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JESSICA

JESSICA PUBLICATIONS LIMITED

Stock Code: 8137

2007

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 2007

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 the 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 hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2007, together with the comparative unaudited figures for the corresponding period in 2006, as follows:

CONSOLIDATED INCOME STATEMENT – UNAUDITED

		Three months ended	
		31 March	
	<i>Notes</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Revenue	2	16,157	19,541
Direct operating expenses		(11,815)	(16,770)
Other operating income		35	49
Selling and distribution costs		(4,101)	(5,133)
Administrative expenses		(1,319)	(2,089)
Other operating expenses		(117)	–
		<hr/>	<hr/>
Loss before income tax	3	(1,160)	(4,402)
Income tax expense	5	–	–
		<hr/>	<hr/>
Loss for the period		(1,160)	(4,402)
		<hr/>	<hr/>
Attributable to:			
Equity holders of the Company		(1,160)	(4,402)
Minority interests		–	–
		<hr/>	<hr/>
		(1,160)	(4,402)
		<hr/>	<hr/>
Basic loss per share for loss attributable to the equity holders of the Company during the period	7	HK(0.23) cent	HK(0.87) cent
		<hr/>	<hr/>

Notes:

1 BASIS OF PRESENTATION

The unaudited consolidated income statement for the three months ended 31 March 2007 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 2006 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 2006.

2 REVENUE

Revenue, which is also the Group's turnover, represents the income generated from the publication of magazines.

3 LOSS BEFORE INCOME TAX

During the three months ended 31 March 2007, loss before income tax is arrived at after charging depreciation of approximately HK\$78,000 (three months ended 31 March 2006: HK\$138,000) in respect of the Group's property, plant and equipment.

4 SEGMENT INFORMATION

(a) Geographical segments

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

	Revenue		Profit (Loss)	
	Three months ended		Three months ended	
	31 March		31 March	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hong Kong	14,945	12,905	737	(2,056)
Other regions of the People's Republic of China (the "PRC")	1,212	6,636	(1,897)	(2,346)
	<u>16,157</u>	<u>19,541</u>	<u>(1,160)</u>	<u>(4,402)</u>

* Revenue 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 revenue 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 2007 (three months ended 31 March 2006: 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 2007 (three months ended 31 March 2006: Nil).

7 LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2007 is based on the loss attributable to the equity holders of the Company of HK\$1,160,000 (three months ended 31 March 2006: HK\$4,402,000) and on 506,639,716 shares in issue (three months ended 31 March 2006: 506,639,716 shares).

No diluted loss per share for the three months ended 31 March 2007 and 2006 have 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 and Strategy

The first quarter of 2007, the Group recorded turnover of HK\$16.2 million, comprised HK\$15 million from Hong Kong operations, a year-on-year increase of 16%, and HK\$1.2 million from PRC operations, a year-on-year decrease of 82% mainly due to the divestment in a subsidiary. During the period, the Group recorded a loss of HK\$1.2 million, as compared with a loss of HK\$4.4 million in 2006. The net profit of the Hong Kong operations was HK\$0.7 million, and the net loss of the PRC operations share of the Group was HK\$1.9 million.

In the traditional low season in first quarter, our Hong Kong operations achieved a profit of HK\$0.7 million, as compared to a loss of HK\$2 million in the first quarter of 2006. The increase in net profit is largely attributable to the increase in advertising revenues from “旭莱JESSICA” and “旭莱JESSICACODE” and the decrease in printing and operating costs resulting from stringent cost control. The latest Hong Kong Audit Bureau of Circulations audited average net circulation per issue of “旭莱JESSICA” is 111,376 copies for the year from 1 January 2006 to 31 December 2006 maintaining its dominant position as Hong Kong's number one magazine circulation monthly.

Our PRC operations accounted for a turnover of HK\$1.2 million in the first quarter of 2007 representing a 82% decrease on that of the same period last year, largely due to the cessation of the business of a PRC subsidiary that was disposed of in October 2006. The net loss of our PRC operations was reduced by HK\$0.4 million to HK\$1.9 million.

LIQUIDITY AND FINANCIAL RESOURCES

During the three months ended 31 March 2007, the Group's operation was mainly financed by the internal financial resources of the Group.

