



JESSICA PUBLICATIONS LIMITED

(Incorporated in the Cayman Islands with limited liability)

FIRST QUARTERLY REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2003

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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 ended 31 March 2003, together with the comparative unaudited figures for the corresponding period in 2002, are as follows:

CONSOLIDATED INCOME STATEMENT - UNAUDITED

		Three months ended	
		31 March	
		2003	2002
	Notes	HK\$'000	HK\$'000
Turnover	2	6,573	5,223
Direct operating expenses		(4,442)	(3,170)
Other operating income		49	17
Selling and distribution costs		(1,574)	(1,143)
Administrative expenses		(952)	(1,139)
		<hr/>	<hr/>
Net Loss before taxation	3	(346)	(212)
Taxation	4	—	—
		<hr/>	<hr/>
Net Loss attributable to shareholders		(346)	(212)
Accumulated deficit, beginning of period		(4,292)	(2,365)
Dividend	5	—	—
		<hr/>	<hr/>
Accumulated deficit, end of period		(4,638)	(2,577)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share - Basic	6	HK(0.07) cents	HK(0.04) cents
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1 BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 29 June 2001 as an exempted limited company 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.

The unaudited consolidated income statement for the three months ended 31 March 2003 has not been audited by the Company's auditors but has 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 2002. The unaudited consolidated income statement has 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

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

	Three months ended	
	31 March	
	2003	2002
	HK\$'000	HK\$'000
Sales of magazines	2,197	2,257
Advertising income	4,193	2,966
Promotion and marketing income	183	—
	<u>6,573</u>	<u>5,223</u>

During the three months ended 31 March 2003, the Group's revenue from advertising barter transactions was nil (three months ended 31 March 2002: HK\$12,800).

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

3 NET LOSS BEFORE TAXATION

Net loss before taxation has been arrived at after charging:

	Three months ended	
	31 March	
	2003	2002
	HK\$'000	HK\$'000
Staff cost including directors' emoluments	1,976	1,161
Retirement benefits scheme contributions	87	61
	<u>2,063</u>	<u>1,222</u>
Allowance for bad and doubtful debts	20	—
Depreciation	34	5
Auditors' remuneration	75	60
	<u>2,192</u>	<u>1,287</u>

4 TAXATION

No Hong Kong profits tax was provided because the Group had no assessable profit arising in or derived from Hong Kong during the three months ended 31 March 2003 (three months ended 31 March 2002: Nil).

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

	Three months ended	
	31 March	
	2003	2002
	HK\$'000	HK\$'000
Tax losses	<u>56</u>	<u>33</u>

5 DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the three months ended 31 March 2003 (three months ended 31 March 2002: Nil).

6 LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2003 is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$346,000 (three months ended 31 March 2002: loss of approximately HK\$212,000) and on the weighted average number of 506,479,876 shares in issue (2002: 504,791,610 shares deemed to be in issue throughout the period).

No diluted loss per share is presented because the exercise prices of the Company's options were higher than the average market price per share during the three months ended 31 March 2003, and there were no dilutive potential ordinary shares in existence during the three months ended 31 March 2002.

7 MOVEMENT OF RESERVES

Movements of reserves were:

	Three months ended 31 March				2002
	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated deficit <i>HK\$'000</i>	Total <i>HK\$'000</i>	
THE GROUP					
At 1 January	9,169	(510)	(4,292)	4,367	(2,821)
Premium arising from the issue of shares by means of placing	—	—	—	—	12,612
Expenses incurred in connection with the issue of shares	—	—	—	—	(3,497)
Net loss attributable to shareholders	—	—	(346)	(346)	(212)
	<u>9,169</u>	<u>(510)</u>	<u>(4,638)</u>	<u>4,021</u>	<u>6,082</u>
At 31 March	<u>9,169</u>	<u>(510)</u>	<u>(4,638)</u>	<u>4,021</u>	<u>6,082</u>
	Three months ended 31 March				2002
	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated deficit <i>HK\$'000</i>	Total <i>HK\$'000</i>	
THE COMPANY					
At 1 January		9,169	(379)	8,790	(83)
Premium arising from the issue of shares by means of placing		—	—	—	12,612
Expenses incurred in connection with the issue of shares		—	—	—	(3,497)
Net loss attributable to shareholders		—	(61)	(61)	(49)
		<u>9,169</u>	<u>(440)</u>	<u>8,729</u>	<u>8,983</u>
At 31 March		<u>9,169</u>	<u>(440)</u>	<u>8,729</u>	<u>8,983</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The first quarter of 2003 was a difficult one for the whole of Hong Kong.

