subscription Agreement, the Disposal Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Subscription Agreement and the Disposal Agreement is in the interests of the Company and the Shareholders as a whole. We therefore recommend you to vote in favour of the resolutions to be proposed at the EGM to approve the Subscription Agreement, the Disposal Agreement and the Whitewash Waiver.

Yours faithfully,
Independent Board Committee
So Siu Ming, George **Pong Oi Lan, Scarlett** **Cheng Yuk Wo**
Independent non-executive Directors

The following is the text of a letter of advice from Hercules Capital Limited, the independent financial adviser, to the Independent Board Committee and the Independent Shareholders regarding its advice on the Subscription, the Disposal and the application for the Whitewash Waiver prepared for the purpose of incorporation into this circular.

Hercules

Hercules Capital Limited

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

14 September 2007

To the Independent Board Committee and
the Independent Shareholders

Dear Sirs,

SUBSCRIPTION OF SHARES AND ZERO COUPON CONVERTIBLE NOTES;
MAJOR AND CONNECTED TRANSACTION –
DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL OF JESSICA BVI;
APPLICATION FOR THE WHITEWASH WAIVER;
AND
APPLICATION FOR SPECIAL DEAL CONSENT

1 INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Subscription, the Disposal and the application for the Whitewash Waiver, details of which are set out in the Letter from the Board contained in the circular dated 14 September 2007 to the Shareholders (the "Circular"), of which this letter forms part. Terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

On 16 August 2007, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe in cash for (i) 2,900 million Subscription Shares at the Subscription Price of HK$0.007 per Subscription Share; and (ii) the Convertible Notes in the principal amount of HK$14.7 million with an initial Conversion Price of HK$0.007 per Conversion Share.

The Subscription Shares represent approximately 85.1% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. Upon full exercise of the conversion right attaching to the Convertible Notes, the Subscriber's equity interest in the Company will further increase to approximately 90.8% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and Conversion Shares. Therefore, pursuant to

Rule 26 of the Takeovers Code, the Subscriber and parties acting in concert with it will be obliged to make an unconditional mandatory general offer for all the Shares not already owned or agreed to be acquired by them unless a waiver from strict compliance with the relevant rule has been obtained from the Executive. The Subscriber and the parties acting in concert with it have made an application to the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code for the Whitewash Waiver, the grant of which, if successfully applied for, will be subject to approval by the Independent Shareholders on a vote taken by way of poll at the EGM. The granting of the Whitewash Waiver is a condition precedent to the completion of the Subscription Agreement.

On 16 August 2007, Great Ready Assets, a wholly-owned subsidiary of the Company, also entered into the Disposal Agreement with the Purchaser, pursuant to which, Great Ready Assets has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Jessica BVI Sale Shares at a cash consideration of HK$1 million. Since the Purchaser is wholly-owned by Mr. Ng, a Director and controlling Shareholder, the Purchaser is a connected person of the Company under the GEM Listing Rules. Accordingly, the Disposal constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. As the relevant percentage ratios, as defined under the GEM Listing Rules, of the Disposal are greater than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules. Furthermore, by virtue of Mr. Ng's shareholding in the Purchaser, the Disposal also constitutes a "Special Deal" pursuant to Rule 25 of the Takeovers Code and requires consent from the Executive, which if granted will be subject to the public statement of the Company's independent financial adviser that the terms of the Disposal Agreement are fair and reasonable and the approval of the Disposal by the Independent Shareholders at the EGM taken on a vote by way of poll. As the Subscription Agreement and the Disposal Agreement are inter-conditional upon each other and the Purchaser is wholly-owned by Mr. Ng, Mr. Ng together with his associates and concert parties will abstain from voting at the EGM on the resolutions relating to the Disposal, the Subscription as well as the application for the Whitewash Waiver.

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee should comprise all non-executive Directors. However, Ms. Ng Yuk Mui, Jessica, the sole non-executive Director, was considered not appropriate to be appointed to the Independent Board Committee to consider the Subscription, the Disposal and the Whitewash Waiver as Ms. Ng Yuk Mui, Jessica is the daughter of Mr. Ng, who has interests in such transactions. Accordingly, the Independent Board Committee, comprising all independent non-executive Directors, namely Mr. So Siu Ming, George, Ms. Pong Oi Lan, Scarlett and Mr. Cheng Yuk Wo, has been established to consider the transactions contemplated under the Subscription Agreement and the Disposal Agreement and to advise the Independent Shareholders on the fairness and reasonableness of the Subscription, the Disposal and the application for the Whitewash Waiver. We, Hercules Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the Subscription, the Disposal and the application for the Whitewash Waiver are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

2 BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, inter alia, the Circular, the Subscription Agreement, the Disposal Agreement, the financial statements of the Company, the Jessica BVI Group and the Remaining Publishing Companies as well as other relevant information provided to us by the Company and the Subscriber. We have assumed that such information and statements and any representation made to us are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion. We have also assumed that all information, opinions and representations contained or referred to in the Circular are true, accurate and complete in all material respects as at the date of the Circular, and will continue to be so at the date of the EGM, and that they may be relied upon in formulating our opinion. The Directors and the Subscriber have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no material facts not contained in the Circular the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We also consider that we have taken all reasonable steps as required under Rule 17.92 of the GEM Listing Rules to ascertain the reliability of the information provided to us and to form our opinion. We have no reasons to suspect that any material information has been withheld by the Directors, management of the Company or the Subscriber, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Company and the background of the Subscriber. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

3 THE SUBSCRIPTION

3.1 Principal Factors and Reasons Considered

In arriving at our opinion regarding the terms of the Subscription Agreement, we have considered the following principal factors and reasons:

3.1.1 Rationale for entering into the Subscription Agreement

The Group is principally engaged in the magazine publication business. The magazines published by the Group include "*旭茉JESSICA*" and "*JESSICA China*" under the Jessica BVI Group and "*旭茉JESSICACODE*" and "*Lisa味道生活*" under the Remaining Publishing Companies.

The audited consolidated financial information of the Group for the five years ended 31 December 2006 and the unaudited consolidated financial information of the Group for the six months ended 30 June 2007 is summarized in Table 1 below.

Table 1 – A summary of the consolidated financial information of the Group

	For the six months ended 30 June 2007 (unaudited) *(HK$'000)*	For the year ended 31 December 2006 (audited) *(HK$'000)*	2005 (audited) *(HK$'000)*	2004 (audited) *(HK$'000)*	2003 (audited) *(HK$'000)*	2002 (audited) *(HK$'000)*
Revenue	40,605	83,464	94,855	81,389	41,287	27,599
Net profit/ (loss) for the period	1,726	(14,169)	3,430	(2,733)	(2,810)	(4,402)

	As at 30 June 2007 (unaudited) *(HK$'000)*	As at 31 December 2006 (audited) *(HK$'000)*
Cash and cash equivalents	2,878	2,563
Net current liabilities	(5,131)	(7,574)
Current ratio (current assets/current liabilities)	0.78	0.73
Net liabilities	(4,581)	(7,001)
Gearing ratio (total liabilities/total assets)	1.24 times	1.33 times

As shown in the above table, save for the year ended 31 December 2005, the Group recorded net losses for the past five financial years. Due to the intensified competition in the magazine publication market, the Group's audited consolidated net losses further increased to approximately HK$14.2 million for the year ended 31 December 2006. Although there was an improvement in the Group's performance for the six months ended 30 June 2007, the Group was still having significant net liabilities as at 30 June 2007. The Group's gearing ratio as at 30 June 2007 was as high as 1.24 times. Furthermore, the Group's current ratio of 0.78 times revealed that the Group was suffering liquidity problem as its current assets were insufficient to cover the current liabilities.

According to the information disclosed in the 2007 Interim Report and 2006 Annual Report of the Company, the Group's operation was mainly financed by the internal financial resources of the Group during the year ended 31 December 2006 and the six months ended 30 June 2007. No equity-related fund raising activities were conducted during the past twelve months.

In view of the tight cashflow and pressing need of additional funding of the Group, we have enquired into and were informed by the management of the Company that they had in fact considered various methods for fund raising. Given that (i) the Group had a net liability position and was still suffering losses from its business operations for the last financial year; (ii) the Group had high gearing and liquidity problem; and (iii) the Group was in lack of valuable assets for pledging against bank borrowings, the management of the Company considered that the Group might not be able to obtain debt financing.

We were advised by the management of the Company that they had also considered raising fund by means of rights issue or open offer. However, the management of the Company anticipated that the unsatisfactory business and financial position of the Group and the low liquidity of the Shares (more detailed analysis on liquidity of the Shares is set out in section 3.1.2 below) would deter the Company in securing an underwriter for the rights issue or open offer. Together with the fact that it would normally take a longer time to complete a rights issue or open offer than a subscription of new shares, the management of the Company considered that the Subscription is the most appropriate financing alternative currently available to the Group.

Upon completion of the Subscription, the Group will receive gross proceeds of HK$35 million. The Directors indicated that the net proceeds from the Subscription will be applied for financing the operation of the Remaining Publishing Companies and for general working capital purpose. Given that (i) the Group's financial position will be significantly improved after receipt of the proceeds from the Subscription; (ii) the improved financial position will lay a foundation for the future development of the Group's businesses; (iii) the Company's capital base will be further enhanced; (iv) the Subscription is the most appropriate financing alternative currently available to the Group; (v) the Convertible Notes are non-interest bearing and thus it will not have any immediate negative impact on the working capital of the Group, we concur with the opinion of the Directors that the entering into of the Subscription Agreement is in the interest of the Company and the Shareholders as a whole.

3.1.2 The Subscription Price

The Subscription Price of HK$0.007 represents:

a) a discount of approximately 99.0% to the closing price of HK$0.74 per Share as quoted on GEM on the Last Trading Day;

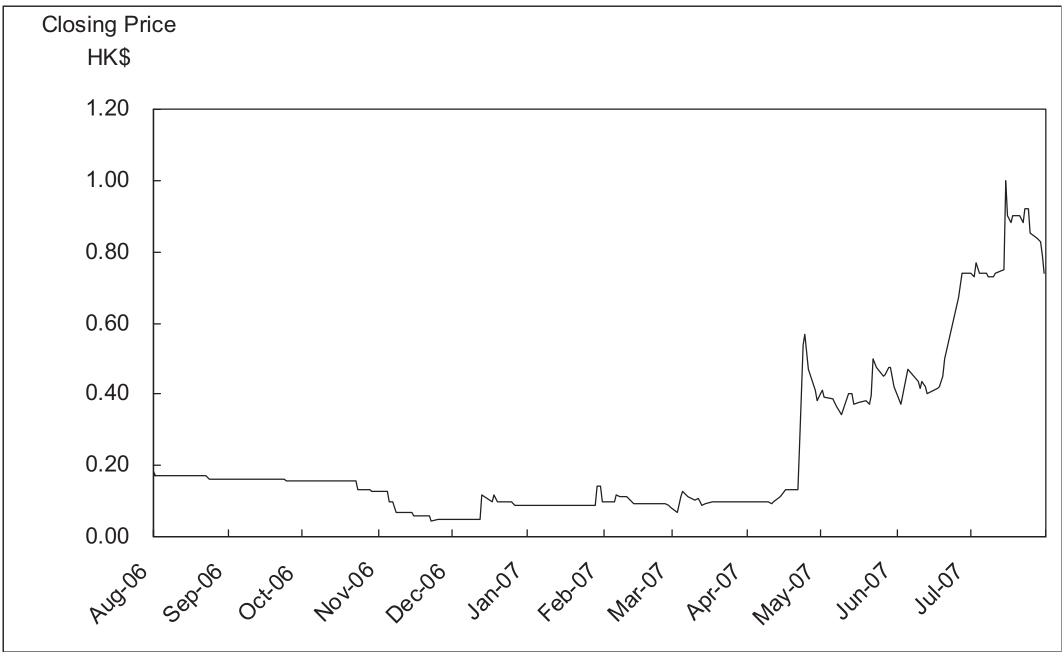
b) a discount of approximately 99.1% to the average closing price of HK$0.81 per Share as quoted on GEM for the last five consecutive trading days up to and including the Last Trading Day;

c) a discount of approximately 99.2% to the average closing price of HK$0.857 per Share as quoted on GEM for the last ten days up to and including the Last Trading Day; and

d) a premium of approximately HK$0.016 over the consolidated deficiency in net assets of the Company per Share of HK$0.009 as at 30 June 2007.

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the movements in trading prices of the Shares during the period from 17 August 2006 to 16 August 2007, representing the whole year period immediately preceding the Last Trading Day (the "Review Period").

Chart 1 – Closing prices of the Shares during the Review Period.



Source: The website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the closing price of the Shares ranged from the lowest of HK$0.043 per Share (recorded on 8 December 2006) to the highest of HK$1.000 per Share (recorded on 31 July 2007). The average closing price of the Shares for the Review Period is approximately HK$0.246.

As shown in Chart 1 above, the closing price of the Shares plunged from HK$0.171 at the beginning of the Review Period to the lowest level of HK$0.043 on 8 December 2006. We have discussed with the Directors about the reasons for the decease in share price and were informed that the Company was not aware of any reason for such price movement. After that, the closing price of the Shares remained stable in the range of HK$0.047 and HK$0.051 during the period from 9 December 2006 to 21 December 2006. On 22 December 2006, the trading of the Shares was suspended pending the release of the Company's announcement regarding a very substantial acquisition and connected transaction of the Company. On 28 December 2006, the Company resumed the trading of its Shares and published an announcement to disclose that the Company had entered into a termination agreement on 27 December 2006 to terminate the proposed very substantial acquisition and connected transaction. The closing price of the Shares suddenly escalated to HK$0.12 on 29 December 2006. Given that (i) there was no trading in the Shares during the period from 22 December 2006, being the date on which the announcement for the proposed very substantial acquisition and connected transaction was released, to 27 December 2006, being the date on which the announcement for termination of the proposed transaction was published; and (ii) there should be no material changes in the financial and trading prospects of the Group before and after the publication of the announcements dated 22 December 2006 and 28 December 2006, the Directors considered that the price movement on 29 December 2006 was unusual and it might not reflect any change in the fair value of the Company.

Since then, the closing price of the Shares fluctuated between HK$0.068 and HK$0.14 during the period from 29 December 2006 to 7 May 2007. The closing price of the Shares then surged sharply from HK$0.13 on 7 May 2007 to HK$0.57 on 10 May 2007. According to the Directors, save for the publication of the loss-making results for the first quarter of 2007 on 8 May 2007, neither there was any substantial change in the financial and trading prospects of the Group nor there was any negotiation or agreement relating to intended acquisitions or realizations during the above review period. Therefore, the Directors believe that there were no conclusive reasons for such share price movements. Subsequently, the closing price of the Shares fluctuated between HK$0.345 and HK$0.57 and reached HK$0.5 on 6 July 2007.

