

JESSICA

JESSICA PUBLICATIONS LIMITED

(incorporated in the Cayman Islands with limited liability)

THIRD QUARTERLY REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2002

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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 (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

QUARTERLY RESULTS

The board of directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 30 September 2002, together with the comparative unaudited figures for the corresponding periods in 2001, as follows:

CONSOLIDATED INCOME STATEMENT - UNAUDITED

	<i>Notes</i>	Three months ended		Nine months ended	
		30 September		30 September	
		2002	2001	2002	2001
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	7,536	5,701	19,140	14,462
Other income	2	—	—	—	437
Printing and other production costs (other than staff costs)		(4,538)	(3,703)	(10,158)	(8,560)
Staff costs		(1,745)	(1,692)	(4,460)	(4,643)
Selling and distribution expenses		(1,237)	(835)	(2,504)	(1,803)
Operating lease rentals		(177)	(146)	(581)	(780)
Other operating expenses		(1,260)	(1,427)	(3,144)	(4,020)
Loss from operations		(1,421)	(2,102)	(1,707)	(4,907)
Waiver of amounts due to related companies		—	—	—	7,611
Interest income	2	22	—	55	—
(Loss) Profit before taxation	3	(1,399)	(2,102)	(1,652)	2,704
Taxation	4	—	—	—	(97)
(Loss) Profit attributable to shareholders		(1,399)	(2,102)	(1,652)	2,607
Accumulated (deficit) profit, beginning of period		(2,618)	509	(2,365)	(4,200)
Dividend	5	—	—	—	—
Accumulated deficit, end of period		(4,017)	(1,593)	(4,017)	(1,593)
Basic (loss) earnings per share	6	HK(0.28)cent	HK(0.46)cent	HK(0.33)cent	HK0.57cent

1 GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 29 June 2001 as an exempted company with limited liability under the Companies Law (2001 Revision) of the Cayman Islands. The Company's shares were listed on 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 Group resulting from the Reorganisation has 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 shares pursuant to the Reorganisation. Accordingly, the unaudited results of the Group for the three months and nine months ended 30 September 2001 included that of the Group as if the current Group structure had been in existence throughout the relevant periods.

The unaudited consolidated income statements for the three months and nine months ended 30 September 2002 have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

The accounting policies adopted by the Group are consistent with those followed in the annual financial statements for the year ended 31 December 2001, except for the adoption of the new SSAP34 Employee Benefits issued by the Hong Kong Society of Accountants, which has no significant impact on the unaudited consolidated income statements of the reporting period. The unaudited consolidated income statements have been prepared in accordance with Statements of Standard Accounting Practice 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 GEM Listing Rules.

2 TURNOVER AND REVENUE

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of magazines	2,525	2,265	7,479	5,800
Advertising income	4,700	3,436	11,172	8,475
Promotion and marketing income	311	—	489	187
Total turnover	7,536	5,701	19,140	14,462
Rental income	—	—	—	437
Interest income	22	—	55	—
Total revenue	7,558	5,701	19,195	14,899

During the three months and nine months ended 30 September 2002, the Group recorded advertising income from barter transactions amounting to nil and approximately HK\$36,640 respectively (2001: Nil and HK\$4,800 respectively).

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2002	2001	2002	2001
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Hong Kong	7,527	5,618	19,050	14,315
Taiwan	9	83	90	147
	7,536	5,701	19,140	14,462

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

No analysis of profit 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 activities carried out in Hong Kong. Accordingly, the Board considers that there is only one business and geographical segment and no analysis of segmental assets and liabilities by geographical location is presented.