For the three months ended 31 March 2003, the turnover of the Group was approximately HK\$6.6 million, representing an approximate 26% increase on the same period in 2002.

Advertising spending in magazines decreased in general given the weak economy, but “旭茉JESSICA” magazine continued to experience significant advertising revenue growth as compared to the same period last year, despite this traditionally low quarter. “味道LISA” magazine sustained growth in its circulation income and volume, and paved way for new developments as a bi-weekly.

Net loss of the Group for the three months ended 31 March 2003 amounted to approximately HK\$346,000 (three months ended 31 March 2002: net loss of approximately HK\$212,000), with the positive indicator that “旭茉JESSICA” magazine was profitable at the operating level during this period. According to the official Hong Kong Audit Bureau of Circulations, “旭茉JESSICA” magazine continues to be the leading circulation women’s glossy magazine with an average monthly circulation of approximately 60,000 copies, for the 12 months from January to December 2002. The audited circulation for “味道LISA” magazine was also recently published, with an average monthly circulation of approximately 41,000 copies, for the 6 months from July to December 2002.

During the first quarter, the Group prepared for the launch of its new title, an extension of the “旭茉JESSICA” brand, “JESSICACODE” magazine, a mass circulation glossy magazine with a fun-loving and entertaining approach to fashion and beauty, targeting readers between the ages of 18 to 35+.

LIQUIDITY AND FINANCIAL RESOURCES

During the three months ended 31 March 2003, 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. Meanwhile, the Group invested approximately HK\$0.2 million in developing the new title, “JESSICACODE” magazine that was launched in April 2003 during the current period.

As at 31 March 2003, the Group had net current assets of approximately HK\$3.9 million (31 December 2002: net current assets of HK\$4.3 million). The current assets comprised bank balances and cash of approximately HK\$6.5 million, trade and other receivables of approximately HK\$5.4 million. The current liabilities comprised trade payables, accruals and other payables of approximately HK\$7.3 million and receipts in advance of approximately HK\$0.7 million.

As at 31 March 2003, 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. Therefore, the gearing ratio of the Group, which is measured by bank borrowings net of cash and bank balance to shareholders' equity, has remained zero.

During the three months ended 31 March 2003, the Group did not make any material acquisitions and disposals of subsidiaries and affiliated companies and investment.

As at 31 March 2003, (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 had no significant investment held.

The Board is of the opinion that the Group has sufficient working capital for its present requirements. To the extent that the Group's cash resources are not immediately required for its ongoing operating and development requirements, such amounts are placed on time deposit with banks in Hong Kong.

SIGNIFICANT INVESTMENT PLANS

As at 31 March 2003, the Group did not have any significant investment plans, 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").

PROSPECTS

Despite the effects of the severe acute respiratory syndrome ("SARS") on Hong Kong, advertising revenues have been slightly affected by the fall in retail and other businesses, but magazine circulation income remain strong. The April 2003 advertising revenues for "旭茉JESSICA" magazine, reached another record high, showing the magazines rising platform, and secured position in the market. It is our focus over the next quarter, to develop other channels of revenues to make up these gaps.

In April 2003, "味道LISA" magazine was re-launched as a bi-weekly. We believe that this will give us greater economies of scale, and better match the needs of both advertisers and readers, thus strengthening the business model of this magazine.

"JESSICACODE" magazine was launched as an independent monthly in April 2003, despite the very weak market environment, with very positive results in terms of circulation and positive participation from advertisers. We expect this magazine to perform well in terms of circulation and advertising, and contribute to the bottom line of the Group soon, as well as strengthening the brand name of "旭茉JESSICA" .