After the publication of the Company's announcement dated 9 July 2007 which disclosed that the Company was in preliminary discussion with some third parties for different funding alternatives and future business development of the Company, the closing price of the Company rocketed and hit the peak of HK$1.00 on 31 July 2007. Since then, the closing prices of the Shares fluctuated in the range of HK$0.80 and HK$0.90 and gradually decreased to HK$0.74 on the Last Trading Day. In the absence of any material change in the financial position and trading prospects of the Group during the said period, we consider that the fluctuations in share price during the period from 9 July 2007 to the Last Trading Day had relatively low correlation to the fundamentals of the Company and such price movements might have been caused purely by market speculation.

To further examine whether the unusual price movements in the Shares were caused by changes in industry specific factors, we have looked into all companies which are listed on the main board and GEM of the Stock Exchange and are principally engaged in similar business of the Company (i.e. publishing business) for comparison purpose. We, to the best of our knowledge, have identified 10 such comparable companies ("Comparables"), the principal business activities of which are set out in Table 2 below:

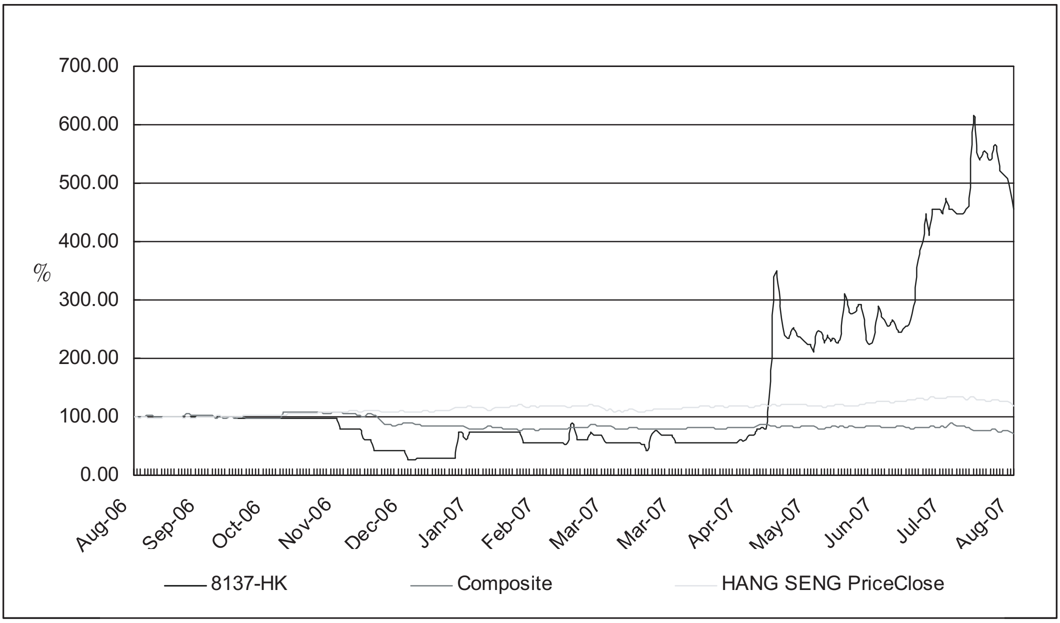
Table 2 – Comparables

Name of Issuers (Stock Code)	**Principal Business Activities**
Oriental Press Group Ltd. (18)	Publication of newspapers and magazines, property investment and building management.
Next Media Ltd. (282)	Magazine publishing and advertising, printing and reprographic services, internet content provision and advertising.
Culturecom Holdings Ltd. (343)	Publication of comics and related business, sales of Chinese operating system, processor, eTextbook and application software and investment holding.
Hong Kong Economic Times Holdings Ltd. (423)	Publication of Hong Kong Economic Times, magazine publishing (e-zone), book publishing, recruitment advertising and training for business executives, and provide real-time financial information.
One Media Group Ltd. (426)	Publication, marketing and distribution of Chinese-language lifestyle magazines and sale of advertising space in those magazines.
SCMP Group Ltd. (583)	Publishing, printing & distribution of the South China Morning Post, Sunday Morning Post and other print & digital publications, video & film post-production and property investment.
Ming Pao Enterprise Corporation Ltd. (685)	Publication of Chinese newspapers, periodicals and books, provision of travel and related services and property investment.
Sing Tao News Corporation Ltd. (1105)	Media ownership and services, human capital management, broadband content and distribution, trading.

SMI Publishing Group Ltd. (8010)	Publication and distribution business including but not limited to books, audio-visual products, electronic publishing products, newspaper and magazine.
Jade Dynasty Group Ltd. (970)	Publication of comics books and operation of restaurants in Hong Kong.

A chart showing the share prices of the Company and the composite index based on the weighted market capitalization of the Comparables (such compilation methodology is the same as that for Hang Seng Index) versus the Hang Seng Index for the Review Period is set out below.

Chart 2 – The closing price of the Shares relative to the Hang Seng Index and the Comparables composite index



Source: *Datastream*

As illustrated by Chart 2, the price movement trend of the composite index basically performed in tandem to the Hang Seng Index in the Review Period. On the other hand, the price movements of the Shares did not follow the general trends of the composite index and the Hang Seng Index. In light of the above, we deduced that both general and industry specific external factors were not the major causes of the price movements in the Shares.

We have also reviewed the historical trading volume of the Shares during the Review Period. The average daily trading volume of the Shares, the percentages of daily trading volume of the Shares as compared to the total number of issued Shares and the Shares held by the public during the Review Period are shown in Table 3 below.

Table 3 – Historical average daily trading volume of the Shares

Month	Average daily trading volume	% of average daily trading volume to the total number of issued Shares *(Note 1)*	% of average daily trading volume to the total number of Shares in public hands *(Note 2)*
2006			
August *(Note 3)*	–	–	–
September	762	0.000%	0.000%
October	–	–	–
November	4,000	0.001%	0.002%
December	14,588	0.003%	0.009%
2007			
January	10,545	0.002%	0.006%
February	109,778	0.022%	0.064%
March	54,859	0.011%	0.032%
April	19,111	0.004%	0.011%
May	7,913,312	1.555%	4.633%
June	6,200,994	1.219%	3.630%
July	5,454,905	1.072%	3.194%
August *(Note 4)*	2,965,333	0.583%	1.736%

Source: *The website of the Stock Exchange (www.hkex.com.hk)*

Notes:

1. Based on 508,879,716 Shares in issue as at the Last Trading Day.

2. Based on 170,810,313 Shares held in public hands as at the Last Trading Day.

3. For the period from 17 August 2006 to 31 August 2006 only.

4. For the period from 1 August 2007 to 16 August 2007 only.

5. Trading in the Shares was suspended on 22 December 2006, 27 December 2006, 17 August 2007 and 20 August 2007.

Table 3 demonstrates that during the Review Period, the average daily trading volume of the Shares was in the range of approximately 0.000% to 1.555% as to the total number of issued Shares as at the Last Trading Day and approximately 0.000% to 4.633% as to the total number of the Shares held in public hands as at the Last Trading Day. During the 245 trading days in the Review Period, 136 days had no trading in the Shares, representing approximately 55.5% of the total trading days of the Shares in the relevant period. The above statistics proved that the liquidity of the Shares was very low.

Having considered that (i) the trading prices of the Shares fluctuated greatly during the Review Period without any conclusive reasons or correlation with the fundamentals of the Company or the market conditions of the publishing industry and Hong Kong stock market; (ii) the Shares were traded at a high price even the Company was having a net deficit position and was suffering from continuous losses in the past few years; and (iii) the trading volume of the Shares was extremely low, we suspect that the share prices of the Company may not truly reflect the fair value of the Shares. Therefore, we consider that it is inappropriate to justify the reasonableness and fairness of the Subscription Price purely by comparing with the recent historical trading prices of the Shares.

Alternatively, we have compared the Subscription Price with the lowest, average and the highest closing price of the Shares during the Review Period of HK$0.043, HK$0.246 and HK$1.000 per Share respectively. The Subscription Price of HK$0.007 represents:

a) a discount of approximately 83.72% to the lowest closing price of HK$0.043 per Share as quoted on GEM during the Review Period;

b) a discount of approximately 97.15% to the average closing price of HK$0.246 per Share as quoted on GEM for the Review Period; and

c) a discount of approximately 99.30% to the highest closing price of HK$1.000 per Share as quoted on GEM during the Review Period.

We have also made reference to the placements and subscriptions of new shares for cash of other companies listed on GEM announced during the period from 1 July 2007 to the date of the Announcement (the "Share Comparables"), details of which are summarized in Table 4 below:

Table 4 – Comparable transactions for subscription of new shares

Announcement date	Company name (stock code)	Discount represented by issue price to the closing price of the share on the last trading day prior to the date of the relevant announcement	
3-Jul-07	Global Solution Engineering Limited (8192)	(98.70%)	
4-Jul-07	China Chief Cable TV Group Limited (8153)	(15.56%)	
4-Jul-07	Yantai North Andre Juice Company Limited (8259)	(12.59%)	
5-Jul-07	Trasy Limited (8063)	(17.34%)	
11-Jul-07	Enviro Energy International Holdings Limited (8182)	(15.00%)	
12-Jul-07	Golding Soft Limited (8190)	(38.24%)	
16-Jul-07	Sau San Tong Holdings Limited (8200)	(17.43%)	
18-Jul-07	B.A.L. Holdings Limited (8079)	(16.60%)	
23-Jul-07	B.A.L. Holdings Limited (8079)	(27.27%)	
25-Jul-07	EMER International Group Limited (8149)	(14.71%)	
25-Jul-07	DeTeam Company Limited (8112)	(8.82%)	
27-Jul-07	Maxitech International Holdings Limited (8136)	(13.10%)	
31-Jul-07	Medical China Limited (8186)	(19.77%)	*Note 1*
31-Jul-07	Medical China Limited (8186)	(38.37%)	*Note 2*
31-Jul-07	Sino Haijing Holdings Limited (8065)	(9.80%)	
31-Jul-07	Tinheng Automative Safety Technology Holdings Limited (8293)	(15.34%)	
14-Aug-07	Cardlink Technology Group Limited (8066)	(19.30%)	
15-Aug-07	Everpride Biopharmaceutical Company Limited (8019)	(16.67%)	
16-Aug-07	New Chinese Medicine Holdings Limited (8085)	(81.80%)	
20-Aug-07	Galileo Holdings Limited (8029)	(1.79%)	
	Maximum	**(98.70%)**	
	Minimum	**(1.79%)**	
	Average	**(24.91%)**	
	Median	**(16.64%)**	

Announcement date	Company name (stock code)	Discount represented by issue price to the closing price of the share on the last trading day prior to the date of the relevant announcement
20-Aug-07	**The Company (8137)**	
	– discount to the lowest closing price of the Share for the Review Period	(83.72%)
	– discount to the average closing price of the Share for the Review Period	(97.15%)
	– discount to the highest closing price of the Share during the Review Period	(99.30%)

Source: *The website of the Stock Exchange (www.hkex.com.hk)*

Notes: *1. For new share placing.*
2. For top-up placing.

As shown in the above table, the discount represented by the issue price to the closing price of the share on the last trading day prior to the date of the relevant announcement of the Share Comparables ranged from approximately 1.79% to 98.70%, with the average and median of approximately 24.91% and 16.64% respectively. The discounts represented by the Subscription Price to the respective lowest and average closing prices of the Shares during the Review Period are lower than the average and median of the Share Comparables although they fall within the range of the Share Comparables. The discount represented by the Subscription Price to the highest closing price of the Shares during the Review Period even falls outside the range of the Share Comparables. Therefore, the Subscription Price is relatively low when compared with the Share Comparables.

However, after taking into consideration that (i) the Subscription Price represents a premium of approximately HK$0.016 over the consolidated deficiency in net assets of the Company per Share of HK$0.009 as at 30 June 2007; (ii) the Subscription Price is the best price that can be negotiated by the Company on an arm's length basis after taking into account the loss-making track record of the Company and the net deficiency in net asset value of the Group; (iii) low liquidity in the shares usually warrants a larger discount in the share price; and (iv) the net deficit per Share of approximately HK$0.009 as at 30 June 2007 shall be enhanced to a positive net asset value per Share of approximately HK$0.006 after Completion (calculated based on the net asset value of approximately HK$30.4 million after taking into account the net increase of approximately HK$35.0 million in the net asset value of the Company resulting from the Subscription (assuming the conversion rights attached to the Convertible Notes are fully exercised), and the total number of issued shares of 5,509,199,716 after the issue of the Subscription Shares and Conversion Shares), we consider the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

3.1.3 The terms of the Convertible Notes

In assessing the fairness and reasonableness of the terms of the Convertible Notes, we have reviewed the terms of issues of convertible bonds/notes for cash by other companies listed on GEM announced during the period from 1 July 2007 to the date of the Announcement (the "CN Comparables"), details of which are summarized in Table 5 below:

Table 5 – Comparable transactions for the subscription of the Convertible Notes

Announcement date	**Company name (stock code)**	**Maturity**	**Coupon rate**	**Premium/(discount) of conversion price over/to the closing price of the share on the last trading day prior to the date of the relevant announcement**
		(Years)	(%)	(%)
03-Jul-07	Global Solution Engineering Limited (8192)	5	0.0%	(98.70%)
05-Jul-07	Trasy Gold EX Limited (8063)	2	4.0%	(1.23%)
12-Jul-07	Golding Soft Limited (8190)	5	0.0%	47.06%
31-Jul-07	Medical China Limited (8186)	7	2.0%	(78.14%)
08-Aug-07	Venturepharm Laboratories Limited (8225)	5	3.5%	N/A *Note*
	Minimum	**2**	**0.0%**	**(98.70%)**
	Maximum	**7**	**4.0%**	**47.06%**
	Average	**4.8**	**1.9%**	**(32.75%)**
	Median	**5**	**2.0%**	**(39.69%)**

Announcement date	Company name (stock code)	Maturity *(Years)*	Coupon rate *(%)*	Premium/(discount) of conversion price over/to the closing price of the share on the last trading day prior to the date of the relevant announcement *(%)*
20-Aug-07	**The Company (8137)**	**2**	**0.0%**	
	– discount to the lowest closing price of the Share for the Review Period			(83.72%)
	– discount to the average closing price of the Share for the Review Period			(97.15%)
	– discount to the highest closing price of the Share during the Review Period			(99.30%)

Source: *The website of the Stock Exchange (www.hkex.com.hk)*

Note: The conversion price is fixed at 130% for the average closing price of the shares for 30 consecutive trading days up to and including the fifth business days prior to the issue of the convertible bonds.

3.1.3.1 Maturity and coupon rate

As shown in Table 5, although the maturity of the Convertible Notes is relatively short when compared with the average and median maturity of the CN Comparables, the maturity of the Convertible Notes falls within the range of the CN Comparables. Therefore, we consider that the maturity of the Convertible Notes are fairly set and in normal commercial terms.

Furthermore, given that the Convertible Notes bear a zero coupon rate while the 12-month Hong Kong Interbank Offered Rate and the prime rate were maintained at approximately 4.7% and 7.75% respectively as quoted from the website of Hang Seng Bank as at the Latest Practicable Date, we are of the view that the zero coupon rate of the Convertible Notes is in the interests of the Company.

