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JESSICA

JESSICA PUBLICATIONS LIMITED

Stock Code : 8137

2006
First Quarterly Report



JESSICA PUBLICATIONS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8137)

FIRST QUARTERLY REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2006

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 (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 (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 GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, 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.

UNAUDITED CONSOLIDATED 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 the “Group”) for the three months ended 31 March 2006 together with the comparative unaudited figures for the corresponding period of last financial year as follows:

CONSOLIDATED INCOME STATEMENT – UNAUDITED

		Three months ended	
		31 March	
		2006	2005
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	19,541	18,868
Direct operating expenses		(16,770)	(13,481)
Other operating income		49	662
Selling and distribution costs		(5,133)	(4,758)
Administrative expenses		(2,089)	(1,608)
		<hr/>	<hr/>
Loss before income tax	3	(4,402)	(317)
Income tax expense	5	–	–
		<hr/>	<hr/>
Loss for the period		<u>(4,402)</u>	<u>(317)</u>
Attributable to:			
Equity holders of the Company		(4,402)	(317)
Minority interests		–	–
		<hr/>	<hr/>
		<u>(4,402)</u>	<u>(317)</u>
Basic loss per share for loss attributable to the equity holders of the Company during the period			
	7	<u>HK(0.87) cent</u>	<u>HK(0.06) cent</u>

Notes:

1. BASIS OF PRESENTATION

The unaudited consolidated income statement for the three months ended 31 March 2006 has not been audited by the Company’s auditors but has been reviewed by the Company’s audit committee.

These quarterly financial statements should be read in conjunction with the 2005 annual report.

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.

The accounting policies and methods of computation used in the preparation of the quarterly financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2005.

2. REVENUE

	Three months ended 31 March	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Sales of magazines	5,617	5,351
Advertising income	12,594	11,475
Promotion and marketing income	1,330	2,042
	<u>19,541</u>	<u>18,868</u>

3. LOSS BEFORE INCOME TAX

During the three months ended 31 March 2006, loss before income tax is arrived at after charging depreciation of approximately HK\$138,000 (three months ended 31 March 2005: HK\$133,000) in respect of the Group's property, plant and equipment.

4. SEGMENT INFORMATION

(a) Geographical segments

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

	Turnover Three months ended 31 March		Profit (Loss) Three months ended 31 March	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Hong Kong	12,905	11,950	(2,056)	236
Other regions of the People's Republic of China (the "PRC")	<u>6,636</u>	<u>6,918</u>	<u>(2,346)</u>	<u>(553)</u>
	<u>19,541</u>	<u>18,868</u>	<u>(4,402)</u>	<u>(317)</u>

* *Turnover and profit (loss) 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 EXPENSE

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 months ended 31 March 2006 (three months ended 31 March 2005: Nil). The PRC enterprise income tax is calculated at the rates prevailing in the relevant region.

6. DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the three months ended 31 March 2006 (three months ended 31 March 2005: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2006 is based on the loss attributable to the equity holders of the Company of HK\$4,402,000 (three months ended 31 March 2005: HK\$317,000) and on 506,639,716 shares in issue (three months ended 31 March 2005: 506,639,716 shares).

No diluted loss per share for the three months ended 31 March 2006 and 2005 has been presented because the exercise of the Company's share options will reduce loss per share.

8. MOVEMENT OF RESERVES

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The first quarter of 2006, the Group recorded turnover of HK\$19.5 million, comprised of HK\$12.9 million from Hong Kong operations, a year-on-year increase of 7.5%, and HK\$6.6 million from the PRC operations, a year-on-year decrease of 4.3%. During the period, the Group recorded a loss of HK\$4.4 million, as compared with a loss of HK\$0.3 million in 2005. The net loss of the Hong Kong operations was HK\$2.1 million, and the net loss of the PRC operations share of the Group was HK\$2.3 million.

In the first quarter of 2006, both “旭茉JESSICA” and “旭茉JESSICACODE” experienced significant circulation growth. The management team focused on further investing into and fortifying the existing robust circulation base of the magazines.

The print run of “旭茉JESSICA” since January 2006, has exceeded the 100,000 copy point, owing to its continued successful joint promotion program with Hang Seng Bank. This did however, result in markedly increased printing expenses. Owing to the nature of the low season in the advertising industry, and an early Chinese New Year this year, advertising revenues generated were not yet able to reflect the significant increase in circulation of the magazine. The latest HKABC audited figures of “旭茉JESSICA” published for the year 1 January 2005 to 31 December 2005 was 87,753 copies, again reinforcing its position as Hong Kong's number 1 monthly.

In March, the ‘mini’ edition of “旭茉JESSICACODE” was launched. The smaller travel-size version of the magazine was very well received in the market, and the magazine has likewise seen strong circulation growth.

Overall, the Hong Kong operations enjoyed an incremental but promising growth in advertising income and advertising rates, across our three titles.

In the PRC, our JESSICA China venture is at an investment stage, with growth in circulation, and some slight improvement in advertising dollar. The performance of our two existing titles “完全生活手冊Paralife” and “捌週刊8 Weekly” remained steady over the period.

LIQUIDITY AND FINANCIAL RESOURCES

During the three months ended 31 March 2006, the Group's operation was mainly financed by the internal financial resources of the Group.

As at 31 March 2006, the Group had net current liabilities of HK\$3.3 million (31 December 2005: net current assets of HK\$1 million). The current assets comprised bank balances and cash of HK\$5.9 million, trade and other receivables of HK\$18.5 million and amount due from a related company of HK\$0.3 million. The current liabilities comprised trade payables, other payables, accrued expenses and receipts in advance of HK\$28 million.

As at 31 March 2006, 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 31 March 2006.