3 (LOSS) PROFIT BEFORE TAXATION

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2002	2001	2002	2001
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
After charging -				
Staff cost (including directors' emoluments)	1,745	1,692	4,460	4,643
Operating lease rentals				
- Office premise	177	146	581	583
- Office equipment	—	—	—	197
Provision for (Written back) bad and doubtful debts	9	—	(119)	282
Depreciation of fixed assets	22	5	32	5
Auditors' remuneration	60	262	180	262
After crediting -				
Interest income on bank deposits	22	—	55	—

4 TAXATION

Taxation consists of:

	Three months ended		Nine months ended	
	30 September		30 September	
	2002	2001	2002	2001
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Hong Kong profits tax	<u>—</u>	<u>—</u>	<u>—</u>	<u>97</u>

No Hong Kong profits tax was provided as the Group had no assessable profit arising in or derived from Hong Kong during the three months and nine months ended 30 September 2002 (2001: Nil and HK\$97,000 respectively).

The tax effect of deferred tax assets not provided for is analysed as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2002	2001	2002	2001
	HK\$'000	<i>HK\$'000</i>	HK\$'000	<i>HK\$'000</i>
Tax losses	<u>224</u>	<u>—</u>	<u>264</u>	<u>—</u>

5 DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the nine months ended 30 September 2002 (2001: Nil).

6 (LOSS) EARNINGS PER SHARE

The calculation of basic loss per share for the three months and nine months ended 30 September 2002 is based on the unaudited loss attributable to shareholders of approximately HK\$1,399,000 and HK\$1,652,000 respectively (2001: loss of HK\$2,102,000 and profit of HK\$2,607,000 respectively) and on the weighted average number of approximately 506,479,876 and 505,923,305 shares (2001: 455,831,888 shares) deemed to be in issue throughout the periods. The weighted average number of 455,831,888 shares for the three months and nine months ended 30 September 2001 is determined on the assumption that the Reorganisation as described in Note 1 had been completed on 1 January 2001.

No diluted (loss) earnings per share is presented as there were no dilutive potential ordinary shares in existence during the periods and the Company's outstanding share options would have no dilutive effect on loss per share during the three months and nine months ended 30 September 2002.

7 MOVEMENT OF RESERVES

Movements of reserves were:

	Three months ended 30 September				2001 Total HK\$'000
	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated deficit HK\$'000	Total HK\$'000	
Consolidated					
At 1 July	9,169	(510)	(2,618)	6,041	509
Net loss attributable to shareholders	—	—	(1,399)	(1,399)	(2,102)
At 30 September	<u>9,169</u>	<u>(510)</u>	<u>(4,017)</u>	<u>4,642</u>	<u>(1,593)</u>
			Share premium HK\$'000	Accumulated deficit HK\$'000	Total HK\$'000
The Company					
At 1 July 2002			9,169	(256)	8,913
Net loss attributable to shareholders			—	(65)	(65)
At 30 September 2002			<u>9,169</u>	<u>(321)</u>	<u>8,848</u>
	Nine months ended 30 September				2001 Total HK\$'000
	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated deficit HK\$'000	Total HK\$'000	
Consolidated					
At 1 January	54	(510)	(2,365)	(2,821)	(4,200)
Issue of shares	12,612	—	—	12,612	—
Share issuance expenses	(3,497)	—	—	(3,497)	—
Net (loss) profit attributable to shareholders	—	—	(1,652)	(1,652)	2,607
At 30 September	<u>9,169</u>	<u>(510)</u>	<u>(4,017)</u>	<u>4,642</u>	<u>(1,593)</u>
			Share premium HK\$'000	Accumulated deficit HK\$'000	Total HK\$'000
The Company					
At 1 January 2002			54	(137)	(83)
Issue of shares			12,612	—	12,612
Share issuance expenses			(3,497)	—	(3,497)
Net loss attributable to shareholders			—	(184)	(184)
At 30 September 2002			<u>9,169</u>	<u>(321)</u>	<u>8,848</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The third quarter of 2002 saw some expansions in our business, with turnover for the three months ended 30 September 2002 of approximately HK\$7.5 million, representing an increase of approximately 32.2% as compared with the same period of the previous year, while operating costs increased by approximately 14.8% as the Group continued to invest its resources to strengthen the quality of its magazines as well as promotions.