3.1.3.2 Conversion Price

The Conversion Price is the same as the Subscription Price and represents:

a) a discount of approximately 83.72% to the lowest closing price of HK$0.043 per Share as quoted on GEM during the Review Period;

b) a discount of approximately 97.15% to the average closing price of HK$0.246 per Share as quoted on GEM for the Review Period; and

c) a discount of approximately 99.30% to the highest closing price of HK$1.000 per Share as quoted on GEM during the Review Period.

As shown in Table 5, the premium/(discount) represented by the conversion price of the convertible bonds over/to the closing price of the share on the last trading day prior to the date of the relevant announcement of the CN Comparables ranged from a discount of approximately 98.70% to a premium of approximately 47.06%. The discounts represented by the Conversion Price to the respective lowest and average closing prices of the Shares during the Review Period fall within the range of the CN Comparables although they are lower than the average and median of the CN Comparables. On the other hand, the discount represented by the Conversion Price to the highest closing price of the Shares during the Review Period falls outside the range of the CN Comparables.

Based on the analysis of the Subscription Price set out in section 3.1.2 of this letter and after taking into consideration that (i) the issue of the Convertible Notes is an integral part of the Subscription Agreement; (ii) the Group is in pressing need of additional working capital; (iii) the Subscription is the most appropriate financing alternative available to the Company at the moment; and (iv) the discount represented by the Conversion Price to the respective lowest and average closing prices of the Shares during the Review Period fall within the range of the CN Comparables, we are of the opinion that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

3.1.4 The financial effects of the Subscription on the Group

3.1.4.1 Earnings

The Subscription shall have no significant effects on the Group's earnings as the Convertible Notes carry zero coupon rate.

3.1.4.2 Cashflow

The issue of the Subscription Shares will bring a net cash inflow of approximately HK$20.3 million to the Group. The cashflow of the Group will also increase by an amount of HK$14.7 million upon issue of the Convertible Notes. If the conversion right attached to the Convertible Notes is not exercised, the Group has to redeem all outstanding principal of the Convertible Notes at the maturity date. Therefore, a cash outflow equivalent to the outstanding principal of the Convertible Notes may occur at the maturity date.

3.1.4.3 Net asset value

Upon issue of the Subscription Shares, the net asset value of the Group shall increase by an amount of approximately HK$20.3 million and thus the net deficit per Share of approximately HK$0.009 as at 30 June 2007 shall be enhanced to a net asset value per Share of approximately HK$0.005 after the issue of the Subscription Shares (but before issuance of any Conversion Share).

Upon the issue of the Convertible Notes, the Group's liabilities shall increase by the amount equivalent to the liability component of the Convertible Notes while the Group's equity shall increase by the equity component of the Convertible Notes. As the determination of the fair value of the liability component of the Convertible Notes at initial recognition will require the use of the prevailing market rate of interest for a similar instrument with a similar credit rating that can only be ascertained at the time of issue of the Convertible Notes, the exact amount of the net effect of the issue of the Convertible Notes cannot be ascertained at the moment.

If the conversion right attached to the Convertible Notes is exercised in full, the net asset value of the Group shall further increase by approximately HK$14.7 million as a result of the transfer of the liability component of the Convertible Notes to the share capital of the Group. The net asset value per Share shall then be further enhanced to approximately HK$0.006 after the issue of the Subscription Shares and Conversion Shares.

3.1.4.4 Gearing

The issue of the Subscription Shares and the Convertible Notes will increase the Group's total assets by approximately HK$35 million. At the same time, the Group's liabilities shall also increase by the amount equivalent to the liability component of the Convertible Notes. Although the exact amount of the liability component cannot be ascertained at the moment, it is expected that the increase in total assets will be greater than the increase in the liabilities of the Group. Therefore, it is expected that the Subscription will result in an improvement in the gearing ratio of the Group (as expressed in the ratio of total liabilities to total assets).

Upon full conversion of the Convertible Notes, the liability component will be transferred to the share capital of the Group. Therefore, a further improvement in the gearing ratio of the Group is expected.

Based on the above analysis, the Subscription would have an immediate positive financial effect on the Group in terms of cashflow, net asset value and gearing. On such basis, we are of the opinion that the Subscription is in the interests of the Company and the Shareholders as a whole.

3.1.5 Future intentions of the Subscriber

As disclosed in the Letter from the Board, the Subscriber intends to continue the existing businesses of the Group following the Completion. In addition, the Subscriber may consider diversifying the business of the Group to the energy and resources industry and automobile parts industry by leveraging on the business experience and successful track record of its sole shareholder, Mr. He, in such industries.

Through the review of the public documents, we notice that Mr. He has extensive experience in financial management and in the investment field. During the past few years, Mr. He had successfully restructured and introduced new business opportunities and funding to several loss-making listed companies, which have then turned around to record substantial profits. Successful cases include Shanghai Zendai Property Ltd. (stock code: 755) and Geely Automobile Holdings Ltd. (stock code: 175) which are principally engaged in the businesses of property sales and investment and manufacturing and trading of automobile parts and related automobile components respectively. Mr. He is now the chairman of a listed company in Hong Kong, the chairman of a company listed on Over-The-Counter Bulletin Board in the United States of America and a director of a company listed on Over-The-Counter Bulletin Board in the United States of America. The Directors believe that the extensive business network and experience of Mr. He will help expediting the recovery of the existing business of the Group and developing new business opportunities that can further enhance the shareholders' value of the Group.

Apart from Mr. He, the Subscriber will nominate another two candidates, namely Mr. Liu Wei and Mr. Shi Lixin, to the Board. Mr. Liu Wei has extensive experience in the publication business and was involved in the publication of World Economic Journal Monthly, Healthy Life Today and China News Weekly. He was a director of Hans Energy Company Limited (stock code: 554), the shares of which are listed on the Stock Exchange. Together with Mr. Shi Lixin's extensive experience in mergers and acquisitions and project finance, the Subscriber believes that the new management team will be able to further enhance the shareholders' value of the Company.

In light of the above, we concur with the views of the Directors and the Subscriber that the introduction of the proposed Directors to the Board will be advantageous to the further development of the Group.

3.1.6 Dilution of the Independent Shareholders' interests in the Company

Immediately after the Completion but before exercise of the conversion right attached to the Convertible Notes and exercise of the outstanding share options, the Subscriber will become the controlling Shareholder holding approximately 85.1% of the enlarged issued share capital of the Company and the shareholding of the Independent Shareholders in the Company shall decrease from approximately 33.6% to approximately 5.0%.

In the event that the conversion right of the Convertible Notes is fully exercised and all outstanding share options are exercised, the Subscriber will be interested in approximately 90.7% of the enlarged issued share capital of the Company. The shareholding of the Independent Shareholders will be further reduced to approximately 3.2%.

We consider the abovementioned dilution effect to the shareholding interests of the Independent Shareholders to be significant. However, as balanced by the fact that the Group is in need of additional capital for revitalizing its financial position and business development, and taking into account the principal factors considered in the previous sections, in particular:

a) the Group recorded losses in four years out of the five preceding years;

b) the Group is having an inferior financial position which may have an adverse impact on the operation and business development of the Group if no mitigation measures are conducted in the near term;

c) the Subscription is the most viable financing alternative currently available for the Group;

d) the Group may capitalize on the knowledge and experience of the proposed new Directors to expedite the Group's upturn of existing business and to develop new business opportunities; and

e) the Subscription will have positive effects on the cashflow, net asset value and gearing of the Group,

we are of the opinion that the Subscription is in the interest of the Company and the Shareholders as a whole. We also consider that the aforementioned dilution effect on the shareholding of the Independent Shareholders is justifiable and fair and reasonable as the Independent Shareholders are concerned.

3.1.7 Sufficiency of public float

As mentioned in the previous section, the shareholding in public hands shall decrease to approximately 15% upon the issue of the Subscription Shares. In order to maintain the minimum public float of 25% upon and following Completion, the Subscriber will enter into a placing agreement with an independent placing agent to place the relevant Shares held by the Subscriber to independent placees upon Completion.

In order to avoid high concentration of shareholding in the Company and to further enhance the shareholder base of the Company, we are of the opinion that the placing of Shares by the Subsciber to independent third parties is in the interests of the Company and the Shareholders as a whole.

3.2 Conclusion

Having considered the principal factors and reasons stated above, we are of the view that the entering into of the Subscription Agreement is in the interests of the Company and the Shareholders as a whole. We also consider that the terms of the Subscription Agreement are in normal commercial terms and that they are fair and reasonable so far as the Independent Shareholders are concerned.

4 THE WHITEWASH WAIVER

4.1 Principal Factors and Reasons Considered

4.1.1 Background

Upon issue of the Subscription Shares, the Subscriber and parties acting in concert with it will be interested in approximately 85.1% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. Immediately after the full exercise of the conversion right attached to the Convertible Notes, the Subscriber's equity interest in the Company will further increase to approximately 90.8% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and Conversion Shares. Therefore, pursuant to Rule 26 of the Takeovers Code, the Subscriber and parties acting in concert with it will be obliged to make an unconditional mandatory general offer for all the Shares not already owned or agreed to be acquired by them unless a waiver from strict compliance with the relevant rule has been obtained from the Executive.

The Subscriber and the parties acting in concert with it have made an application to the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code for the Whitewash Waiver, the grant of which, if successfully applied for, will be subject to approval by the Independent Shareholders on a vote taken by way of poll at the EGM. As the Subscription Agreement and the Disposal Agreement are inter-conditional upon each other and Mr. Ng, the controlling Shareholder, has personal interest in the Disposal, Mr. Ng and its concert parties shall abstain from voting on the resolutions for the Subscription and the application for the Whitewash Waiver.

We noted from the Letter from the Board that, save for the entering into of the Subscription Agreement, neither the Subscriber nor any of its concert parties has acquired any Share during the period commencing on the date falling six months prior to the date of the Subscription Agreement and up to the Latest Practicable Date.

4.1.2 The Whitewash Waiver is a condition to the Subscription Agreement

The Completion is subject to the Whitewash Waiver being approved by the Independent Shareholders and granted by the Executive. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Subscription Agreement will lapse and the Subscription will not proceed. Consequently, the Disposal Agreement will also lapse as the completion of the Disposal Agreement is subject to the Subscription Agreement having become unconditional.

4.2 Conclusion

Given the aforementioned benefits of the Subscription to the Group and the terms of the Subscription Agreement being fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Subscription and the Disposal, is in the interests of the Company and the Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Subscription and the Disposal.

Nevertheless, Shareholders should note that the Subscriber's interest in the Company would exceed 50% of the enlarged issued share capital of the Company upon Completion. Accordingly, if the Whitewash Waiver is approved by the Independent Shareholders and granted by the Executive, the Subscriber and parties acting in concert with it may further increase their shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

5 THE DISPOSAL

5.1 Principal Factors and Reasons Considered

In arriving at our opinion regarding the terms of the Disposal Agreement, we have considered the following principal factors and reasons:

5.1.1 Rationale for Entering into the Disposal Agreement

Jessica BVI Group is principally engaged in the publication of two magazines, namely "*旭茉JESSICA*" and "*JESSICA China*" while the remaining companies in the Group are principally engaged in the publication of "*旭茉JESSICACODE*" and "*Lisa味道生活*".

Based on the unaudited management accounts of the Group, which have been prepared in accordance with accounting principles generally accepted in Hong Kong, the combined results and financial position of the Jessica BVI Group, the Group excluding the Jessica BVI Group (the "Remaining Group") and the whole Group for the two years ended 31 December 2006 and the six months ended 30 June 2007 were as follows:

Table 6 –the unaudited combined financial information of the Jessica BVI Group and the Remaining Group

	Jessica BVI Group			The Remaining Group			The Group		
	Six months ended 30 Jun 2007	**Year ended 31 Dec 2006**	**Year ended 31 Dec 2005**	**Six months ended 30 Jun 2007**	**Year ended 31 Dec 2006**	**Year ended 31 Dec 2005**	**Six months ended 30 Jun 2007**	**Year ended 31 Dec 2006**	**Year ended 31 Dec 2005**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Revenue	**29,082**	**60,732**	**74,783**	**11,523**	**22,732**	**20,072**	**40,605**	**83,464**	**94,855**
Direct operating expenses	20,975	53,958	52,384	5,627	14,096	13,158	26,602	68,054	65,542
Selling & distribution costs	8,080	16,996	16,512	1,139	2,495	2,455	9,219	19,491	18,967
Administrative & other operating expenses	1,841	5,837	6,006	1,217	4,251	910	3,058	10,088	6,916
Total expenses	**30,896**	**76,791**	**74,902**	**7,983**	**20,842**	**16,523**	**38,879**	**97,633**	**91,425**
Profit/(Loss) for the period	**(1,814)**	**(16,059)**	**(119)**	**3,540**	**1,890**	**3,549**	**1,726**	**(14,169)**	**3,430**

	As at 30 June 2007		
	Jessica BVI Group *(HK$'000)*	**The Remaining Group** *(HK$'000)*	**The Group** *(HK$'000)*
Non-current Assets			
– fixed assets	531	–	531
– trademark	19	–	19
	550	–	550
Current Assets			
– trade receivables	10,244	3,783	14,027
– other receivables	547	697	1,244
– cash & bank balances	106	2,772	2,878
	10,897	7,252	18,149
Current Liabilities			
– trade payables	(13,999)	(3,884)	(17,883)
– other payables & accruals	(1,088)	(4,068)	(5,156)
– due to related companies	(241)	–	(241)
	(15,328)	(7,952)	(23,280)
Net Current Liabilities	**(4,431)**	**(700)**	**(5,131)**
Net Liabilities	**(3,881)**	**(700)**	**(4,581)**

As shown in Table 6, the Jessica BVI Group recorded substantial losses for the past consecutive financial periods. As a result, the Group recorded unsatisfactory results even the Remaining Publishing Companies contributed net profits to the Group. According to the Directors, the loss of the Jessica BVI Group in 2006 was exceptionally high due to the increased circulation of "*JESSICA China*" in the PRC, which had led to a substantial rise in the operating costs of the Jessica BVI Group but a limited increase in advertising income, and the discontinuation of two magazines, namely "*Paralife*" and "*8 Weekly*" during the year. The losses arising from "*Paralife*" and "*8 Weekly*" amounted to approximately HK$6.2 million for the year ended 31 December 2006.

Despite much effort has been made to promote circulation and advertising income of "*JESSICA China*" and stringent cost control measures were implemented to reduce costs, the Jessica BVI Group continued to record losses for the six months ended 30 June 2007. As disclosed in the 2007 Interim Report of the Company, "*JESSICA China*" is still in the early development stage. Therefore, the management of the Group expected that further investment of significant amount would be required to promote the magazine before seeing satisfactory returns.

