

# JESSICA

## JESSICA PUBLICATIONS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

### **FIRST QUARTERLY REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2002**

#### **Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

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

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

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

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*This report, for which the directors of Jessica Publications Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## QUARTERLY RESULTS

The board of directors (the “Directors”) of the Company is pleased to announce that the unaudited results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2002 together with the unaudited comparative figures for the corresponding period in 2001, as follows:

		<b>Three months ended</b>	
		<b>31 March</b>	
	<i>Notes</i>	<b>2002</b>	2001
		<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover	2	<b>5,223</b>	3,760
Other income	2	—	218
Printing and other production costs (other than staff costs)		<b>(2,420)</b>	(2,217)
Staff costs		<b>(1,222)</b>	(1,465)
Selling and distribution expenses		<b>(492)</b>	(461)
Operating lease rentals		<b>(202)</b>	(318)
Other operating expenses		<b>(1,116)</b>	(1,256)
<b>Loss from operations</b>		<b>(229)</b>	(1,739)
Interest income	2	<b>17</b>	—
<b>Loss before taxation</b>	3	<b>(212)</b>	(1,739)
Taxation	4	—	—
Loss attributable to shareholders		<b>(212)</b>	(1,739)
Accumulated deficit, beginning of period		<b>(2,365)</b>	(4,200)
Accumulated deficit, end of period		<b>(2,577)</b>	(5,939)
Basic loss per share	5	<b>HK(0.04) cents</b>	HK(0.38) cents

*Notes:*

### 1. GROUP REORGANISATION AND BASIS OF PRESENTATION

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

On 10 September 2001, the Company became the holding company of the other companies comprising the Group pursuant to a group reorganisation scheme (“the Reorganisation”) which included exchanges of shares. The Reorganisation involved companies under common control, and the Company and its subsidiaries (“the Group”) resulting from the Reorganisation have been regarded as a continuing group.

The comparative unaudited consolidated results of the Group have been prepared using the merger basis of accounting. Under this basis, the Company has been treated as the holding company of its subsidiaries prior to the date of their exchange of share pursuant to the Reorganisation. Accordingly, the unaudited results of the Group for the three months ended 31 March 2001 included that of the Company and its subsidiaries with effect from 1 January 2001 as if the current Group structure has in existence throughout the three months ended 31 March 2001.

The unaudited consolidated income statement for the three months ended 31 March 2002 has not been audited by the Company's auditors but has been reviewed by the Company's audit committee.

The unaudited consolidated income statement has been prepared in accordance with Statements of Standard Accounting Practice (“SSAP”) issued by the Hong Kong Society of Accountants, the accounting principles generally accepted in Hong Kong, the disclosure requirements of Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”).

## 2. TURNOVER AND REVENUE

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

	<b>For the three months ended</b>	
	<b>31 March</b>	
	<b>2002</b>	2001
	<b>HK\$’000</b>	HK\$’000
Sales of magazines	<b>2,257</b>	1,448
Advertising income	<b>2,966</b>	2,312
	<hr/>	<hr/>
Total turnover	<b>5,223</b>	3,760
Rental income	—	218
Interest income	<b>17</b>	—
	<hr/>	<hr/>
Total revenue	<b>5,240</b>	3,978
	<hr/> <hr/>	<hr/> <hr/>

During the three months ended 31 March 2002, the Group recorded advertising revenue from barter transactions amounting to approximately HK\$12,800 (2001 - Nil).

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

	<b>For the three months ended</b>	
	<b>31 March</b>	
	<b>2002</b>	2001
	<b>HK\$’000</b>	HK\$’000
Hong Kong	<b>5,181</b>	3,673
Taiwan	<b>42</b>	87
	<hr/>	<hr/>
	<b>5,223</b>	3,760
	<hr/> <hr/>	<hr/> <hr/>

\* Turnover by geographical location is determined on the basis of the destination of delivery of magazines and publication of advertisements.