The Group saw a loss of approximately HK\$1.4 million for the three months ended 30 September 2002, as the Group forged ahead in its promotions and development of other marketing channels for its titles, and such development phase had triggered a relatively longer grinding-in period and operational efficiencies were affected.

In September 2002, the joint promotion program with “Wellcome” supermarket with “Lisa” magazine was extended to “Jessica” magazine, thereby broadening “Jessica” magazine’s reach to a mass market and developing a new channel of circulation reach and income. “Jessica” magazine also continues to be the exclusive magazine for Hang Seng Bank’s “Femina” account holders.

In terms of editorial content, “Lisa” magazine went through a re-vamping process, and is now clearly positioned as ‘your family magazine’ for women.

Several events were held during this quarter, including “Jessica” magazine’s “Most Successful Women Award” for the celebration of its second anniversary as well as a mini-concert for its readers, starring Ms. Karen Mok, in July.

LIQUIDITY AND FINANCIAL RESOURCES

During the nine months ended 30 September 2002, the Group’s operation was mainly financed by the net proceeds of the placing of shares in January 2002 and the internal financial resources of the Group.

As at 30 September 2002, the Group had net current assets of approximately HK\$4.6 million (31 December 2001: net current liabilities of HK\$2.5 million). The current assets comprised bank balances and cash of approximately HK\$7.6 million, accounts receivable of approximately HK\$4.9 million, prepayments of approximately HK\$0.5 million and deposits paid of approximately HK\$0.2 million. The current liabilities comprised trade creditors, accruals and other payables of approximately HK\$7.7 million, receipts in advance of approximately HK\$0.8 million and taxation payable of approximately HK\$0.1 million.

As at 30 September 2002, the Group had aggregate banking facilities granted under corporate guarantee by the Company in respect of revolving term loan of HK\$1 million, all of which had not been utilized.

As at 30 September 2002, (i) the Group had no significant exposure to fluctuations in exchange rates and any related hedges; (ii) the Group had no charges on its assets; and (iii) the Group did not have any material investment plan, except the plans set out in the section headed “Statement of Business Objectives” in the prospectus of the Company dated 31 December 2001 (the “Prospectus”).

As the Group had no bank borrowings, no gearing ratio (measured by bank borrowings net of cash and bank balance to shareholders’ equity) is presented at 30 September 2002.

PROSPECTS

The advertising revenue of the final quarter for “Jessica” magazine is expected to maintain its strong growth. The management’s main focus will be the profitability of both magazines, expanding advertising revenue and project revenue sources, as well as consolidating the Group’s circulation base, and improving efficiency. We have great confidence that the Group’s performance will improve at the operational level in the final quarter, with increased revenues and tighter cost controls.

The Group has expanded its event marketing and promotions business, and is building on this expertise to develop new revenue sources. We shall continue to strengthen the brand names of our titles through other events and other media promotion to build up the awareness of our brands.

“Lisa” magazine, in celebration of its 13th anniversary, has carried out a two-month promotional cover price campaign in the October and November 2002 issues, to capture new readers, expand the circulation base and generate market awareness.

Both titles have introduced new sections in the magazines, as well as a continued re-vamping process of the titles to deliver greater value to our readers.

The Group is actively preparing for the licensing of our titles, as well as other co-operations with publishers in mainland China, to develop the brands in the mainland market.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN EQUITY SECURITIES

As at 30 September 2002, the interests of the directors (“Directors”) and the chief executive of the Company and their respective associates in equity securities of the Company and its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”)) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, were as follows:

1 Shares of the Company

Name of Directors	Number of Ordinary Shares Held				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Mr. Ng Hung Sang, Robert	17,886,800	—	318,132,403 (Note)	—	336,019,203
Ms. Ng Yuk Mui, Jessica	40,000	—	—	—	40,000

Note:

The 318,132,403 shares referred to above include 92,966,000 shares held by Parkfield Holdings Limited (“Parkfield”), 99,012,563 shares held by Fung Shing Group Limited (“Fung Shing”), 4,166,400 shares held by Ronastar Investments Limited (“Ronastar”) and 121,987,440 shares held by Eartrade Investments Limited (“Eartrade”), which is owned as to 60%, 20% and 20% by Mr. Ng Hung Sang, 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, none of the Directors or chief executive of the Company or their respective associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or its associated corporations as at 30 September 2002 as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules.