Resulting from the continuous losses, the Jessica BVI Group had a deficit in net assets of approximately HK$3.9 million as at 30 June 2007. It is expected that the financial position of the Jessica BVI Group will deteriorate further if no additional funding is obtained from external sources.

According to the Directors, the Jessica BVI Group and the Remaining Publishing Companies are managed by separate professional management teams. They have their own team of editors, reporters and sales and marketing personnel for managing the daily operations of the respective businesses. As at 30 June 2007, 37 employees were under the employment of the Jessica BVI Group while the Remaining Publishing Companies were having 42 employees. In view of the continuous losses in the Jessica BVI Group, the Directors consider that the Disposal will provide the Group with an opportunity to streamline the operations of the Group and improve the financial position of the Remaining Publishing Companies.

Given that (i) the Jessica BVI Group has been incurring losses for the past consecutive years, (ii) a significant amount of additional funding is required to sustain the loss-making business of the Jessica BVI Group; (iii) the competitive magazine publication market conditions may persist in the foreseeable future; (iv) the Disposal can prevent the Group from suffering further losses and cash outflow for the non-performing business; (v) the net proceeds from the Disposal may provide additional funding for the Remaining Publishing Companies; (vi) the Remaining Publishing Companies can maintain its own business independently after the Disposal; (vii) the Group can allocate more resources of the Group on further development of the existing profitable business of the Remaining Publishing Companies; and (viii) the Group can streamline its publishing operations after the Disposal, we concur with the view of the Directors that it is in the interests of the Company and the Shareholders as a whole to dispose of the unprofitable Jessica BVI Group.

5.1.2 Consideration for the Disposal

As set out in the Letter from the Board, the total consideration for the Disposal is approximately HK$1.0 million, payable in cash by the Purchaser to Great Ready Assets upon completion of the Disposal. Such consideration was arrived at after arm's length negotiations between the Purchaser and Great Ready Assets with reference to (i) the loss-making track record of the Jessica BVI Group in the three years ended 31 December 2006 and the six months ended 30 June 2007; (ii) the unaudited combined deficiency in net assets of the Jessica BVI Group as at 30 June 2007 of approximately HK$3.9 million; and (iii) the competitive magazine publication market conditions faced by the Jessica BVI Group.

As at 30 June 2007, the Jessica BVI Group had unaudited combined net current liabilities and net liabilities of approximately HK$4.4 million and HK$3.9 million respectively. As discussed in the previous section, the Directors expected that a further investment in substantial amount would be required to turnaround the performance of the Jessica BVI Group. Therefore, if no additional funding is obtained from external sources, the Jessica BVI Group will be facing liquidity problem.

To assess the reasonableness of the consideration for the Disposal, we have considered various comparison approaches, namely price-to-earnings approach, dividends approach and net assets approach, which are commonly adopted in evaluation of a company. However, as the Jessica BVI Group has not declared any dividend and recorded net losses for the past three financial years and a deficit in net assets as at 30 June 2007, none of the abovementioned comparison approaches is applicable for assessing the value of the Jessica BVI Group.

Given the loss-making track record and net deficiency in net assets of the Jessica BVI Group, we are of the view that the consideration of HK$1 million for the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5.1.3 Financial Impacts of the Disposal on the Group

5.1.3.1 Profit and Loss

The Group shall record a gain on disposal of subsidiary of approximately HK$4.9 million, being the difference between the consideration for the Disposal of HK$1.0 million and the combined net liabilities of approximately HK$3.9 million of the Jessica BVI Group, upon completion of the Disposal.

After the completion of the Disposal, the financial results of the Jessica BVI Group shall no longer be consolidated into the accounts of the Company.

5.1.3.2 Cashflow

The Disposal shall provide a cash inflow of HK$1.0 million to the Group. On such basis, we consider that the Disposal shall have a positive impact on the cash flow of the Group.

5.1.3.3 Net Assets

The Disposal shall increase the net assets of the Company by the amount equivalent to the gain on the Disposal. Therefore, the Disposal shall also have a positive impact on the net asset value of the Group.

5.1.3.4 Gearing

As the net liabilities of the Jessica BVI Group will be excluded from the Group after the Disposal, the gearing ratio of the Group (as defined as total liabilities/total assets of the Group) will be improved as a result of the Disposal.

In summary, the Disposal will have positive financial effects on the Group in terms of profit and loss, cashflow, net asset value and gearing. On such basis, we are of the opinion that the Disposal is in the interests of the Company and the Shareholders as a whole.

5.1.4 Maintaining the Listing Status

5.1.4.1 Sufficiency of operations

After the Disposal, the Group will continue to engage in their publication business in Hong Kong, including but not limited to the publication of "*旭茉JESSICACODE*" and "*Lisa味道生活*", through its interests in the Remaining Publishing Companies.

Based on the unaudited management accounts of the Remaining Group, which have been prepared in accordance with accounting principles generally accepted in Hong Kong, the Remaining Group's combined results for the two years ended 31 December 2006 and the six months ended 30 June 2007 and financial position as at 30 June 2007 were as follows:

Table 7 – Financial information of the Remaining Group

	Six months ended 30 Jun 2007 *(HK$'000)*	**Year ended 31 Dec 2006** *(HK$'000)*	**Year ended 31 Dec 2005** *(HK$'000)*
Revenue	11,523	22,732	20,072
Net profit for the period	3,540	1,890	3,549

	As at 30 June 2007 *(HK$'000)*
Current assets	
– Trade and other receivables	4,480
– Cash and cash equivalent	2,772
Sub-total	7,252
Total assets	7,252
Total liabilities	(7,952)
Net liabilities	(700)

As illustrated in Table 7 above, the publication business of the Remaining Group was operated in a reasonable scale and it has recorded net profits throughout the financial periods under review. By leveraging on the experience and knowledge in the publication industry of the proposed new Directors and the strengthened financial position of the Group, the Directors expect that the publication business of the Remaining Group shall be maintained at a sufficient scale. Furthermore, as mentioned in section 3.1.5 of this letter, the Subscriber may consider diversifying the business of the Group to the energy and resources industry and automobile parts industry by leveraging on the business experience and successful track record of its sole shareholder, Mr. He, in such industries.

In light of the above, the Directors believe that the Group will have a sufficient operation to warrant the continued listing of the Shares.

5.1.4.2 Substantially high level of cash balance

Upon Completion, the Group's assets will principally comprise the assets of the Remaining Group and the cash of approximately HK$36 million to be received from the Subscription and the Disposal. As shown in Table 6, the assets of the Remaining Group mainly consist of trade and other receivables and cash and cash equivalent. Therefore, the Completion shall result in the Group having a substantially high cash level.

Pursuant to Rule 11.06 of the GEM Listing Rules, an issuer whose assets consist wholly or substantially of cash or short-dated securities will not normally be regarded as suitable for listing, except where the issuer or group is solely or mainly engaged in the securities brokerage business. Moreover, according to Rule 9.04 of the GEM Listing Rules, the Stock Exchange may suspend dealings in an issuer's securities regardless of whether or not the issuer has requested the same if the Stock Exchange considers that the issuer or its business is no longer suitable for listing.

We have enquired into and were informed by the Directors that the Group's high cash level position upon Completion will be of temporary nature only. The cash will be utilized soon to repay the existing liabilities of the Group and to increase the working capital of the publication business of the Remaining Group. The remaining cash shall also be used by the Group to develop new business when such investment opportunities arise.

In view of the net current liabilities of the Remaining Group immediately before Completion and the Subscriber's intentions to continue the development of the publication business and to diversify the business of the Group to the energy and resources industry and automobile parts industry, we concur with the view of the Directors that the Group's substantially high level of cash will be of temporary nature only and the Group shall remain suitable for listing after Completion.

5.1.5 Conclusion

Having regard to the factors mentioned above, we consider that the terms of the Disposal Agreement are on normal commercial terms and the Disposal, which constitutes a "Special Deal", to be fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

6 OVERALL RECOMMENDATION

Having considered the factors detailed in the previous sections, we are of the view that the Subscription Agreement, the Disposal Agreement and the Whitewash Waiver application as a whole are fair and reasonable and in the interests of the Company and the Independent Shareholders. As such, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favor of the resolutions to be proposed at the EGM approving the Subscription Agreement, the Disposal Agreement and the Whitewash Waiver.

Independent Shareholders should note that Completion is conditional upon the satisfaction of a number of conditions, including amongst others, the passing by the Independent Shareholders at the EGM of each of the ordinary resolutions approving the Subscription Agreement, the Disposal Agreement and the application for Whitewash Waiver. In the event that any of the abovementioned transactions is not approved by the Independent Shareholders at the EGM, Completion will not take place and the Subscription and the Disposal will not proceed accordingly.

Yours faithfully,
For and on behalf of
Hercules Capital Limited

Louis Koo
Managing Director

Amilia Tsang
Director

1. SUMMARY OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

The following is a summary of the audited consolidated profit and loss accounts of the Group for each of the three years ended 31 December 2006 and the unaudited consolidated profit and loss accounts for six months ended 30 June 2007:

	Year ended 31 December			Six months ended
	2004	**2005**	**2006**	**30 June 2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)
Turnover	81,389	94,855	83,464	40,605
Profit/(Loss) before taxation	(2,733)	3,430	(14,169)	1,726
Taxation	–	–	–	–
Profit/(Loss) before minority interests	(2,733)	3,430	(14,169)	1,726
Minority interests	(2,255)	–	–	–
Profit/(Loss) attributable to Shareholders	(478)	3,430	(14,169)	1,726
Profit/(Loss) per Share (cents) – Basic *(Note 1)*	(0.09)	0.68	(2.80)	0.34
Dividend per Share	Nil	Nil	Nil	Nil

Note 1: The profit/(loss) per Share are calculated based on the weighted average number of 506,639,716, 506,639,716, 506,639,716 and 506,820,047 Shares respectively for each of the year ended 31 December 2004, 2005 and 2006 and the six months ended 30 June 2007. There were no dilutive effect on the basic profit/(loss) per Share during each of the above-mentioned years/period.

The Group did not have any extraordinary items and declare any dividend for each of the above-mentioned year/period. No qualified opinions have been contained in the respective financial statements of the Company for each of the three years ended 31 December 2004, 2005 and 2006.

2. AUDITED FINANCIAL STATEMENTS

The following is the reproduction of the audited financial statements of the Group for the year ended 31 December 2006 as extracted from the Company's 2006 Annual Report:

"Consolidated Income Statement
For the year ended 31 December 2006

	Notes	**2006** *HK$'000*	**2005** *HK$'000*
Revenue	*5*	83,464	94,855
Direct operating expenses		(68,054)	(65,542)
Other operating revenue	*6*	259	195
Selling and distribution costs		(19,491)	(18,967)
Administrative expenses		(8,332)	(6,735)
Other operating expenses, net		(2,015)	(376)
(Loss)/profit before income tax	*8*	(14,169)	3,430
Income tax expense	*9*	–	–
(Loss)/profit for the year		(14,169)	3,430
(Loss)/profit attributable to:			
Equity holders of the Company	*10*	(14,169)	3,430
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year	*11*		
– Basic		HK(2.80) cents	HK0.68 cent
– Diluted		N/A	N/A

Consolidated Balance Sheet
As at 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	14	554	1,544
Goodwill	16	–	3,933
Other intangible asset	17	19	19
		573	5,496
Current assets			
Trade receivables	18	17,657	20,041
Other receivables		435	2,638
Cash and cash equivalents	19	2,563	7,316
		20,655	29,995
Current liabilities			
Trade payables	20	21,981	20,937
Other payables, accrued expenses and receipts in advance		6,177	7,487
Amount due to a related company	30	71	560
		28,229	28,984
Net current (liabilities)/assets		(7,574)	1,011
Total assets less current liabilities		(7,001)	6,507
Non-current liabilities			
Amount due to a minority shareholder of a subsidiary	21	–	2,241
Net (liabilities)/assets		(7,001)	4,266
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	22	507	507
Reserves		(7,508)	6,457
		(7,001)	6,964
Minority interests		–	(2,698)
(Capital deficiency)/Total equity		(7,001)	4,266

Balance Sheet
As at 31 December 2006

	Notes	**2006** *HK$'000*	**2005** *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Interest in subsidiaries	*15*	510	510
Current assets			
Amount due from a subsidiary	*15*	3,910	3,782
Other receivables		25	24
Cash and cash equivalents	*19*	21	18
		3,956	3,824
Current liabilities			
Other payables and accrued expenses		78	201
Net current assets		3,878	3,623
Net assets		4,388	4,133
EQUITY			
Share capital	*22*	507	507
Reserves	*24*	3,881	3,626
Total equity		4,388	4,133

Consolidated Cash Flow Statement
For the year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Cash flows from operating activities			
(Loss)/profit before income tax		(14,169)	3,430
Adjustments for:			
Depreciation	8	481	539
Gain on disposal of a subsidiary	8	(4,548)	–
Impairment of plant and equipment	8	617	–
Equity settled share based payment expenses	12	–	129
Interest income	6	(58)	(42)
Operating (loss)/profit before working capital changes		(17,677)	4,056
Decrease/(Increase) in trade and other receivables		2,803	(2,800)
Decrease in amount due from a related company		–	423
Increase in trade payables		11,744	869
(Decrease)/Increase in other payables, accrued expenses and receipts in advance		(231)	588
(Decrease)/Increase in amount due to a related company		(489)	560
Net cash (used in)/generated from operating activities		(3,850)	3,696
Cash flows from investing activities			
Interest received		58	42
Disposal of a subsidiary	31	(853)	–
Purchase of plant and equipment		(108)	(332)
Net cash used in investing activities		(903)	(290)
Net (decrease)/increase in cash and cash equivalents		(4,753)	3,406
Cash and cash equivalents at 1 January		7,316	3,992
Effect of foreign exchange rate changes		–	(82)
Cash and cash equivalents at 31 December		2,563	7,316
Analysis of the cash and cash equivalents			
– Cash at bank and in hand	19	2,563	7,316

Consolidated Statement Of Changes In Equity

For the year ended 31 December 2006

	Equity attributable to equity holders of the Company							
	Share capital	Share premium	Capital reserve	Employee compensation reserve	Translation reserve	Accumulated losses	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2004, as previously reported as equity	507	9,218	(510)	–	18	(5,720)	–	3,513
At 31 December 2004, as previously separately reported as minority interests	–	–	–	–	–	–	(2,698)	(2,698)
Effect of initial adoption of HKFRS2	–	–	–	4,089	–	(4,089)	–	–
At 31 December 2004 and 1 January 2005, as restated	507	9,218	(510)	4,089	18	(9,809)	(2,698)	815
Currency translation	–	–	–	–	(108)	–	–	(108)
Net result recognised directly in equity	–	–	–	–	(108)	–	–	(108)
Profit for the year	–	–	–	–	–	3,430	–	3,430
Total recognised income and expense for the year	–	–	–	–	(108)	3,430	–	3,322
Employee share-based compensation	–	–	–	(152)	–	281	–	129
At 31 December 2005 and 1 January 2006	507	9,218	(510)	3,937	(90)	(6,098)	(2,698)	4,266
Disposal of a subsidiary	–	–	–	–	204	–	2,698	2,902
Loss for the year	–	–	–	–	–	(14,169)	–	(14,169)
Total recognised income and expense for the year	–	–	–	–	204	(14,169)	2,698	(11,267)
Employee share-based compensation	–	–	–	(154)	–	154	–	–
At 31 December 2006	507	9,218	(510)	3,783	114	(20,113)	–	(7,001)

Notes To The Financial Statements

For the year ended 31 December 2006

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Revision) of the Cayman Islands. The address of its registered office is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands and its principal place of business is Unit C, 3rd Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong. The Company's shares are listed on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. Details of the principal activities of its principal subsidiaries are set out in note 15 to the financial statements.