No analysis of profit (loss) attributable to shareholders by geographical location is presented as it was generally in line with the distribution of turnover as set out above.

The Group is principally engaged in magazine publishing and advertising activities carried out in Hong Kong. Accordingly, the Directors consider that there is only one business and geographical segment and no analysis of segmental assets and liabilities by geographical location is presented.

### 3. LOSS BEFORE TAXATION

Loss before taxation is stated after charging and crediting the following:

	<b>For the three months ended</b>	
	<b>31 March</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
<u>After charging -</u>		
Staff cost (including directors' emoluments)	<b>1,222</b>	1,465
Operating lease rentals		
-Office premise	<b>202</b>	218
-Office equipment	—	100
Depreciation of fixed assets	<b>5</b>	—
Auditors' remuneration	<b>60</b>	—
	<u>          </u>	<u>          </u>
<u>After crediting -</u>		
Interest income on bank deposits	<b>17</b>	—
	<u>          </u>	<u>          </u>

### 4. TAXATION

No provision for Hong Kong and overseas profits tax has been made as the Group had no estimated assessable profit for the three months ended 31 March 2002 (2001 - Nil).

### 5. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2002 is based on the consolidated loss attributable to shareholders of approximately HK\$212,000 (2001 - loss of HK\$1,739,000) and on the weighted average number of approximately 504,791,610 shares (2001 - 455,831,888 shares) deemed to be in issue throughout the period. The weighted average number of 455,831,888 shares for the three months ended 31 March 2001 is determined on the assumption that the Reorganisation as described in Note 1 had been completed on 1 January 2001.

No diluted loss per share is presented as there were no dilutive potential ordinary shares in existence during the period.

### 6. MOVEMENT OF RESERVES

Movements of reserves were:

	<b>For the three months ended 31 March</b>			2001	
	<b>2002</b>				
	<b>Share</b>	<b>Capital</b>	<b>Accumulated</b>		
	<b>premium</b>	<b>reserve</b>	<b>deficit</b>	Total	
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	
				Total	
				HK\$'000	
<u>Consolidated</u>					
At 1 January 2002	<b>54</b>	<b>(510)</b>	<b>(2,365)</b>	<b>(2,821)</b>	(4,200)
Issue of shares	<b>12,612</b>	—	—	<b>12,612</b>	—
Share issue expenses	<b>(3,497)</b>	—	—	<b>(3,497)</b>	—
Net loss attributable to shareholders	—	—	<b>(212)</b>	<b>(212)</b>	(1,739)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 March 2002	<b>9,169</b>	<b>(510)</b>	<b>(2,577)</b>	<b>6,082</b>	(5,939)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

<u>Company</u>	<b>Share premium HK\$'000</b>	<b>Accumulated deficit HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2002	54	(137)	(83)
Issue of shares	12,612	—	12,612
Share issue expenses	(3,497)	—	(3,497)
Net loss attributable to shareholders	—	(49)	(49)
	<hr/>	<hr/>	<hr/>
At 31 March 2002	<u>9,169</u>	<u>(186)</u>	<u>8,983</u>

## INTERIM DIVIDEND

The Directors do not recommend the payment of a dividend in respect of the three months ended 31 March 2002.

## REVIEW

The first quarter of 2002 proved to be an exciting and productive period for the Group, marking an important event in our corporate history, as well as significant growth in a difficult economy.

On 8 January 2002, the Company was successfully listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Investors' response to the placement of shares was enthusiastic and approximately HK\$12.7 million (net proceeds: approximately HK\$9.2 million) was raised through the placement exercise.

On 27 February 2002, the Company entered into a memorandum of understanding in relation to the proposed acquisition of 50% of the registered capital of Beijing Open Advertising Company Limited ("Open"). The proposed acquisition of equity interest in Open, an advertising company in the PRC which is in the process of getting all relevant consents and approvals to operate the business of nine magazines (namely《中國醫藥導刊》、《舞台與人生》、《少年文摘》、《華夏》、《視點》、《香港風情》、《多媒體世界》、《大視野》、《演藝園》), if materialized, will enhance the Group's business potential in the PRC.