2 Share options

Pursuant to the employee share option scheme adopted by the Company on 20 December 2001 (the principal terms are summarised under the sub-section headed “Share Option Scheme” in Appendix IV to the Prospectus), the following Directors were granted share options for nominal consideration to subscribe for shares in the Company, details of which are as follows:

Name of Directors	As at 1.1.2002	Number of Share Options		As at 30.9.2002
		Granted on 15.4.2002 at exercise price* of HK\$0.69 per share (Note b)	Granted on 2.9.2002 at exercise price* of HK\$0.31 per share (Note c)	
Ms. Foo Kit Tak	—	1,600,000	1,600,000	3,200,000
Ms. Cheung Mei Yu	—	1,600,000	1,600,000	3,200,000

Notes:

(a) The vesting period of the share options is from the date of grant till the commencement of the exercise period.

(b) The share options are exercisable during the period from 15 April 2003 to 19 December 2011.

(c) The share options are exercisable during the period from 2 September 2003 to 19 December 2011.

* the exercise price is subject to adjustment.

None of the above options have been exercised during the nine months ended 30 September 2002.

Save as disclosed above, none of the Directors or chief executive of the Company or their spouse or children under the age of 18 was granted by the Company or any of its subsidiaries any right to subscribe for equity or debt securities of the Company, nor had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2002, the interests of every person (other than the Directors and chief executive of the Company whose interests are disclosed above), being 10% or more in the issued share capital of the Company as recorded in the register kept by the Company pursuant to Section 16(1) of the SDI Ordinance, were as follows:

Name	Number of Shares Held	Approximate Percentage of Shareholding
Parkfield	92,966,000 (Note a)	18.4%
Fung Shing	99,012,563 (Note a)	19.6%
Earntrade	121,987,440 (Note b)	24.1%
Bannock	59,325,840 (Note b)	11.7%

Notes:

(a) Each of Parkfield and Fung Shing is wholly owned by Mr. Ng Hung Sang, Robert.

(b) Bannock is a wholly owned subsidiary of Earntrade. The 121,987,440 shares referred to above include the 59,325,840 shares held by Bannock. Earntrade is owned as to 60%, 20% and 20% by Mr. Ng Hung Sang, Robert, Ms. Cheung Choi Ngor, Christina and Mr. Richard Howard Gorges, all of them are directors of South China Holdings Limited, respectively.

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 30 September 2002.

SPONSOR'S INTEREST

As at 30 September 2002, neither Deloitte & Touche Corporate Finance Ltd ("Deloitte"), nor its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) 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.

Pursuant to the sponsor agreement dated 31 December 2001 entered into between Deloitte and the Company, Deloitte has received and will receive fees for acting as the Company's sponsor for the period up to 31 December 2004 or until the termination of the sponsor agreement upon the terms and conditions as set out therein.

COMPETING INTEREST

Save as disclosed in the Prospectus, none of the directors or chief executives of the Group, 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.

BOARD PRACTICES AND PROCEDURES

The Company has complied with the Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the shares of the Company were listed on GEM of the Stock Exchange on 8 January 2002.

AUDIT COMMITTEE

The Company established an audit committee on 4 September 2001 with written terms of reference in compliance with Rules 5.23 to 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 of the Group. The audit committee comprises two members, Mr. So Siu Ming, George and Ms. Pong Oi Lan, Scarlett, who are independent non-executive directors of the Company.

The Group's unaudited results for the three months and nine months ended 30 September 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 GEM on 8 January 2002 by way of placement. Neither the Company nor any of its subsidiaries has 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
11 November 2002