The financial statements on pages 24 to 57 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. The financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange.

The financial statements for the year ended 31 December 2006 were approved by the board of directors on 13 February 2007.

2. ADOPTION OF NEW/REVISED HKFRSS

From 1 January 2006, the Group has adopted the new/revised standards and interpretations of HKFRSs, which are relevant to its operations. These include the following new, revised and renamed standards:

HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease

The adoption of these new/revised standards and interpretations did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these standards did not result in significant changes to the amounts or disclosures in these financial statements.

2.1 New standards or interpretations that have been issued but are not yet effective

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the adoption of these standards or interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments – Disclosures[1]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) – Int 8	Scope of HKFRS 2[3]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[5]

Note:

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 March 2006
3 Effective for annual periods beginning on or after 1 May 2006
4 Effective for annual periods beginning on or after 1 June 2006
5 Effective for annual periods beginning on or after 1 November 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of presentation

The financial statements have been prepared on a going concern basis, notwithstanding that the Group had net current liabilities of HK$7,574,000 and net liabilities of HK$7,001,000 as at 31 December 2006. In the opinion of the Directors, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements, after taking into consideration an undertaking made by Mr. Ng Hung Sang, Robert, a substantial shareholder of the Company, to provide continuing financial support to the Group so as to enable the Group to continue in business as a going concern and to meet its liabilities and obligations as and when they fall due for the period at least up to 31 December 2007. Accordingly, the financial statements have been prepared on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to reduce the value of assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets as current assets.

3.2 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

3.3 Basis of consolidation

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

3.4 Subsidiaries

Subsidiaries are entities over which the Company has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. Where there is a loss of control in a subsidiary, the consolidated financial statements include the result of that subsidiary for the part of the reporting period during which the Company has control.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3.5 Foreign currency translation

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and the differences derived therefrom are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all separate financial statements of subsidiaries, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into the Hong Kong dollars at the average rates over the reporting period. Any differences arising from this procedure have been dealt with in the translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Hong Kong dollars at the closing rates.

3.6 Income and expense recognition

Revenue comprises the fair value from the sale of goods and services, net of rebates and discounts and after elimination of sales within the Group. Revenue is recognised as follows:

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

– Advertising income is recognised on the date of the relevant publication issue or on time basis by reference to the period in which the advertisement is published.

– Promotion and marketing income is recognised when the services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

– Interest income is recognised on a time-proportion basis using the effective interest method.

Operating expenses are charged to the income statement when incurred.

3.7 Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the excess of the cost of acquisition over the Group's interest in fair value of the identifiable assets and liabilities of the acquired subsidiary at the date of acquisition.

Goodwill is tested annually for impairment and whenever there is indication that the cash generating unit to which the goodwill relates becomes impaired.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3.8 Other intangible asset

Other intangible asset represents trademarks. For separately acquired other intangible assets, they are initially recognised at cost. After initial recognition, intangible assets with indefinite useful lives are carried at cost less subsequent accumulated impairment losses. Other intangible assets are tested for impairment as described below in note 3.10.

3.9 Plant and equipment

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at 20% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

3.10 Impairment of assets

Goodwill, other intangible asset, plant and equipment, interest in subsidiaries and financial assets are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other individual assets or cash generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.11 Leases (as the Lessee)

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease terms. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

3.12 Financial assets

The Group's financial assets include trade receivables, other receivables and cash and cash equivalents.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in income statement.

Receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

3.13 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary difference arising on investment in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.14 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

3.15 Share Capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3.16 Pension obligations and employee benefits

Defined contribution plan

Pensions to employees are provided through a defined contribution plan. For details of the retirement benefits scheme, please refer to note 29 to the financial statements.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

Retirement benefits scheme

Pursuant to the relevant regulations of the People's Republic of China (the "PRC") government, the Group participates in a local municipal government retirement benefits scheme (the "Scheme"), whereby the Group is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to the income statement as incurred. There were no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences are not recognised until the time of leave.

3.17 Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in income statement, with a corresponding increase in employee compensation reserve. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are lapsed, forfeited or are still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will be transferred to retained earnings.

3.18 Financial liabilities

The Group's financial liabilities include trade payables, other payables, amount due to a related company and amount due to a minority shareholder of a subsidiary. They are included in balance sheet items as "Trade payables", "Other payables, accrued expenses and receipts in advance", "Amount due to a related company" and "Amount due to a minority shareholder of a subsidiary".

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

Payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

3.19 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.20 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments be presented as the primary reporting format. No further business segment information is presented as the Group's operation relates solely to magazine publishing and advertising activities.

Segment assets consist of goodwill, other intangible asset, plant and equipment, trade receivables, other receivables and cash and cash equivalents. Segment liabilities comprises trade payables, other payables, accrued expenses, receipts in advance, amount due to a related company and amount due to a minority shareholder of a subsidiary.

Capital expenditure comprises additions to plant and equipment.

3.21 Related parties

A party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, the Company or Group;
- has an interest in the Company that gives it significant influence over the Company or Group;
- has joint control over the Company or Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Company or Group, or of any entity that is a related party of the Company or Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of receivables at the balance sheet date.

(ii) Valuation of share option granted

The fair value of share option granted was calculated using the Black-Scholes valuation model based on the Group's management's significant inputs into calculation including an estimated life of share options granted to be ten years based on exercise restrictions and behavioural consideration, the volatility of share price, weighted average share prices and exercise price of the share options granted. Furthermore, the calculation assumes nil future dividends.

5. REVENUE

Revenue, which is also the Group's turnover, represents net amounts received or receivable for magazines sold by the Group to outside customers, less returns and allowances, advertising income and promotion and marketing income for the year, and is analysed as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Sale of magazines	20,470	22,739
Advertising income	52,268	58,619
Promotion and marketing income	10,726	13,497
Revenue/Turnover	83,464	94,855

6. OTHER OPERATING REVENUE

	2006	**2005**
	HK$'000	*HK$'000*
Bank interest income	58	42
Sundry income	201	153
	259	195

7. SEGMENT INFORMATION

Geographical segments

The geographical locations of the Group's customers are the basis on which the Group reports its primary segment information. The following tables present revenue, asset, liabilities and expenditure information for the Group's geographical segments for the years ended 31 December 2006 and 2005.

	Hong Kong	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2006			
Revenue	66,540	16,924	83,464
Segment results	738	(13,151)	(12,413)
Other operating revenue			259
Other operating expenses, net			(2,015)
Loss for the year			(14,169)
Segment assets	21,079	149	21,228
Segment liabilities	(23,994)	(4,235)	(28,229)
Other information			
Depreciation	307	174	481
Impairment of trade receivables	(31)	5,977	5,946
Impairment of plant and equipment	–	617	617
Capital expenditure	81	27	108
Year ended 31 December 2005			
Revenue	63,911	30,944	94,855
Segment results	6,484	(2,873)	3,611
Other operating revenue			195
Other operating expenses, net			(376)
Profit for the year			3,430
Segment assets	22,622	12,869	35,491
Segment liabilities	(18,733)	(12,492)	(31,225)
Other information			
Depreciation	283	256	539
Impairment of trade receivables	666	(290)	376
Capital expenditure	229	103	332

Business segments

No further business segment information is presented as the Group's operation relates solely to the magazine publishing and advertising activities.

8. (LOSS)/PROFIT BEFORE INCOME TAX

	2006 *HK$'000*	**2005** *HK$'000*
(Loss)/profit before income tax is arrived at after charging/(crediting):		
Auditors' remuneration:		
– Provision for current year	300	250
– Under provision for prior year	–	20
	300	270
Depreciation on plant and equipment	481	539
Exchange loss	212	–
Impairment of trade receivables*	5,946	376
Gain on disposal of a subsidiary *(note 31)**	(4,548)	–
Minimum lease payments paid under operating leases in respect of rental premises	766	844
Impairment of plant and equipment*	617	–

* *included in other operating expenses, net*

9. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as the Group had no estimated assessable profit arising in or derived from Hong Kong during the year (2005: Nil). Taxation on profits assessable elsewhere have been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during both years.

Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2006 *HK$'000*	**2005** *HK$'000*
(Loss)/profit before income tax	(14,169)	3,430
Tax at the applicable tax rates	(4,053)	218
Tax effect of non-deductible expenses	4,247	60
Tax effect of non-taxable revenue	(9)	(7)
Tax effect of prior year's tax losses utilised this year	(393)	(1,149)
Tax effect of unrecognised tax losses	172	767
Tax effect on temporary difference not recognised	36	123
Others	–	(12)
Income tax expense	–	–

10. (LOSS)/PROFIT FOR THE YEAR

Of the consolidated loss of HK$14,169,000 (2005: profit of HK$3,430,000) attributable to equity holders of the Company, a profit of HK$255,000 (2005: HK$225,000) has been dealt with in the financial statements of the Company.

11. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of approximately HK$14,169,000 (2005: profit of HK$3,430,000) and on 506,639,716 (2005: 506,639,716) ordinary shares in issue during the year.

For the years ended 31 December 2006 and 2005, no diluted (loss)/earnings per share has been presented because the exercise prices of the Company's share options were higher than the average market price per share.

12. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2006	**2005**
	HK$'000	*HK$'000*
Wages and salaries	21,436	18,093
Share-based payment	–	129
Pension costs – defined contribution plans	616	540
	22,052	18,762

Included in staff costs are key management personnel compensation and comprises the following categories:

	2006	**2005**
	HK$'000	*HK$'000*
Basic salaries and housing allowance	3,376	3,441
Share-based payment	–	58
Pension cost – defined contribution plans	78	94
	3,454	3,593

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT

(a) Directors' emoluments

The emoluments paid or payable to the directors were as follows:

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Contribution to defined contribution plan *HK$'000*	Total *HK$'000*
Year ended 31 December 2006				
Executive directors				
NG Hung Sang	–	–	–	–
NG Yuk Fung Peter	10	510	12	532
FOO Kit Tak	–	409	12	421
CHEUNG Mei Yu	–	617	30	647
Non-executive director				
NG Yuk Mui Jessica	10	–	–	10
Independent non-executive directors				
SO Siu Ming George	50	–	–	50
PONG Oi Lan Scarlett	50	–	–	50
CHENG Yuk Wo	40	–	–	40
	160	1,536	54	1,750

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Contribution to defined contribution plan *HK$'000*	Equity-settled share-based payment expenses *HK$'000*	Total *HK$'000*
Year ended 31 December 2005					
Executive directors					
NG Hung Sang	–	–	–	–	–
NG Yuk Fung Peter *(note 1)*	5	–	–	–	5
FOO Kit Tak	–	208	12	22	242
CHEUNG Mei Yu	–	520	26	22	568
Non-executive director					
NG Yuk Mui Jessica *(note 2)*	5	161	8	–	174
Independent non-executive directors					
SO Siu Ming George	50	–	–	–	50
PONG Oi Lan Scarlett	50	–	–	–	50
CHENG Yuk Wo	40	–	–	–	40
	150	889	46	44	1,129

Notes:

1. Mr Ng Yuk Fung Peter was newly appointed during the year ended 31 December 2005.

2. Ms Ng Yuk Mui Jessica was re-designated from executive director to non-executive director on 1 July 2005.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2005: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2005: four) individuals during the year are as follows:

	2006	**2005**
	HK$'000	*HK$'000*
Basic salaries, housing allowances, share options, other allowances and benefits in kind	2,759	2,552
Contributions to pensions schemes	48	48
	2,807	2,600

The emoluments fell within the following band:

	Number of individuals	
	2006	**2005**
Emolument band		
HK$ nil – HK$1,000,000	4	4

During the year, no emoluments were paid by the Group to the directors or the four (2005: four) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. PLANT AND EQUIPMENT

GROUP

	Leasehold improvements *HK$'000*	Furniture and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At 1 January 2005				
Cost	778	1,571	–	2,349
Accumulated depreciation	(236)	(378)	–	(614)
Net book amount	542	1,193	–	1,735
Year ended 31 December 2005				
Opening net book amount	542	1,193	–	1,735
Additions	7	239	86	332
Depreciation	(156)	(368)	(15)	(539)
Exchange realignment	5	10	1	16
Closing net book amount	398	1,074	72	1,544
At 31 December 2005				
Cost	790	1,820	87	2,697
Accumulated depreciation	(392)	(746)	(15)	(1,153)
Net book amount	398	1,074	72	1,544
Year ended 31 December 2006				
Opening net book amount	398	1,074	72	1,544
Additions	–	108	–	108
Depreciation	(143)	(326)	(12)	(481)
Impairment loss	(193)	(364)	(60)	(617)
Closing net book amount	62	492	–	554
At 31 December 2006				
Cost	486	1,130	–	1,616
Accumulated depreciation	(424)	(638)	–	(1,062)
Net book amount	62	492	–	554

15. INTEREST IN SUBSIDIARIES/AMOUNT DUE FROM A SUBSIDIARY

COMPANY

	2006 *HK$'000*	**2005** *HK$'000*
Unlisted shares, at cost	510	510
Amount due from a subsidiary	8,910	8,782
Less: Impairment losses recognised	(5,000)	(5,000)
	3,910	3,782

During the year, the directors reviewed the carrying value of the amount due from a subsidiary with reference to the business operated by the subsidiary. No impairment loss (2005: Nil) has been identified and recognised in the Company's income statement.

