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JESSICA

JESSICA PUBLICATIONS LIMITED

2005
Third Quarterly Report



JESSICA PUBLICATIONS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8137)

THIRD QUARTERLY REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2005

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 of the Stock Exchange 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.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors 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 and nine months ended 30 September 2005, together with the comparative unaudited figures for the corresponding periods in 2004, as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Three months ended 30 September		Nine months ended 30 September	
		2005 <i>HK\$'000</i> (Unaudited)	2004 <i>HK\$'000</i> (Restated)	2005 <i>HK\$'000</i> (Unaudited)	2004 <i>HK\$'000</i> (Restated)
Turnover	2 & 4	25,315	25,875	67,033	56,727
Direct operating expenses		(18,132)	(18,505)	(46,280)	(41,445)
Other operating income		134	9	166	66
Selling and distribution costs		(4,894)	(5,711)	(13,940)	(13,572)
Administrative expenses		(2,030)	(2,266)	(5,434)	(6,212)
Profit (loss) before taxation	3 & 4	393	(598)	1,545	(4,436)
Income tax expenses	5	–	–	–	–
Profit (loss) for the period		393	(598)	1,545	(4,436)
Attributable to:					
Equity holders of the Company		393	390	1,545	(1,892)
Minority interest		–	(988)	–	(2,544)
		393	(598)	1,545	(4,436)
Basic earnings (loss) per share	7	HK0.08 cent	HK0.08 cent	HK0.30 cent	HK(0.37) cent

Notes:

1 BASIS OF PRESENTATION

The unaudited consolidated income statements for the three and nine months ended 30 September 2005 have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

The unaudited consolidated income statements have been prepared in accordance with accounting principles generally accepted in Hong Kong, accounting standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the GEM Listing Rules.

In 2005, the Group has adopted all new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKAS") (herein collectively referred to as "new HKFRSs") which are effective for periods beginning or after 1 January 2005. The relevant new HKFRSs are set out below:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings Per Share
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKFRS 2	Share-based Payments

The comparative figures had been amended in accordance with HKFRS 3 (which the Group had early adopted as disclosed in the 2004 audited financial statements). The change had resulted in an increase in profit of HK\$322,000 and HK\$644,000 for the three and nine months ended 30 September 2004 respectively.

The accounting policies which have material impacts on the Group are set out below:

The adoption of HKFRS 2 has resulted in a change in accounting policy for employee share options. Prior to this, the provision of share options to employees did not result in a charge to the income statement. Following the adoption of HKFRS 2, the fair value of share options at grant date is amortised over the relevant vesting periods to the income statement. HKFRS 2 has been applied retrospectively for all equity instruments granted to directors and employees not vested at 1 January 2005.

The effect on adopting HKFRS 2 on the consolidated income statement for the three and nine months ended 30 September 2005 and 30 September 2004 are shown below:

	Three months ended		Nine months ended	
	30 September		30 September	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Decrease in profit for the period	23	126	129	466

The adoption of other new HKFRSs does not result in substantial changes to the Group's accounting policies except certain presentation and disclosure of the accounts would be affected.

2 TURNOVER

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

	Three months ended 30 September		Nine months ended 30 September	
	2005 <i>HK\$'000</i> (Unaudited)	2004 <i>HK\$'000</i> (Unaudited)	2005 <i>HK\$'000</i> (Unaudited)	2004 <i>HK\$'000</i> (Unaudited)
Sales of magazines	6,051	6,437	16,759	14,117
Advertising income	14,575	14,314	40,677	32,943
Promotion and marketing income	4,689	5,124	9,597	9,667
	<u>25,315</u>	<u>25,875</u>	<u>67,033</u>	<u>56,727</u>

3 PROFIT (LOSS) BEFORE TAXATION

During the three and nine months ended 30 September 2005, profit (loss) before taxation is arrived at after charging depreciation of approximately HK\$129,000 and HK\$402,000 respectively (three and nine months ended 30 September 2004: HK\$104,000 and HK\$248,000 respectively) in respect of the Group's property, plant and equipment.