Meanwhile, we believe the worst effect of SARS on our business would be over and we are positive about the business for the rest of the year. We shall continue to look closely at costs in working towards satisfactory returns to shareholders.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN EQUITY SECURITIES

As at 31 March 2003, the interests of the directors and the chief executive of the Company and their respective associates in the shares and options of the Company and its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) (repealed with the coming into effect of the Securities and Futures Ordinance with effect from 1 April 2003) 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, Jessica Yuk Mui	104,000	—	—	—	104,000

Note: The 318,132,403 shares referred to above included 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"). Eartrade 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 ("South China Holdings"), respectively. The 121,987,440 shares referred to above included 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.

2 Directors' right to acquire shares

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	Number of share options outstanding as at 31/3/2003	Date of grant of share options (Note a)	Exercise period of share options	Initial exercise price per share option (Note b) HK\$
Ms. Foo Kit Tak	1,600,000	15/4/2002	15/4/2003 — 7/1/2012	0.69
	1,600,000	2/9/2002	2/9/2003 — 7/1/2012	0.31
Ms. Cheung Mei Yu	1,600,000	15/4/2002	15/4/2003 — 7/1/2012	0.69
	1,600,000	2/9/2002	2/9/2003 — 7/1/2012	0.31

Notes:

- (a) The vesting period of the share options is from the date of grant till the commencement of the exercise period.
- (b) The exercise price is subject to adjustment.

Save as disclosed above, during the three months ended 31 March 2003, none of the directors or chief executive of the Company nor their respective associates were granted options to subscribe for shares of the Company, nor had exercised such rights.

Save as disclosed above, none of the directors or chief executive of the Company nor their respective associates had, as at 31 March 2003, any personal, family, corporate or other interests in the equity securities of the Company or any of its associated corporations 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, the following shareholders had an interest of 10% or more in the share capital of the Company:

Name of shareholders	Number of ordinary share held	Approximate percentage of issued shares capital	<i>Note</i>
Mr. Ng Hung Sang, Robert	336,019,203	66.3%	(a)
Parkfield	92,966,000	18.4%	(a)
Fung Shing	99,012,563	19.6%	(a)
Earntrade	121,987,440	24.1%	(b)
Bannock	59,325,840	11.7%	(b)

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 Earntrade, 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, respectively. Each of Parkfield, Fung Shing and Ronastar is wholly owned by Mr. Ng Hung Sang, Robert.
- (b) Earntrade 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 2003.

SPONSOR'S INTEREST

Pursuant to the agreement dated 27 November 2002 entered into between the Company and MasterLink Securities (Hong Kong) Corporation Limited ("MasterLink"), MasterLink has received and will receive fees for acting as the Company's continuing sponsor for the period from 26 November 2002 to 31 December 2004 or until the termination of the agreement upon the terms and conditions as set out therein.

As updated and notified by MasterLink, MasterLink, its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules), as at 31 March 2003, did not have 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 INTERESTS

Mr. Ng Hung Sang, Robert, Chairman and management shareholder of the Company, is also Chairman of South China Holdings and Co-Chairman of Capital Publications Limited ("Capital"). Mr. Ng Hung Sang, Robert, personally and through Parkfield, Fung Shing and Ronastar, has interest in South China Holdings and Capital. Mr. Ng Hung Sang, Robert together with Ms. Cheung Choi Ngor, Christina and Mr. Richard Howard Gorges, management shareholders of the Company, have beneficial interests in Eartrade, which directly and indirectly through Bannock holds shares in South China Holdings and Capital. Ms. Cheung Choi Ngor, Christina, who was an ex-director of Capital Publishing Limited, a wholly owned subsidiary of Capital and Mr. Richard Howard Gorges, are also directors of various members of South China Group. As Capital and certain members of South China Media Limited, a subsidiary of South China Holdings, are principally engaged in magazine publication, Mr. Ng Hung Sang, Robert, Ms. Cheung Choi Ngor, Christina and Mr. Richard Howard Gorges are regarded to be interested in such competing businesses of the Group. Likewise, Ms. Ng, Jessica Yuk Mui, Chief Executive Officer of the Company, is also director of certain members of South China Media Limited.

Save as disclosed above and 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, 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 2003 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 THE COMPANY'S Listed SECURITIES

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 listed securities 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
9 May 2003