Particulars of the subsidiaries at 31 December 2006 are as follows:

Name of subsidiary	Place of incorporation and kind of legal entity	Particulars of issued share capital	Percentage of issued capital held by the Company		Principal activities
			Directly	*Indirectly*	
Beforward Trading Limited	British Virgin Islands, limited liability company	2 ordinary shares of US$1 each	–	100%	Investment holding
Cathy Success Limited	British Virgin Islands, limited liability company	1 ordinary shares of US$1 each	–	100%	Publication of "旭茉 JESSICA" PRC version magazine
Grandpress Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Investment holding
Great Ready Assets Limited	British Virgin Islands, limited liability company	2 ordinary shares of US$1 each	100%	–	Investment holding
Jessica Publications (BVI) Limited	British Virgin Islands, limited liability company	2 ordinary shares of US$1 each	–	100%	Investment holding
Jessica (BVI) Limited	British Virgin Islands, limited liability company	2 ordinary shares of US$1 each	–	100%	Investment holding
Jessicacode Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Publication of "旭茉JESSICACODE" magazine
Jessica Management Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Provision of employee and personnel services and holding of a lease agreement
Jessica Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Publication of "旭茉JESSICA" magazine
Superb Taste Company Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Publication of "味道LISA" magazine

The above table lists the subsidiaries of the Group, which in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

16. GOODWILL

GROUP

	2006	2005
	HK$'000	*HK$'000*
At 1 January		
Gross carrying amount	3,933	3,933
Accumulated impairment losses	–	–
Carrying amount	3,933	3,933
Carrying amount at 1 January	3,933	3,933
Disposal of a subsidiary	(3,933)	–
Carrying amount at 31 December	–	3,933
At 31 December		
Gross carrying amount	–	3,933
Accumulated impairment losses	–	–
Carrying amount	–	3,933

17. OTHER INTANGIBLE ASSET

GROUP

	2006	2005
	HK$'000	*HK$'000*
Trademarks		
At 1 January		
Gross carrying amount	19	19
Accumulated impairment losses	–	–
Carrying amount	19	19
Carrying amount at 1 January and 31 December	19	19
At 31 December		
Gross carrying amount	19	19
Accumulated impairment losses	–	–
Carrying amount	19	19

18. TRADE RECEIVABLES

GROUP

	2006	2005
	HK$'000	*HK$'000*
Trade receivables	19,044	21,834
Less: Impairment of receivables	(1,387)	(1,793)
Trade receivables – net	17,657	20,041

The Group allows a credit period from 30 days to 120 days to its trade customers. The following is an aged analysis of net trade receivables at the balance sheet date:

	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	5,509	8,949
31 – 60 days	3,373	3,614
61 – 90 days	484	714
91 to 180 days	5,771	5,495
Over 180 days	2,520	1,269
	17,657	20,041

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2006	2005
	HK$'000	*HK$'000*
GROUP		
Cash at bank and in hand	2,563	7,316

	2006	2005
	HK$'000	*HK$'000*
COMPANY		
Cash at bank and in hand	21	18

Included in cash at bank and in hand of the Group is HK$16,000 (2005: HK$1,625,000) of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

20. TRADE PAYABLES

GROUP

	2006	2005
	HK$'000	*HK$'000*
Trade payables	21,981	20,937

The following is an aged analysis of trade payables at the balance sheet date:

	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	435	5,360
31 – 60 days	4,463	5,358
61 – 90 days	3,480	2,241
91 – 180 days	10,006	3,387
Over 180 days	3,597	4,591
	21,981	20,937

21. AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount due to a minority shareholder of a subsidiary as at 31 December 2005 was unsecured, interest-free and had no fixed terms of repayment. In the opinion of the Directors, the loans would not be required to be repaid within the next twelve months and accordingly, the amount was shown as non-current.

22. SHARE CAPITAL

	2006	2005
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000,000 (2005: 1,000,000,000,000) ordinary shares of HK$0.001 each	1,000,000	1,000,000
Issued and fully paid:		
506,639,716 (2005: 506,639,716) ordinary shares of HK$0.001 each	507	507

23. SHARE-BASED EMPLOYEE COMPENSATION

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 20 December 2001 and became effective on 8 January 2002 for the primary purpose of providing incentives to directors and eligible employees and will be expired on 7 January 2012. Under the Scheme, the board of directors of the Company may offer to any director or employee of the Company, or any of its subsidiaries, options to subscribe for shares in the Company.

At 31 December 2006, the number of shares in respect of which options were granted under the Scheme was 13,413,440 (2005: 14,053,440), representing 2.6% (2005: 2.8%) of the shares of the Company in issue at that date. As at 31 December 2006, the total number of shares available for issue under the Scheme was 37,074,707, representing approximately 7.3% of the issued share capital of the Company as at 31 December 2006 and the date of this Annual Report. Without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, and the aggregate number of shares in respect of which options may be granted to any individual in any year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

The consideration payable on the grant of an option is HK$1 per option. Options may be exercised at any time for a period of ten years commencing on the first anniversary of the date of grant. The exercise price of the option shares would be at a price equal to the higher of: (i) the closing price of the shares of the Company on the Stock Exchange's daily quotation sheet on the date of offer of the option; (ii) the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the options; and (iii) the nominal value of a share.

The following tables disclose movements in the Scheme:

For the year ended 31 December 2006:

		Number of share options			
Name or category of participant	**Share option type**	**Outstanding at 1 January 2006**	**Reclassification**	**Lapsed during the year**	**Outstanding at 31 December 2006**
Executive director					
FOO Kit Tak	2002 (a)	1,600,000	–	–	1,600,000
	2002 (b)	1,600,000	–	–	1,600,000
CHEUNG Mei Yu	2002 (a)	1,600,000	–	–	1,600,000
	2002 (b)	1,600,000	–	–	1,600,000
Sub-total		6,400,000	–	–	6,400,000
Employees					
In aggregate	2002 (a)	1,440,000	160,000	–	1,600,000
	2002 (b)	2,240,000	(160,000)	(320,000)	1,760,000
Sub-total		3,680,000	–	(320,000)	3,360,000
Others					
In aggregate	2002 (a)	3,120,000	(160,000)	(160,000)	2,800,000
	2002 (b)	853,440	160,000	(160,000)	853,440
Sub-total		3,973,440	–	(320,000)	3,653,440
Total		14,053,440	–	(640,000)	13,413,440

For the year ended 31 December 2005:

Name or category of participant	Share option type	Number of share options: Outstanding at 1 January 2005	Lapsed during the year	Outstanding at 31 December 2005
Executive director				
FOO Kit Tak	2002 (a)	1,600,000	–	1,600,000
	2002 (b)	1,600,000	–	1,600,000
CHEUNG Mei Yu	2002 (a)	1,600,000	–	1,600,000
	2002 (b)	1,600,000	–	1,600,000
Sub-total		6,400,000	–	6,400,000
Employees				
In aggregate	2002 (a)	1,760,000	(320,000)	1,440,000
	2002 (b)	2,560,000	(320,000)	2,240,000
Sub-total		4,320,000	(640,000)	3,680,000
Others				
In aggregate	2002 (a)	3,440,000	(320,000)	3,120,000
	2002 (b)	1,013,440	(160,000)	853,440
Sub-total		4,453,440	(480,000)	3,973,440
Total		15,173,440	(1,120,000)	14,053,440

Details of the share options are as follows:

Share option type	Date of grant	Exercisable period	Exercise price
2002 (a)	15 April 2002	15 April 2003 to 7 January 2012	HK$0.69
2002 (b)	2 September 2002	2 September 2003 to 7 January 2012	HK$0.31

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 month	Nil
13th – 24th month	$33^1/_3$%
25th – 36th month	$33^1/_3$%
37th – 48th month	$33^1/_3$%

No share options were granted during the year and therefore no consideration in respect of the share options was received.

The fair values of options granted under the relevant Scheme on 15 April 2002 and 2 September 2002, measured at the date of grant, were approximately HK$5,024,000 and HK$2,123,000 respectively. As at 1 January 2005, the fair values of the outstanding share options was HK$4,089,000. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	**14 April 2002**	**2 September 2002**
Expected volatility	29%	56%
Expected life (in years)	9.7	9.4
Risk-free interest rate	5%	5%
Expected dividend yield	Nil	Nil

No employee compensation expense has been included in the consolidated income statement for the year ended 31 December 2006 (2005: HK$129,000) with a corresponding credit in equity.

24. RESERVES

GROUP

The amount of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 28 of the financial statements.

COMPANY

	Share premium *HK$'000*	**Employee compensation reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 January 2005, as previously reported	9,218	–	(5,946)	3,272
Effect of initial adoption of HKFRS 2	–	4,089	(4,089)	–
At 1 January 2005, as restated	9,218	4,089	(10,035)	3,272
Profit for the year	–	–	225	225
Employee share-based compensation	–	(152)	281	129
At 31 December 2005 and 1 January 2006	9,218	3,937	(9,529)	3,626
Profit for the year	–	–	255	255
Employee share-based compensation	–	(154)	154	–
At 31 December 2006	9,218	3,783	(9,120)	3,881

25. DEFERRED TAX

Deferred taxation is calculated in full or temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%).

The following are the major deferred tax (assets) and liabilities recognised by the Group and movements thereon during the current and prior reporting years.

	Accelerated tax depreciation	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2005	80	(80)	–
Charge/(credit) to income statement	(7)	7	–
At 31 December 2005 and 1 January 2006	73	(73)	–
Charge/(credit) to income statement	(36)	36	–
At 31 December 2006	37	(37)	–

No deferred tax has been provided in the financial statements of the Group as there are no temporary differences.

Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2006, the Group has unused tax losses of HK$3,617,000 (2005: HK$8,029,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HKHK211,000 (2005: HK$417,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$3,406,000 (2005: HK$7,612,000) due to the unpredictability of future profit streams. This tax loss has no expiry date.

26. OPERATING LEASE COMMITMENTS

GROUP

At 31 December 2006, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2006	2005
	HK$'000	*HK$'000*
Within one year	141	283
In the second to fifth year inclusive	–	141
	141	424

The Group leases a number of rented premises under operating leases. The leases run for an initial period of one to two years. None of the leases include contingent rentals.

COMPANY

The Company does not have any significant operating lease commitments as at 31 December 2006 and 2005.

27. CAPITAL COMMITMENTS

The Group and the Company do not have any significant capital commitments as at 31 December 2006 and 2005.

28. CONTINGENT LIABILITIES

GROUP

As at 31 December 2006, the Group had no significant contingent liabilities.

COMPANY

As at 31 December 2006, the Company had provided a corporate guarantee to a bank to secure a banking facility of HK$1,000,000 (2005: HK$1,000,000) granted to a subsidiary, which remained unused as at 31 December 2006.

29. RETIREMENT BENEFITS SCHEME

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

The retirement benefits cost charged to income statement represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

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

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

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. The amount of forfeited contributions utilised in this manner during the year was HK$55,000 (2005: HK$ 67,000). There was no significant amount of forfeited contributions available to reduce future contribution payable by the Group as at 31 December 2006 and 2005.

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

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

30. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, during the year, the Group had significant transactions with companies controlled by, or affiliated with, South China Holdings Limited (collectively referred to as South China Group). A director of the Company, Mr. Ng Hung Sang, Robert, is a substantial shareholder and a director of South China Holdings Limited.

(a) Details of these transactions are as follows:

		2006	**2005**
		HK$'000	*HK$'000*
(i)	Purchase of services – Management fee	720	720
(ii)	Operating lease expenses	283	260
(iii)	Colour separation and photo processing fees	783	733
(iv)	Royalty income	25	–

(b) As disclosed in the consolidated balance sheet, the Group had outstanding payable to a related company of HK$71,000 (2005: HK$560,000), as at 31 December 2006. The balance is unsecured, interest-free and repayable on demand.

(c) The Group had entered into a mutual agreement with the South China Group that the South China Group has a right to use the title "旭茉Jessica" on publication of various magazines at a nominal value.

(d) An agreement dated 21 December 2006 entered into among the Company as the purchaser, South China Strategic Limited ("SCS"), a wholly-owned subsidiary of South China Industries Limited ("SCI"), as the vendor, and SCI, a subsidiary of South China Holdings Limited, as the guarantor, pursuant to which SCS had conditionally agreed to sell the projects relating to the agricultural businesses in the PRC to the Company at a consideration of HK$140,000,000. The consideration would be satisfied by the Company's issuance a convertible note. Subsequently, a termination agreement dated 27 December 2006 was entered into among the aforesaid contracting parties to terminate the aforesaid agreement.

The above transactions were conducted in accordance with the terms mutually agreed between the Group and South China Group.

31. DISPOSAL OF A SUBSIDIARY

During the year, the Group disposed of 55% equity interest in Shanghai South China & Boyang Culture Media Co. Ltd. ("BCM"). Particulars of the disposal transaction are as follows:

	2006
	HK$'000
Net liabilities disposal of:	
Trade and other receivables	1,784
Cash at banks	53
Other intangible assets	19
Trade and other payables	(11,779)
Amounts due to immediate holding company and a fellow subsidiary of BCM	(10,160)
Amount due to a minority shareholder of BCM	(2,241)
	(22,324)
Minority interest	2,698
	(19,626)
Goodwill previously recognised	3,933
Realisation of translation reserve	204
Other intangible assets retained to the Group	(19)
Impairment of amounts due from BCM	10,160
Gain on disposal of a subsidiary	4,548
Cash consideration paid in connection with the disposal	(800)

The analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follow:

Cash at banks disposed of	(53)
Cash consideration paid	(800)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(853)

32. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the board of directors seats periodically to analyse and formulate strategies to manage the Group's exposure to market risk. The Group's exposure to market risk is kept to a minimum. The Group has not used any derivative or other instruments for hedging purpose.

The Group's financial assets include cash and cash equivalents, trade receivables and other receivables. The Group's financial liabilities include trade payables, other payables and accrued expenses and amount due to a related company.

32.1 Credit risk

All the Group's cash and cash equivalents are deposited with major banks located in Hong Kong and the PRC.

The carrying amounts of trade receivables included in the balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. No other financial assets carrying a significant exposure to credit risk. The Group has no significant concentration of credit risk.

32.2 Foreign currency risk

The Group has certain investments in operations in Mainland China, whose net assets are denominated in Chinese Renminbi. Chinese Renminbi is not a freely convertibly currency in the international market and its exchange rate is determined by the People's Bank of China.

32.3 Cash flow and interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

32.4 Fair value

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values because of the immediate or short-term maturity of these financial instruments. The fair value of non-current liabilities was not disclosed because the carrying value is not materially different from the fair value.

32.5 Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirement to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer terms. The Group had net current liabilities of HK$7,574,000 and net liabilities of HK$7,001,000 as at 31 December 2006. The liquidity of the Company is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations and to obtain continuing financial support from Mr. Ng Hung Sang, Robert, a substantial shareholder of the Company."

3. UNAUDITED CONSOLIDATED INTERIM RESULTS

The following is a reproduction of the unaudited financial statements of the Group for the six months ended 30 June 2007 as extracted from the Company's 2007 Interim Report.