4 (a) GEOGRAPHICAL SEGMENTS

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

	Three months ended 30 September		Nine months ended 30 September	
	2005 <i>HK\$'000</i> (Unaudited)	2004 <i>HK\$'000</i> (Unaudited)	2005 <i>HK\$'000</i> (Unaudited)	2004 <i>HK\$'000</i> (Unaudited)
Hong Kong	17,095	16,593	44,505	40,152
Other regions of the People's Republic of China (the "PRC") ("Mainland China")	8,220	9,282	22,528	16,575
	<u>25,315</u>	<u>25,875</u>	<u>67,033</u>	<u>56,727</u>

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

	Three months ended 30 September		Nine months ended 30 September	
	2005 <i>HK\$'000</i> (Unaudited)	2004 <i>HK\$'000</i> (Restated)	2005 <i>HK\$'000</i> (Unaudited)	2004 <i>HK\$'000</i> (Restated)
Hong Kong	1,838	1,041	3,548	658
Mainland China	(1,445)	(1,639)	(2,003)	(5,094)
	<u>393</u>	<u>(598)</u>	<u>1,545</u>	<u>(4,436)</u>

* Turnover and profit (loss) contribution by geographical location is determined on the basis of the destination of delivery of magazines and publication of advertisements.

(b) BUSINESS SEGMENTS

The Group's turnover and results are substantially derived from the magazine publishing and advertising business. Accordingly, no analysis by business segment is presented.

5 INCOME TAX EXPENSES

No Hong Kong profits tax was provided as each of the companies comprising the Group had no estimated assessable profit arising in or derived from Hong Kong during the three and nine months ended 30 September 2005 (three and nine months ended 30 September 2004: Nil). The PRC enterprise income tax is calculated at the rates prevailing in the relevant region.

6 DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the nine months ended 30 September 2005 (nine months ended 30 September 2004: Nil).

7 EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share for the three and nine months ended 30 September 2005 are based on the profit attributable to the equity holders of the Company of HK\$393,000 and HK\$1,545,000 respectively (three and nine months ended 30 September 2004: profit of HK\$390,000 and loss of HK\$1,892,000 respectively) and on 506,639,716 shares in issue (three and nine months ended 30 September 2004: 506,639,716 shares).

For the three months ended 30 September 2004 and the three and nine months ended 30 September 2005, no diluted earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares.

For the nine months ended 30 September 2004, no diluted loss per share has been presented as it is anti-dilutive.

8 MOVEMENT OF RESERVES

There is no movement of the reserves of the Group except the profit of current period.

9 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the nine months ended 30 September 2005, the Group reported turnover of HK\$67 million, an increase of 18.2% from HK\$56.7 million for the same period last year. The Group reported a profit of HK\$1.5 million, a turnaround from a loss of HK\$4.4 million for the same period last year.

The three months ended 30 September 2005 saw a minor decline in the Group's turnover to HK\$25.3 million, representing a decrease of HK\$0.6 million or 2.3% when compared to the same period ended 30 September 2004. Net profit for the three months ended 30 September 2005 was HK\$0.4 million, a turnaround from the loss of HK\$0.6 million for the same period last year.

Hong Kong Operations

Hong Kong operations (comprising of the three magazines namely “旭茉JESSICA”, “旭茉JESSICACODE” and “JESSICA'S 味道LISA”) reported a profit of HK\$3.5 million for the period as compared with profit of HK\$0.7 million in the corresponding period of 2004. This was mainly due to the healthy growth in advertising revenue of 17.2% compared with the same period last year.