As at 31 March 2007, the Group had net current liabilities of HK\$8.7 million (31 December 2006: HK\$7.6 million). The current assets comprised bank balances and cash of HK\$2.5 million and trade and other receivables of HK\$11.9 million. The current liabilities comprised trade payables, other payables, accrued expenses and receipts in advance of HK\$22.7 million and amount due to a related company of HK\$0.4 million.

As at 31 March 2007, 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 2007.

As at 31 March 2007, (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 taking into account the internal financial resources of the Group and the financial support provided by the substantial shareholder, the Group has sufficient working capital for its present requirements.

PROSPECTS

With a good start to the first quarter of 2007, the Board is optimistic towards our Hong Kong operations in the remaining months of this year. Our Group's turnover is expected to grow with the present buoyant economic environment of Hong Kong, and market share is expected to grow to reflect the standings of the individual magazines. Further streamlining of costs will be implemented, to achieve greater operational effectiveness and efficiencies.

“旭茉JESSICA” will launch its first charity “Run for Women 2007” in May to raise funds for the Hong Kong Cancer Fund, and to create greater awareness for women's concerns.

For our PRC operations, our “旭茉JESSICA” PRC edition is attaining greater recognition by both local and international brand clients, with enhanced editorial, circulation and marketing strategies. We expect advertising revenues of the PRC edition to experience rapid growth in the coming months and our management will strive to improve the operations' bottom line in this year.

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

As at 31 March 2007, 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	Number of Ordinary Shares			Approximate Percentage of Shareholding
	Beneficial Owner	Interests of Controlled Corporation(s)	Total	
Ng Hung Sang	18,102,800	318,132,403 (<i>Note</i>)	336,235,203	66.36%
Ng Yuk Mui, Jessica	1,834,000	—	1,834,000	0.36%

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, 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 Earntrade. 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 movements of the outstanding share options granted under the Scheme during the three months ended 31 March 2007 were as follows:—

Name or category of participant	Number of share options					Outstanding as at 31/03/2007	Date of grant of share options (Note a)	Exercise period of share options	Subscription price per share HK\$	Price per share immediately preceding the grant	Price per share immediately preceding the exercise
	Outstanding as at 01/01/2007	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period					date of options (Note b)	date of options (Note c)
Directors											
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					
Employees											
In aggregate	1,600,000	–	–	–	–	1,600,000	15/04/2002	15/04/2003 – 07/01/2012	0.69	0.68	N/A
	1,760,000	–	–	–	–	1,760,000	02/09/2002	02/09/2003 – 07/01/2012	0.31	0.30	N/A
Sub-total	3,360,000	–	–	–	–	3,360,000					
Others											
In aggregate	2,800,000	–	–	–	–	2,800,000	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	3,653,440	–	–	–	–	3,653,440					
Total	13,413,440	–	–	–	–	13,413,440					

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 months	33 ¹ / ₃ %
25th – 36th months	33 ¹ / ₃ %
37th – 48th months	33 ¹ / ₃ %

- (b) The price of the Shares disclosed as immediately preceding the grant date of the 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 2007, 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, none of the Directors or chief executives of the Company had, as at 31 March 2007, any interests or short position 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 2007, 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 of shareholder	Capacity	Number of ordinary shares 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%
	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 the 59,325,840 shares of the Company held by Bannock.

Save as disclosed above, as at 31 March 2007, 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' AND MANAGEMENT SHAREHOLDERS' 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 the Chairman of South China Land Limited (formerly known as Capital Publications Limited) ("SCL"). Mr. Ng Hung Sang, personally and through Parkfield, Fung Shing and Ronastar, has interest in South China Holdings and SCL. Mr. Ng Hung Sang together with Ms. Cheung Choi Ngor and Mr. Richard Howard Gorges, management shareholders of the Company and executive directors of South China Holdings, have beneficial interests in Earntrade which directly and indirectly through Bannock holds shares in South China Holdings and SCL. Since SCL and certain members of South China Media Limited, a subsidiary of South China Holdings, are principally engaged in magazine publication, Mr. Ng Hung Sang is regarded as interested in such competing business of the Group. 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 SCL, is regarded as interested in such 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 SCL. She is not regarded to have interest in any competing businesses with the Group since she is not involved in the day-to-day running of the businesses of the South China Holdings and SCL.

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 three months ended 31 March 2007.

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 2007 were reviewed by the audit committee, which 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 2007, 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 and Ms. Foo Kit Tak 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, 8 May 2007