"Condensed Consolidated Income Statement – Unaudited

		Three months ended 30 June		Six months ended 30 June	
		2007	**2006**	**2007**	**2006**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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)
Profit (Loss) before income tax	*3*	2,886	(2,250)	1,726	(6,652)
Income tax expense	*5*	–	–	–	–
Profit (Loss) for the period		2,886	(2,250)	1,726	(6,652)
Attributable to:					
Equity holders of the Company		2,886	(1,308)	1,726	(5,710)
Minority interests		–	(942)	–	(942)
		2,886	(2,250)	1,726	(6,652)
Basic earnings (loss) per share for profit (loss) attributable to the equity holders of the Company during the period	*7*	HK0.57 cents	HK(0.26) cents	HK0.34 cents	HK(1.13) cents

Condensed Consolidated Balance Sheet – Unaudited

	Notes	As at 30 June 2007 HK$'000 (Unaudited)	As at 31 December 2006 HK$'000 (Audited)
Non-current assets			
Plant and equipment		531	554
Intangible assets		19	19
		550	573
Current assets			
Trade receivables	8	14,027	17,657
Other receivables		1,244	435
Cash and cash equivalents		2,878	2,563
		18,149	20,655
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		241	71
		23,280	28,229
Net current liabilities		(5,131)	(7,574)
Net liabilities		(4,581)	(7,001)
Capital and reserves			
Share capital		509	507
Share premium and reserves		(5,090)	(7,508)
Capital deficiency		(4,581)	(7,001)

Condensed Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 30 June 2007

	Equity attributable to equity holders of the Company							
	Share capital	Share premium	Capital reserve	Employee compensation reserve	Translation reserve	Accumulated losses	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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	**2006**
	HK$'000	*HK$'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 30 June		Six months ended 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
	24,448	23,576	40,605	43,117

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

	Three months ended 30 June		Six months ended 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)
	2,886	(2,250)	1,726	(6,652)

* *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 *HK$'000* (Unaudited)	**As at 31 December 2006** *HK$'000* (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
	14,027	17,657

9. TRADE PAYABLES

The following is an aging analysis of trade payables:

	As at 30 June 2007 *HK$'000* (Unaudited)	**As at 31 December 2006** *HK$'000* (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
	17,883	21,981

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

	Number of Ordinary Shares			
Name of Director	**Beneficial Owner**	**Interests of Controlled Corporation(s)**	**Total**	**Approximate Percentage of Shareholding**
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 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 2007 (the "Period") were as follows:–

Name or category of participant	Number of share options: Outstanding as at 01/01/2007	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	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$*
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	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
	1,760,000	–	(1,760,000)	–	–	–	02/09/2002	02/09/2003 – 07/01/2012	0.31	0.30	0.460
Sub-total	3,360,000	–	(1,760,000)	–	–	1,600,000					
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	3,653,440	–	(480,000)	–	–	3,173,440					
Total	13,413,440	–	(2,240,000)	(6,400,000)	–	4,773,440					

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) 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 *(Note a)*	18.27%
Fung Shing	Beneficial owner	99,012,563 *(Note a)*	19.45%
Earntrade	Beneficial owner	62,661,600 *(Note b)*	12.31%
	Interest of a controlled corporation	59,325,840 *(Note b)*	11.66%
Bannock	Beneficial owner	59,325,840 *(Note b)*	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."

4. INDEBTEDNESS

As at the close of business on 31 July 2007, the Group did not have any bank borrowings, bank overdraft, mortgage, charge or any other borrowings, liabilities under acceptances or acceptance credits or hire purchase commitments.

As at 31 July 2007, the Group had aggregate banking facilities granted under corporate guarantee by the Company in respect of a revolving term loan of HK$1 million, none of which had been utilized. Save and except for the above, the Group did not have any other material contingent liabilities.

As at 31 July 2007, the Group did not have any debt securities issued and outstanding, and authorized or otherwise credited but unissued, and term loans.

The Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since 31 July 2007.

5. FINANCIAL AND TRADING PROSPECT

After completion of the Disposal and the Subscription, the Remaining Publishing Companies' business operations are expected to improve as advertising income of "*旭茉JESSICACODE*" and "*Lisa 味道生活*" is anticipated to have a stable increase. Effective cost control measures are expected to contribute positively to the net results of the Group. In addition, the Remaining Publishing Companies will continue to implement stringent cost control measures and tighter management policies and will seek to increase circulation copy sales through alternative channels, to deliver quality circulation bases, and to extend the advertising bases.

6. WORKING CAPITAL

The Directors are satisfied after due and careful enquiry that after taking into account of the internal resources and the existing banking facilities available to the Group, the Group has sufficient working capital for at least twelve months from the date of this circular.

7. MATERIAL CHANGE

Save for the Subscription and the Disposal and as disclosed in the Group's unaudited consolidated results for the six months ended 30 June 2007, full text of which is contained in this Appendix, the Directors are not aware of any material changes on the financial or trading position or outlook of the Group since 31 December 2006, the date to which the latest audited financial statements of the Company were made up.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Takeovers Code and the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those information relating to Hong Bridge Capital and the parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular relating to the Group have been arrived at after due and careful consideration and there are no other facts not contained in this circular, (other than those information relating to Hong Bridge Capital and the parties acting in concert with it) the omission of which would make any statement in this circular misleading.

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company (other than those information relating to Hong Bridge Capital and the parties acting in concert with it). The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(i) the information contained in this circular 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 circular misleading; and

(iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The information in this circular relating to Hong Bridge Capital has been supplied by the sole director of the Subscriber, Mr. He. Mr. He accepts full responsibility for the accuracy of the information contained in this circular (other than that in relation to the Group) and confirm, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this circular (other than that in relation to the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this circular (other than that in relation to the Group), the omission of which would make any statements in this circular misleading.

2. SHARE CAPITAL AND SHARE OPTIONS

(1) Share Capital

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and following the completion of the Subscription Agreement will be as follows:

Authorised share capital

Shares		*HK$*
1,000,000,000,000		1,000,000,000

Issued fully paid or credited as fully paid and to be issued

Shares		*HK$*
509,199,716	Shares in issued as at the Latest Practicable Date	509,200
2,900,000,000	Subscription Shares to be issued	2,900,000
2,100,000,000	Conversion Shares to be issued	2,100,000
5,509,199,716		5,509,200

All the existing Shares rank pari passu in all respects, including all rights as to dividend, voting and return of capital. The Subscription Shares and Conversion Shares, when issued, will rank pari passu in all respects with the Shares then in issue including as regards to dividends, voting and return of capital.

There had been no changes to the authorised share capital of the Company since 31 December 2006 (being the end of the last financial year) up to the Latest Practicable Date. As at 31 December 2006, the Company had a total of 506,639,716 Shares in issue. As a result of the exercise of the share options of the Company, the total number of Shares in issue increased by 2,560,000 Shares to 509,199,716 Shares as at the Latest Practicable Date.

The Shares are listed and traded on the GEM and no part of the issued share capital of the Company is listed or dealt in, nor is any listing of or permission to deal in the Shares being, or proposed to be, sought on, any other stock exchanges.

(2) Share Options

The Company adopted a share option scheme on 20 December 2001. Pursuant to such scheme and after the refreshment of the scheme mandate limit of the Share Option Scheme on 29 April 2003, the maximum number of Shares upon which options may be granted when aggregated with those granted under any other share option scheme of the Company in issue may not exceed 50,647,987 Shares, representing approximately 9.95% of the issued share capital of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, there were 4,346,720 outstanding options to subscribe for Shares.

3. MARKET PRICES

The table below shows the respective closing prices of the Shares on the Stock Exchange (i) on the last trading day of each of the six calender months immediately preceding the date of the Announcement, (ii) on 16 August 2007 (the last trading day immediately preceding the date of the Announcement); (iii) 30 July 2007 (being the last trading day immediately preceding the initial announcement dated 31 July 2007) and (iv) on the Latest Practicable Date:

	HK$
2007	
Latest Practicable Date	0.710
16 August	0.740
30 July	0.750
July	1.000
June	0.400
May	0.390
April	0.111
March	0.095
February	0.096
January	0.090

The highest and lowest closing market prices of the Shares recorded on the Stock Exchange during the six calender months immediately preceding 31 July 2007 and ending on the Latest Practicable Date were HK$1.00 on 31 July 2007 and HK$0.068 on 19 March 2007 respectively.

4. DISCLOSURE OF INTERESTS

(a) Interests in the Company

(i) Director's and chief executives' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures or other securities of the Company or 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 Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors of listed companies to be notified to the Company and the Stock Exchange; or which were required to be disclosed in this circular pursuant to the requirements of the Takeovers Code were as follows:

Directors' interests in issued Shares

	Number of Shares			
Name of Director	**Beneficial owner**	**Interests of controlled corporation(s)**	**Total**	**Approximate Percentage of Shareholding**
Mr. Ng	18,102,800	318,132,403 *(Note)*	336,235,203	66.03%
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 Earntrade Investments Limited ("Earntrade"), which is owned as to 60%, 20% and 20% by Mr. Ng, 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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares and debentures or other securities of the Company or 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 Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors of listed companies to be notified to the Company and the Stock Exchange or which were required to be disclosed in this circular pursuant to the requirements of the Takeovers Code.

(ii) Substantial Shareholders

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and the amount of each of such persons' interests in such securities, together with particulars of any options in respect of such capital or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of shareholding
Parkfield	Beneficial owner	92,966,000 *(Note a)*	18.26%
Fung Shing	Beneficial owner	99,012,563 *(Note a)*	19.44%
Earntrade	Beneficial owner	62,661,600 *(Note b)*	12.31%
	Interests of controlled corporation	59,325,840 *(Note b)*	11.65%
Bannock	Beneficial owner	59,325,840 *(Note b)*	11.65%
Hong Bridge Capital	Beneficial interests	5,000,000,000 *(Note c)*	981.93%
Mr. He	Interests of controlled corporation	5,000,000,000 *(Note c)*	981.93%
Ms. Foo Yat Yan	Interests of spouse	5,000,000,000 *(Note c)*	981.93%

Notes:

(a) Each of Parkfield and Fung Shing is wholly-owned by Mr. Ng, the Chairman of the Company.

(b) Earntrade, which is owned as to 60%, 20% and 20% by Mr. Ng, 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 held by Bannock.

(c) These Shares represent the 2,900 million Subscription Shares to be allotted and issued to Hong Bridge Capital upon Completion and the 2,100 million Conversion Shares to be allotted and issued to Hong Bridge Capital upon the exercise in full of the conversion rights attaching to the Convertible Notes. Hong Bridge Capital is wholly and beneficially owned by Mr. He and accordingly he is deemed to be interested in the Subscription Shares and the Conversion Shares to be allotted and issued to Hong Bridge Capital pursuant to the SFO. Ms. Foo Yat Yan is the spouse of Mr. He and accordingly she is deemed to be interested in the Subscription Shares and the Conversion Shares deemed to be interested by Mr. He pursuant to the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any option in relation to such capital.

(iii) The Subscriber

As at the Latest Practicable Date, save as disclosed in paragraph 4(a)(ii) above, the Subscriber and the sole director of the Subscriber had no other interests in any shares, convertible securities, warrants, options or derivatives which carry voting rights of the Company.

(iv) Others

As at the Latest Practicable Date,

(aa) none of the subsidiaries of the Company, nor any pension funds of the Company or of any of its subsidiaries, nor CIMB-GK Securities (HK) Limited ("CIMB") (financial adviser to the Subscriber); nor Commerzbank AG Hong Kong Branch ("Commerzbank") nor Somerley Limited ("Somerley") (joint financial advisers to the Company) nor Hercules nor any other advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code had any interest in any shares, convertible securities, warrants, options or derivatives which carry voting rights of the Company.

(bb) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of clauses (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code, or with the Subscriber.

(cc) no shareholding in the Company was managed on a discretionary basis by fund managers connected with it.

5. SHAREHOLDINGS AND DEALING

(i) Directors

During the Relevant Period, there were no dealings in the Shares, convertible securities, warrants, options or derivatives which carry voting rights of the Company by the Directors.

(ii) The Subscriber and its sole director

During the Relevant Period, save for entering into the Subscription Agreement, none of the Subscriber and the parties acting in concert with it had dealt for value in any shares, convertible securities, warrants, options or derivatives which carry voting rights of the Company.

(iii) Others

(a) As at the Latest Practicable Date, save for the intention to conduct placement of Subscription Shares upon Completion in order to maintain the 25% minimum public float requirement, none of the Subscription Shares to be allotted and issued upon Completion or the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Notes would be transferred, charged or pledged to any other persons.

(b) As at the Latest Practicable Date, no persons had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company, the Subscriber or parties acting in concert with it or with any person who is any associate of the Company or of the Subscriber by virtue of classes (1), (2), (3) and (4) of the definition of associated under the Takeovers Code.

(c) During the Relevant Period:

(1) no pension funds of the Group had dealt for value in or owned or controlled any securities of the Company or any of its subsidiaries;

(2) no fund managers connected with the Company had owned or managed any securities of any member of the Group on a discretionary basis; and

(3) none of the advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code (excluding exempt principal traders) had dealt for value in or owned or controlled any securities of any member of the Group.

6. INTERESTS AND DEALINGS IN SUBSCRIBER

None of the Directors nor the Company had any interest in the shares, convertible securities, warrants, options or derivatives in respect of securities which carry voting rights of the Subscriber nor had any of them dealt for value in any shares, convertible securities, warrants, options or derivatives in respect of securities which carry voting rights of the Subscriber during the Relevant Period.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business carried on by the Group), have been entered into by the Company and its subsidiaries within the two years immediately preceding 31 July 2007 which may be material:

(a) An agreement dated 21 December 2006 entered into among the Company as the purchaser, South China Strategic Limited ("SCS"), a wholly-owned subsidiary of South China (China) Limited ("SCC"), as the vendor and SCC, a subsidiary of South China Holdings, as the guarantor, pursuant to which SCS had conditionally agreed to sell the projects relating to the agricultural businesses in the PRC to the Company at a consideration of HK$140,000,000. The consideration would be satisfied by the Company's issuance a convertible note. Subsequently, a termination agreement dated 27 December 2006 was entered into among the aforesaid contracting parties to terminate the aforesaid agreement.

(b) the Subscription Agreement dated 16 August 2007 entered into between the Company and the Subscriber, pursuant to which, the Subscriber has conditionally agreed to subscribe in cash for (i) 2,900 million Subscription Shares at the Subscription Price of HK$0.007 per Subscription Share; and (ii) the Convertible Notes in the principal amount of HK$14.7 million with an initial Conversion Price of HK$0.007 per Conversion Shares.

(c) the Disposal Agreement dated 16 August 2007 entered into between Great Ready Assets and the Purchaser in relation to the Disposal of the Jessica BVI Sale Shares.

Save as aforesaid, no material contracts (not being contracts entered into in the ordinary course of business carried on by the Group) have been entered into by any member of the Group within the two years preceding the date of this circular.

8. LITIGATION AND CLAIMS

So far as the Directors are aware, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration or claims which is, to the best knowledge of the Directors, of material importance and no litigation or claims, which is, in the opinion of the Directors, of material importance is known to them to be pending or threatened against any of the Company and its subsidiaries.

9. EXPERTS AND EXPERTS' INTERESTS

The following are the qualifications of the expert who has given opinions or advice which are contained in this circular

Name	Qualifications
Hercules	a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activities

(a) Hercules has no shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(b) Hercules does not have any direct or indirect interest in any assets which have been since 31 December 2006, the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries.

10. CONSENT

Hercules has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its opinion or letter, as the case may be, and the references to its name, opinion or letter in the form and context in which it respectively appears.