For the three months ended 31 March 2002, the turnover of the Group was approximately HK\$5.2 million, representing an increase of approximately 38.9% as compared with the same period the previous year. Advertising spending in magazines decreased in general during this period, but our Group still experienced growth. This growth was largely due to the increased advertising and circulation revenues from "Jessica" magazine as advertisers perceive this magazine as a core title for women's glossy magazines and strengthened readership base. This is even more encouraging as such growth was achieved in a traditionally low season period in this industry. This is definitely a positive indicator that the Group is heading in the right direction.

Net loss of the Group for the three months ended 31 March 2002 amounted to approximately HK\$212,000, representing a decrease of approximately 87.8% as compared with the same period the previous year.

According to the official Hong Kong Audit Bureau of Circulation audited figure for "Jessica" magazine for the six months ended 31 December 2001, "Jessica" magazine became the leading women's glossy magazine with an average circulation of approximately 56,000 copies per issue during this period. This is a massive achievement in such a competitive market, and "Jessica" magazine continues to be the designated magazine through which Hang Seng Bank Limited communicates to its "Femina" account holders.

"Lisa" magazine has also performed satisfactorily in a difficult economy, and paved way for new developments for the rest of the year.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated resources. Following the placement of shares on GEM of the Stock Exchange on 8 January 2002 (the “New Issue”), the Group’s future operations will be financed by the net proceeds (approximately HK\$9.2 million) of the New Issue, the available unutilized banking facilities of HK\$1 million (2001: Nil) and the Group’s internally generated resources.

The Directors are of the opinion that, taking into account the internal financial resources of the Group, the available unutilized banking facilities and the net proceeds of the New Issue, the Group has sufficient working capital for its present requirements.

## OUTLOOK

Looking ahead, we will improve our editorial contents of each magazine, issue by issue, to provide greater value to our readers. We will introduce new sections and columns on a regular basis to attract new readers, and international exposure will be given for ongoing staff development.

The advertising revenues for “Jessica” magazine for April 2002 reached a record high for the magazine, and we are confident that this upward trend will continue. In May 2002, “Lisa” magazine was successfully marketed to “Wellcome” supermarket in an exclusive joint promotion program, to provide “Wellcome” supermarket with a communication medium to its customers, thus broadening the magazine’s reach to its target audience of women who enjoy family life. We have great confidence that the Group will continue its performance and growth in line with the management’s expectation in the remaining part of 2002, with increased advertising revenue and strengthened circulation.

We will seek to strengthen the brand names of “Jessica” and “Lisa” through our membership programs, and special premiums will be introduced to them. Both magazines will increase publicity through unique marketing events and promotions via television and other media to further strengthen their positions.

Further studies will be made on the specific market segment, to enable a successful launch of “Jessica Girl” magazine in the future.

In addition to the proposed equity investment in Open which is subject to the execution of a definitive agreement, the Group is reviewing the possibility for the licensing and launch of our publishing titles in the PRC. We shall continue to aggressively seek opportunities for further developments in the PRC market.

## DIRECTORS’ INTERESTS IN SHARES

As at 31 March 2002, the interests of the Directors and their respective associates in the Company and its associated corporations as recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”) of the Company or which required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Number of Shares				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Ng Hung Sang, Robert	17,886,800	—	318,132,403	—	336,019,203

*(Note a)*

*Note (a):* The 318,132,403 shares referred to above include 92,966,000 shares held by Parkfield Holdings Limited (“Parkfield”), 99,012,563 shares held by Fung Shing Group Limited (“Fung Shing”), 4,166,400 shares held by Ronastar Investments Limited (“Ronastar”) and 121,987,440 shares held by Eartrade Investments Limited (“Eartrade”), which is owned as to 60%, 20% and 20% by Mr. Ng Hung Sang, Robert, Ms. Cheung Choi Ngor, Christina and Mr. Richard Howard Gorges, directors of South China Holdings Limited, respectively. The 121,987,440 shares referred to above include the 59,325,840 shares held by Bannock Investment Limited (“Bannock”) which is a wholly owned subsidiary of Eartrade. Each of Parkfield, Fung Shing and Ronastar is wholly owned by Mr. Ng Hung Sang, Robert.