PRC Operations

PRC operations (presently comprising of the three magazines namely “旭茉JESSICA” China version, “完全生活手冊” and “8WEEKLY”) incurred a loss of HK\$2 million for the period as compared with loss HK\$5.1 million in the corresponding period of 2004. Advertising and circulation revenue of the two magazines, “完全生活手冊” and “8WEEKLY”, rose 42.2% and 45.4% year-on-year respectively, mainly due to the increase in publication frequency of “8WEEKLY” from monthly to bi-weekly.

In the third quarter of 2005, we launched our China version of “旭茉JESSICA” magazine into the PRC market. We are optimistic about the development of the women's glossy magazine segment of the PRC market, but we remain cautious as we are facing a steep learning curve during the initial investment period.

LIQUIDITY AND FINANCIAL RESOURCES

During the nine months ended 30 September 2005, the Group's operation was mainly financed by the internal financial resources of the Group.

As at 30 September 2005, the Group had net current liabilities of approximately HK\$0.8 million (31 December 2004: HK\$2.7 million). The current assets comprised bank balances and cash of approximately HK\$5.4 million and trade and other receivables of approximately HK\$22.3 million. The current liabilities comprised trade payables, accruals and other payable of approximately HK\$28.5 million.

As the Group had no bank borrowings, no gearing ratio is presented at 30 September 2005.

The Board is of the opinion that the Group has sufficient working capital for its present requirements.

PROSPECTS

We expect the remainder of the fourth quarter to reflect the overall trend seen in the first nine months of 2005 for both Hong Kong and PRC operations.

Hong Kong Operations

“旭茉JESSICA”, “旭茉JESSICACODE” and “JESSICA’S 味道LISA” will continue to enjoy market leading positions for their respective market segments. As 2006 is expected to be a strong year for advertising, our current strategy will be to expand the sales and marketing team, while controlling production and printing costs.

PRC Operations

PRC operations will continue to ride on the booming market environment which is expected to attract many new market entrants. As fierce competition takes place, management will continue to strive to maintain readership share with proactive marketing strategies.

“旭茉JESSICA” China version is our promising new project in the PRC, and our first step will be to focus on circulation strategy. Our target is to get our quality product to quality readers throughout the major cities of the PRC.

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

As at 30 September 2005, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

Name of director	Capacity	Number of ordinary shares of the Company held	Approximate percentage of shareholding
Mr. Ng Hung Sang, Robert	Beneficial owner	18,102,800	3.57%
	Corporate interest	318,132,403	62.79%
		(Note)	
Ms. Ng, Jessica Yuk Mui	Beneficial owner	440,000	0.09%

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, 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 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, Robert.

All interests disclosed above represent long position in the shares of the Company.

Save as disclosed above and the interests as disclosed under the section headed “Share Option Scheme” below, none of the directors or chief executives of the Company had, as at 30 September 2005, 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.

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 nine months ended 30 September 2005 were as follows:–

Name or category of participant	Held as at 1/1/2005	Number of share options					Date of grant of share options (Note a)	Exercise period of share options	Price of the Company's shares		
		Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30/9/2005			Initial exercise price per share option (Note b) HK\$	Immediately preceding the grant date of share options (Note c) HK\$	Immediately preceding the exercise date of share options HK\$
Director											
Ms. Foo Kit Tak	1,600,000	–	–	–	–	1,600,000	15/4/2002	15/4/2003 – 7/1/2012	0.69	0.68	N/A
	1,600,000	–	–	–	–	1,600,000	2/9/2002	2/9/2003 – 7/1/2012	0.31	0.30	N/A
Ms. Cheung Mei Yu	1,600,000	–	–	–	–	1,600,000	15/4/2002	15/4/2003 – 7/1/2012	0.69	0.68	N/A
	1,600,000	–	–	–	–	1,600,000	2/9/2002	2/9/2003 – 7/1/2012	0.31	0.30	N/A
Sub-total	<u>6,400,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,400,000</u>					
Employees											
In aggregate	1,760,000	–	–	(160,000)	–	1,600,000	15/4/2002	15/4/2003 – 7/1/2012	0.69	0.68	N/A
	2,560,000	–	–	(160,000)	–	2,400,000	2/9/2002	2/9/2003 – 7/1/2012	0.31	0.30	N/A
Sub-total	<u>4,320,000</u>	<u>–</u>	<u>–</u>	<u>(320,000)</u>	<u>–</u>	<u>4,000,000</u>					
Others											
In aggregate	3,440,000	–	–	(240,000)	–	3,200,000	15/4/2002	15/4/2003 – 7/1/2012	0.69	0.68	N/A
	1,013,440	–	–	(160,000)	–	853,440	2/9/2002	2/9/2003 – 7/1/2012	0.31	0.30	N/A
Sub-total	<u>4,453,440</u>	<u>–</u>	<u>–</u>	<u>(400,000)</u>	<u>–</u>	<u>4,053,440</u>					
Total	<u>15,173,440</u>	<u>–</u>	<u>–</u>	<u>(720,000)</u>	<u>–</u>	<u>14,453,440</u>					