11. SERVICE AGREEMENTS

Mr. Ng, an executive Director, had entered into a service contract with the Company on 24 August 2001 with an initial term of 1 year, commencing from 24 August 2001. The service contract shall continue thereafter unless and until terminated by either party servicing to other not less than three months' notice in writing. Mr. Ng is not entitled to any director's fee.

Ms. Ng Yuk Mui, Jessica, a non-executive Director had entered into a service contract with the Company on 24 August 2001 with an initial term of 1 year, commencing from 24 August 2001. The service contract shall continue thereafter unless and until terminated by either party serving to other not less than three months' notice in writing. On 1 July 2005, Ms. Ng Yuk Mui, Jessica redesignated as non-executive Director and was entitled to annual director fee of HK$10,000.

As at the Latest Practicable Date, none of the Directors had a service contract with the Company or any of its subsidiaries or associated companies (excluding contracts expiring or determinable within one year without payment of compensation (other than statutory compensation)) which (a) had been entered into or amended within six months prior to 31 July 2007, (b) were continuous contracts with a notice period of 12 months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period.

None of Mr. He, Mr. Liu Wei or Mr. Shi Lixin has provided any service to the Company prior to the Completion and none of their proposed length of service has been determined yet as at the Latest Practicable Date, and none of Mr. He, Mr. Liu Wei or Mr. Shi Lixin has any relationships with each other or any Directors or senior manager of the Company.

12. AUDIT COMMITTEE

The Company has 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 of the Group's audit plan and process with the auditors of the Company, the review of the auditors' independence and the review of the Group's financial statements. The audit committee comprises three independent non-executive directors, namely Mr. So Siu Ming, George (chairman of the audit committee), Ms. Pong Oi Lan, Scarlett and Mr. Cheng Yuk Wo.

Mr. So Siu Ming, George, age 49, obtained a Bachelor of Arts degree from the University of Toronto in Canada and a Master of Science degree from The Chinese University of Hong Kong. He is an associate member of the Canadian Institute of Chartered Accountants, the Society of Management Accountants of Canada and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. So has extensive experience in auditing, accounting and finance areas. He was appointed as an independent non-executive director of Wah Shing International Holdings Limited, which was previously listed on the SGX-ST and was voluntary delisted from the Official List of SGX-ST with effect from 5 May 2006, and Mr. So resigned on 12 May 2006. Mr. So was appointed as an executive director of Carico Holdings Limited ("Carico") on 1 May 2007, which was a company listed on the Stock Exchange and as the chief financial officer and qualified accountant of Carico on 29 May 2007 and 5 June 2007 respectively. Mr. So was appointed as an independent non-executive director of the Company on 4 September 2001.

Ms. Pong Oi Lan, Scarlett, aged 48, is the Managing Director of Realchamp Asset Management Limited and Health Quotient HQ International Institute Limited. She completed her executive program at Harvard Business School in the United States of America. She also obtained a graduate diploma in business administration at Monash University in Australia, and a Bachelor's degree in pharmaceutical sciences from the University of Saskatchewan in Canada. She is the Chairman of The League of Health Professionals of Hong Kong. She is the honorary adviser of the advisory board of Hong Kong Federation of Business Students and a member of the HKSAR Election Committee (1998, 2000 and 2007). She has been the president of The Practising Pharmacists Association of Hong Kong for over eight years. She is being appointed in a number of government boards and committees such as Innovation Technology Commission, SERAP Assessment Panel, Chairman of ACAN Sub-committee on Preventive Educations and Publicity, Committee on Trust Fund for Severe Acute Respiratory Syndrome, Hong Kong Air Cadet Corps and Vice Chairman for Health Care Committee of Hong Kong Business and Professionals Federation. She received an award of the Ten Outstanding Young Persons' Selection in 1998. Ms. Pong was appointed as an Independent Non-executive Director of the Company on 4 September 2001.

Mr. Cheng Yuk Wo, aged 46, worked at Coopers and Lybrand (now known as PricewaterhouseCoopers) in London and Swiss Bank Corporation (now known as UBS AG) in Toronto. He has held senior management positions in a number of Hong Kong listed companies and is a co-founder of a Hong Kong merchant banking firm. He is the proprietor of a certified public accountant practice in Hong Kong. He is currently an independent non-executive director of Capital Strategic Investment Limited, HKC (Holdings) Limited, Chia Tai Enterprises International Limited, Chong Hing Bank Limited and South China Land Limited, all being public companies listed in Hong Kong. He is also a non-executive director of Henry Group Holdings Limited, which was a company listed on the Stock Exchange. Mr. Cheng holds a Master of Science (Economics) degree in Accounting and Finance and a Bachelor of Arts (Honours) degree in Accounting. Mr. Cheng was appointed as an Independent Non-executive Director of the Company on 17 September 2004.

13. DIRECTORS' AND MANAGEMENT SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Mr. Ng, 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, personally and through Parkfield, Fung Shing and Ronastar, has interest in South China Holdings and SCL. Mr. Ng 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 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 interest in any competing businesses with the Group since she is not involved in the day-to-day running of the businesses of the South China Holdings and SCL.

Mr. Cheng Yuk Wo, an independent non-executive director of the Company, is also an independent non-executive director of SCL. He is not regarded to have interest in any competing businesses with the Group since he is not involved in the day-to-day running of the businesses of 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 as at the Latest Practicable Date.

14. INTEREST IN ASSETS AND OTHER INTERESTS

As at the Latest Practicable Date, save as disclosed in the Letter from the Board of this circular regarding the Subscription and the Disposal, none of the Directors nor any proposed Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to the acquired or disposed of by, or leased to, any member of the Group since 31 December 2006, being the date to which the latest published audited accounts of the Group were made up.

15. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date,

(a) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Subscriber or any person acting in concert with it and any Director, recent Director, Shareholder or recent Shareholder having any connection with or dependence upon the Subscription Agreement, the Disposal Agreement or the Whitewash Waiver;

(b) there was no agreement, arrangement or understanding between any Director and any other person which is conditional on or dependent upon the outcome of the Subscription Agreement, the Disposal Agreement and the Whitewash Waiver or otherwise connected therewith;

(c) there was no agreement, arrangement or understanding given to any Director as compensation for loss of office in connection with the Subscription and/or the Disposal;

(d) there was no material contracts that had been entered into by the Subscriber in which the Directors had a material personal interest; and

(e) none of the Directors had any contract or arrangement subsisting in which he/she was materially interested and which was significant in relation to the business of the Group.

16. MISCELLANEOUS

(a) The company secretary and qualified accountant of the Company is Mr. Pang Woon Chang. Mr. Pang holds a Master's Degree in Business Administration from Warwick University, the United Kingdom. He is also a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants.

(b) The compliance officer of the Company is Mr. Ng Yuk Fung, Peter, an executive Director.

(c) The registered office of the Subscriber is situated at Offshore Incorporations Centre, P.O. Box 957, Road Town, Tortola, the British Virgin Islands. The principal member of the Subscriber's concert group is Mr. He, being the beneficial owner of the entire issued share capital of the Subscriber and the sole director of the Subscriber.

(d) The business address of Mr. He, Mr. Liu Wei and Mr. Shi Lixin is situated at 2703-04, 27th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

(e) The financial adviser of Hong Bridge Capital is CIMB, the office of which is located at 25/F, Centre Tower, 28 Queen's Road Central, Hong Kong.

(f) The Hong Kong share registrar and transfer office of the Company is Union Registrars Limited at Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

(g) The registered office of the Company is at Offshore Incorporations (Cayman) Limited, Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands.

(h) The head office and principal place of business of the Company in Hong Kong is at Unit C, 3rd Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong.

(i) The English text of this circular and form of proxy shall prevail over the Chinese text in the case of any inconsistency.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong from the date of this circular and up to and including 12 October 2007 and will be displayed on the website of the Company at www.jessicahk.com and on the website of the SFC at www.sfc.hk:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for each of the two financial years ended 31 December 2005 and 2006;

(c) the unaudited first quarterly report of the Company for the three months ended 31 March 2007 and the interim report of the Company for the six months ended 30 June 2007;

(d) the material contracts referred to in the section headed "Material contracts" (including the Subscription Agreement and the Disposal Agreement) in this appendix;

(e) The service agreements for each of the Directors;

(f) the letter from the Independent Financial Adviser, the text of which is set out on pages 30 to 58 of this circular;

(g) the written consent referred to in the section headed "Consent" in this appendix; and

(h) the letter from the Independent Board Committee, the text of which is set out on page 29 of this circular.

旭茉 JESSICA

JESSICA PUBLICATIONS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8137)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Jessica Publications Limited (the "**Company**") will be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on 12 October 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT:**

   (a) the subscription agreement, a copy of which has been produced to the EGM marked "**A**" and initialed by the chairman of the EGM for the purpose of identification, entered into on 16 August 2007 between the Company and Hong Bridge Capital Limited (the "**Subscription Agreement**"), in relation to the subscription of (i) 2,900 million new ordinary shares of HK$0.001 each in the share capital of the Company (the "**Shares**") (the "**Subscription Shares**") at the subscription price of HK$0.007 per Subscription Share and (ii) the convertible notes to be issued by the Company with an aggregate principal amount of HK$14.7 million (the "**Convertible Notes**") with an initial conversion price of initially HK$0.007 per new Shares which shall fall to be allotted and issued by the Company upon the exercise in full of the conversion rights attaching to the Convertible Notes (subject to adjustment) (the "**Conversion Shares**"), and all transactions contemplated thereunder, details of which are set out in the announcement of the Company dated 20 August 2007 and the circular of the Company dated 14 September 2007 be approved, confirmed and ratified;

   (b) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval for the listing of, and permission to deal in, the Subscription Shares, the Subscription Shares be approved, allotted and issued;

   (c) the issue of the Convertible Notes, a copy of the Convertible Notes incorporating their terms and conditions has been produced to the EGM marked "**B**" and initialed by the chairman of the EGM for the purpose of identification be approved;

   (d) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval for the listing of, and permission to deal in, the Convertible Shares, the issue of the Convertible Shares which shall fall to be allotted and issued by the Company upon the exercise in full of the conversion rights attaching to the Convertible Notes (subject to adjustment) and to allot and issue to the holders of the Convertible Notes such number of Conversion Shares as are issuable from time to time upon the exercise of the conversion rights attaching to the Convertible Notes in accordance with the terms and conditions of the Convertible Notes be approved; and

(e) any director of the Company (the "**Director**"), or any two Directors or any one Director and the company secretary of the Company if the affixation of the common seal of the Company is necessary, for and on behalf of the Company be authorized to sign, seal, execute, perfect or deliver the Subscription Agreement or to do all such further documents or supplemental agreements or deeds and do all such things and acts as he/she may consider necessary, desirable or expedient and in the interest of the Company for the purpose of implementing and effecting the terms of the Subscription Agreement and the exercise or enforcement of any of the Company's rights under the Subscription Agreement including, inter alia, upon the Subscription Agreement becoming unconditional, the authority to complete the transactions contemplated by the Subscription Agreement and/or to procure completion of the same and to make and agree with such changes in the terms of the Subscription Agreement as any such director may in his/her discretion consider necessary, desirable or expedient or in the interest of the Company or otherwise in connection with all transactions contemplated under the Subscription Agreement or any matter incidental thereto."

2. "**THAT:**

(a) the Disposal Agreement, a copy of which has been produced to the EGM marked "**C**" and initialed by the chairman of the EGM for the purpose of identification, entered into on 16 August 2007 between Great Ready Assets Limited (a wholly-owned subsidiary of the Company) and Win Gain Investments Limited (the "**Disposal Agreement**") in relation to the disposal of the entire issued share capital of Jessica Publications (BVI) Limited (an indirect wholly-owned subsidiary of the Company), and all transactions contemplated thereunder, details of which are set out in the announcement of the Company dated 20 August 2007 and the circular of the Company dated 14 September 2007 be approved, confirmed and ratified; and

(b) any director of the Company (the "**Director**"), or any two Directors or any one Director and the company secretary of the Company if the affixation of the common seal of the Company is necessary, for and on behalf of the Company be authorized to sign, seal, execute, perfect or deliver the Disposal Agreement or to do all such further documents or supplemental agreements or deeds and do all such things and acts as he/she may consider necessary, desirable or expedient and in the interest of the Company for the purpose of implementing and effecting the terms of the Disposal Agreement and the exercise or enforcement of any of the Company's rights under the Disposal Agreement including, inter alia, upon the Disposal Agreement becoming unconditional, the authority to complete the transactions contemplated by the Disposal Agreement and/or to procure completion of the same and to make and agree with such changes in the terms of the Disposal Agreement as any such director may in his/her discretion consider necessary, desirable or expedient or in the interest of the Company or otherwise in connection with all transactions contemplated under the Disposal Agreement or any matter incidental thereto."

3. **"THAT** the waiver granted or to be granted by the executive director of the Corporate Finance Division of the Hong Kong Securities and Futures Commission (or any delegate of such executive director) in accordance with Note 1 on Dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers in respect of the obligations of Hong Bridge Capital Limited (the "**Subscriber**") and any parties acting in concert with it to make a mandatory offer to shareholders of the Company for all issued shares of the Company not already owned or agreed to be acquired or subscribed by the Subscriber and any parties acting in concert with it and an appropriate cancellation offer in respect of all outstanding options of the Company as a result of the issue of the subscription shares and conversion shares pursuant to the exercise of the conversion rights attaching to the convertible notes of the Company (as set out in the circular of the Company dated 14 September 2007) be and is hereby approved."

4. "**THAT**:

(a) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval for the listing of, and permission to deal in, the ordinary shares of HK$0.001 each in the share capital of the Company to be issued pursuant to the exercise of share options which may be granted under the Scheme Mandate Limit (as defined below), the refreshment of the limit in respect of the granting of share options under the share option scheme adopted by the Company pursuant to a resolution passed on 20 December 2001 which became effective on 8 January 2002 and all other share option scheme(s) up to 10% of the number of Shares in issue at the date of the passing of this resolution (the "**Scheme Mandate Limit**") be approved; and

(b) any director of the Company be and is hereby authorised to do all such acts and execute all such documents to effect the Scheme Mandate Limit."

SPECIAL RESOLUTION

5 "**THAT**:

(a) subject to completion of the subscription agreement entered into on 16 August 2007 between the Company and Hong Bridge Capital Limited, the name of the Company be changed from "Jessica Publications Limited" to "Honbridge Holdings Limited 洪橋集團有限公司"; and

(b) any one director of the Company be and is hereby authorised generally to do all such acts and things and execute all documents or make such arrangements as he or she may consider necessary or expedient to effect the change of the Company's name."

By order of the Board
Pang Woon Chang
Company Secretary

Hong Kong, 14 September 2007

Principal Place of Business in Hong Kong:
Unit C, 3rd Floor
Wah Shing Centre
5 Fung Yip Street
Chai Wan
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

2. In order to be valid, a proxy form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's share registrar, Union Registrars Limited at Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude any member from attending and voting in person at the meeting or any adjourned meeting should he so wishes.

3. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.