Save as disclosed above, as at 31 March 2002 none of the Directors or their associates had any personal, family, corporate or other interests in the shares of the Company or its associated corporations as defined in the SDI Ordinance or which, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, were required to be notified to the Company and the Stock Exchange.

## SHARE OPTIONS SCHEME

On 20 December 2001, the Directors conditionally approved a Share Option Scheme which would lapse on 19 December 2011. The summary of the terms of the Share Option Scheme has been set out in Appendix IV of the Prospectus dated 31 December 2001 under the section headed "Share Option Scheme". The Share Option Scheme became unconditional on 8 January 2002. Subsequent to 31 March 2002 and on 15 April 2002, the Directors granted options to subscribe for an aggregate of 14,800,000 ordinary shares of the Company and were outstanding. Details of the options granted will be disclosed in the Company's interim report for the six months ended 30 June 2002.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2002, the register required to be kept under Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following interests, being 10% or more of the issued share capital of the Company:

Name	Number of issued shares	Percentage holding
Ng Hung Sang, Robert	336,019,203 <i>(Note a)</i>	73.7%
Parkfield Holdings Limited	92,966,000 <i>(Note a)</i>	18.4%
Fung Shing Group Limited	99,012,563 <i>(Note a)</i>	19.5%
Eartrade Investments Limited	121,987,440 <i>(Note b)</i>	24.1%
Bannock Investment Limited	59,325,840 <i>(Note b)</i>	11.7%

*Notes:*

(a) The 336,019,203 shares referred to above include 92,966,000 shares held by Parkfield, 99,012,563 shares held by Fung Shing, 4,166,400 shares held by Ronastar and 121,987,440 shares held by Eartrade, which is owned as to 60%, 20% and 20% by Mr. Ng Hung Sang, Robert, Ms. Cheung Choi Ngor, Christina and Mr. Richard Howard Gorges, directors of South China Holdings Limited, respectively. Each of Parkfield, Fung Shing and Ronastar is wholly owned by Mr. Ng Hung Sang, Robert.

(b) Eartrade is the holding company of Bannock. The 121,987,440 shares referred to above include the 59,325,840 shares held by Bannock.

Save as disclosed above, the Company had no notice of any interests to be disclosed under Section 16(1) of the SDI Ordinance as at 31 March 2002.

## SPONSOR'S INTEREST

As at 31 March 2002, neither Deloitte & Touche Corporate Finance Ltd. or its directors, employees or associates had any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any members of the Group.

## COMPETING INTEREST

Save as disclosed in the prospectus of the Company dated 31 December 2001, none of the Directors or chief executives of the Company and its subsidiaries, the initial management shareholders or the substantial shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete with the business of the Group.

## **AUDIT COMMITTEE**

The Company has established an audit committee on 4 September 2001 with written terms of reference in compliance with Rules 5.23 and 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting and internal control procedures. The audit committee comprises two members, Mr. So George Siu Ming and Ms. Pong Oi Lan, Scarlett, who are independent non-executive directors of the Company. The Group's unaudited results for the three months ended 31 March 2002 have been reviewed by the committee, who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company's shares were listed on the GEM on 8 January 2002 by way of placement. Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares since that date.

On behalf of the Board  
**Ng Hung Sang, Robert**  
*Chairman*

Hong Kong Special Administrative Region of the People's Republic of China  
10 May 2002