Notes:

- (a) The vesting period of the share options is the period from the date of grant until the commencement of the exercise period. All share options referred to above are subject to one year's vesting period. The share options may be exercised, 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 exercise price is subject to adjustment. Provided always that any part of the share options not exercised in full in accordance with the periods specified above shall remain exercisable during the exercise period of share options but the exercise price shall be adjusted by increasing 5% per annum (on a cumulative basis) until such time as the relevant portion of the share options shall have been fully exercised or lapsed in accordance with the Scheme.
- (c) 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.
- (d) No consideration in respect of share options was received because no share options were granted during the nine months ended 30 September 2005.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2005, the following persons, other than the directors or chief executives of the Company, had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:—

Name of shareholder	Capacity	Number of ordinary shares of the Company held	Approximate percentage of shareholding
Parkfield	Beneficial owner	92,966,000 (<i>Note a</i>)	18.35%
Fung Shing	Beneficial owner	99,012,563 (<i>Note a</i>)	19.54%
Earntrade	Beneficial owner	62,661,600 (<i>Note b</i>)	12.37%
	Corporate interest	59,325,840 (<i>Note b</i>)	11.71%
Bannock	Beneficial owner	59,325,840 (<i>Note b</i>)	11.71%

Notes:

- (a) Each of Parkfield and Fung Shing is wholly owned by Mr. Ng Hung Sang, Robert, Chairman of the Company.
- (b) 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, 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.
- (c) All interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, as at 30 September 2005, 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 as recorded in the register required to be kept by the Company under Section 336 of the SFO.

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 Earntrade, which directly and indirectly through Bannock holds shares in South China Holdings and Capital. Ms. Cheung Choi Ngor, Christina, who is 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 Holdings. 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 competing business of the Group. In addition, Ms. Jessica, Ng Yuk Mui, a non-executive director of the Company, is also a non-executive director of South China Holdings and Capital. 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 Capital. They are therefore regarded to be interested in competing business of the Group.

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 nine months ended 30 September 2005.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with 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 independent non-executive directors, namely Mr. So, George Siu Ming, Ms. Pong Oi Lan, Scarlett and Mr. Cheng Yuk Wo. Mr. So, George Siu Ming is the chairman of the audit committee.

The Group's unaudited results for the three and nine months ended 30 September 2005 have been reviewed by the audit 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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2005.

On behalf of the Board
Ng Hung Sang, Robert
Chairman

Hong Kong, 8 November 2005

As at the date of this report, the Board of the Company comprises (1) Mr. Ng Hung Sang, Robert, Mr. Ng Yuk Fung, Peter, Ms. Foo Kit Tak and Ms. Cheung Mei Yu as executive directors; (2) Ms. Ng, Jessica Yuk Mui as non-executive director; and (3) Mr. So, George Siu Ming, Ms. Pong Oi Lan, Scarlett and Mr. Cheng Yuk Wo as independent non-executive directors.