As at 31 March 2006, (i) the Group had no significant exposure to fluctuations in exchange rates and any related hedges; and (ii) the Group had no charges on its assets and did not have any contingent liabilities.

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

PROSPECTS

The Group's operations in Hong Kong are expected to improve with the increase in advertising spending, resulting from continued buoyancy in the Hong Kong economy, and a pick up in the advertising spending season. The management team's key focus now is to increase the yield per advertising page, to reflect the circulation results achieved. We are confident that the increased printing expenses as a result of the increased circulation will pay off in the long run, as we continue to secure our dominant positions in the women's glossy magazine market in Hong Kong.

The Group's PRC portfolio is currently still at an early stage of development, and management will continue to build up its advertising revenues and circulation base, to see that our magazines contribute to the bottom-line.

As always, tight cost control measures will be implemented to ensure that the Group brings satisfactory returns to our shareholders.

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

As at 31 March 2006, 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

Name of Director	Capacity	Number of Ordinary Shares				Total	Approximate % of Shareholding
		Personal Interests	Family Interests	Corporate Interests	Other Interests		
Ng Hung Sang	Beneficial owner	18,102,800	–	318,132,403 <i>(Note)</i>	–	336,235,203	66.37%
Ng Yuk Mui, Jessica	Beneficial owner	440,000	–	–	–	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 Eartrade Investments Limited (“Eartrade”), 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 Eartrade. 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 movement of the outstanding share options granted under the Scheme during the three months ended 31 March 2006 were as follows:—

Name or category of participant	Number of share options						Date of grant of share options (Note a)	Exercise period of share options	Exercise price per share option HK\$	Price immediately preceding the grant date of share options (Note b) HK\$	Price immediately preceding the exercise date of share options (Note c) HK\$
	Outstanding as at 01/01/2006	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 31/03/2006					
<i>Directors</i>											
Foo Kit Tak	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	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					
<i>Employees</i>											
In aggregate	1,440,000	-	-	-	-	1,440,000	15/04/2002	15/04/2003 – 07/01/2012	0.69	0.68	N/A
	2,240,000	-	-	(160,000)	-	2,080,000	02/09/2002	02/09/2003 – 07/01/2012	0.31	0.30	N/A
Sub-total	3,680,000	-	-	(160,000)	-	3,520,000					
<i>Others</i>											
In aggregate	3,120,000	-	-	(160,000)	-	2,960,000	15/04/2002	15/04/2003 – 07/01/2012	0.69	0.68	N/A
	853,440	-	-	-	-	853,440	02/09/2002	02/09/2003 – 07/01/2012	0.31	0.30	N/A
Sub-total	3,973,440	-	-	(160,000)	-	3,813,440					
Total	14,053,440	-	-	(320,000)	-	13,733,440					

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 month	33 $\frac{1}{3}$ %
25th – 36th month	33 $\frac{1}{3}$ %
37th – 48th month	33 $\frac{1}{3}$ %

- (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) The weighted average closing price of the shares immediately before the date on which the options were exercised.
- (d) As no share options were granted during the three months ended 31 March 2006, no consideration in respect of share options was received and the disclosure of value of options granted during the period is also not applicable.

Save as disclosed above and the interests as disclosed under the sub-section headed “Share Option Scheme”, none of the Directors or chief executives of the Company had, as at 31 March 2006, 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 31 March 2006, 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	Capacity	Number of ordinary shares	Approximate % 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%
	Interest of a controlled corporation	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, 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 59,325,840 shares of the Company held by Bannock.

Save as disclosed above, as at 31 March 2006, 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' 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 a Co-Chairman of Capital Publications Limited ("Capital"). Mr. Ng Hung Sang, personally and through Parkfield, Fung Shing and Ronastar, has interest in South China Holdings and Capital. Mr. Ng Hung Sang together with Ms. Cheung Choi Ngor 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, who is an ex-director of Capital Publishing Limited, a wholly owned subsidiary of Capital, Mr. Richard Howard Gorges, are also directors of various members of South China Holdings and Mr. Ng Yuk Fung, Peter, an Executive Director and the Chief Executive Officer of the Company, is also an Executive Director of South China Holdings and Capital. As Capital and certain members of South China Media Limited, a subsidiary of South China Holdings, are principally engaged in magazine publication, therefore Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges and Mr. Ng Yuk Fung, Peter are regarded as interested in 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 Capital. She is not regarded to have any business competing with the business of the Group since she is not involved in the day-to-day running of the 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 period ended 31 March 2006.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices of the GEM Listing Rules through the adoption of relevant practices and procedure during the three months ended 31 March 2006 with the exception that the Non-executive Directors are not appointed for a specific term, the Articles of Association of the Company does not provide that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years and that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the next following annual general meeting of the Company instead of the first general meeting of the Company after their appointment. In view of good corporate governance practices, all Non-executive Directors have agreed to comply with the GEM Listing Rules and that their term of appointment will be limited accordingly. Furthermore, every director of the Company, including those appointed for a specific term, voluntarily retires from his office by rotation at least once every three years notwithstanding that he is not required to do so by the Articles of Association of the Company.

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 first quarterly results for the three months ended 31 March 2006 were 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 were made.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the three months ended 31 March 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

As at the date of this Report, the Board comprises (1) Mr. Ng Hung Sang, Mr. Ng Yuk Fung, Peter, Ms. Foo Kit Tak and Ms. Cheung Mei Yu as Executive Directors; (2) Ms. Ng Yuk Mui, Jessica as a Non-executive Director; and (3) Mr. So Siu Ming, George, Ms. Pong Oi Lan, Scarlett and Mr. Cheng Yuk Wo as Independent Non-executive Directors.

On behalf of the Board
Ng Hung Sang
Chairman

Hong Kong, 9 May 2006