



# CAPITAL PUBLICATIONS LIMITED

資本出版有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8155)

## FIRST QUARTERLY REPORT

FOR THE THREE MONTHS ENDED 31 MARCH 2004

### 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 Capital 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 2004, together with the comparative unaudited figures for the corresponding period in 2003, as follows:

### CONSOLIDATED INCOME STATEMENT — UNAUDITED

		<b>Three months ended</b>	
		<b>31 March</b>	
	<i>Notes</i>	<b>2004</b>	2003
		<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Turnover</b>	2	<b>2,803</b>	1,801
Direct operating expenses		<b>(1,727)</b>	(1,524)
Other operating income		—	21
Selling and distribution costs		<b>(801)</b>	(389)
Administrative expenses		<b>(553)</b>	(769)
		<hr/>	<hr/>
<b>Net loss before taxation</b>	3	<b>(278)</b>	(860)
Taxation	4	—	—
		<hr/>	<hr/>
<b>Net loss attributable to shareholders</b>		<b>(278)</b>	(860)
		<hr/> <hr/>	<hr/> <hr/>
<b>Loss per share — Basic</b>	6	<b>HK(0.05) cents</b>	HK(0.17) cents
		<hr/> <hr/>	<hr/> <hr/>

*Notes:*

#### **1 BASIS OF PRESENTATION**

The Company was incorporated in the Cayman Islands on 9 July 2001 as an exempted limited company under the Companies Law (2001 Second Revision) of the Cayman Islands. The Company's shares were listed on GEM of the Stock Exchange on 18 July 2002.

The unaudited consolidated income statement for the three months ended 31 March 2004 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 2003. 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

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Turnover	<b>2,803</b>	1,801

Turnover comprises sales of magazines, advertising income and promotion project income.

During the three months ended 31 March 2004, the Group's revenue from advertising barter transactions was approximately HK\$3,000 (three months ended 31 March 2003: HK\$26,000).

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

## 3 NET LOSS BEFORE TAXATION

Net loss before taxation has been arrived at after charging:

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Staff cost (including directors' emoluments)	<b>1,409</b>	1,408
Retirement benefits scheme contributions	<b>54</b>	53
	<b>1,463</b>	1,461
Provision for bad and doubtful debts	<b>16</b>	—
Depreciation	<b>55</b>	33
Auditors' remuneration	<b>75</b>	75

## 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 2004 (three months ended 31 March 2003: Nil).

As at 31 March 2004, no deferred tax asset has been recognised in respect of the unused tax losses of approximately HK\$13,081,000 (31 December 2003: approximately HK\$12,800,000), which are subject to the agreement of the Inland Revenue Department of the Hong Kong Special Administrative Region of the People's Republic of China, due to the unpredictability of future profit streams.

## 5 DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the three months ended 31 March 2004 (three months ended 31 March 2003: Nil).

## 6 LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2004 is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$278,000 (three months ended 31 March 2003: loss of approximately HK\$860,000) and on the number of 506,498,344 shares in issue (three months ended 31 March 2003: on the number of 506,498,344 shares).

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 2004, and there were no dilutive potential ordinary shares in existence during the three months ended 31 March 2003.

## 7 MOVEMENT OF RESERVES

	Three months ended 31 March				2003
	2004				
	Share premium	Capital reserve	Accumulated deficit	Total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>The Group</b>					
At 1 January	11,483	6,044	(16,461)	1,066	4,505
Net loss attributable to shareholders	—	—	(278)	(278)	(860)
At 31 March	<u>11,483</u>	<u>6,044</u>	<u>(16,739)</u>	<u>788</u>	<u>3,645</u>

	Three months ended 31 March				2003
	2004				
	Share premium	Capital reserve	Accumulated profit	Total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>The Company</b>					
At 1 January	11,483	652	1,508	13,643	13,588
Net profit attributable to shareholders	—	—	—	—	21
At 31 March	<u>11,483</u>	<u>652</u>	<u>1,508</u>	<u>13,643</u>	<u>13,609</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The three months ended 31 March 2004 saw an increase in the turnover to approximately HK\$2,803,000 representing an increase of 56% from approximately HK\$1,801,000 for the same period last year. Coupling with no significant change of operating cost as compared to the same period last year, the Group recorded a loss of approximately HK\$278,000 for the three months ended 31 March 2004 (three months ended 31 March 2003: loss of approximately HK\$860,000).

### **LIQUIDITY AND FINANCIAL RESOURCES**

During the three months ended 31 March 2004, the Group's operation was mainly financed by the net proceeds of the placing of shares in July 2002 (the "Placing") and the internal financial resources of the Group.

As at 31 March 2004, the Group had net current assets of approximately HK\$5,059,000 (31 December 2003: approximately HK\$5,300,000).

The Board is of the opinion that, taking into account the internal financial resources of the Group and the net proceeds of the Placing, 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.

During the three months ended 31 March 2004, the Group did not make any material acquisitions and disposals of subsidiaries and affiliated companies and investment.

As at 31 March 2004, (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; (iii) the Group had no significant investment held; (iv) the Group had no loan arrangements with or had not obtained any credit facilities from any financial institutions; and (v) the Group did not have any contingent liabilities.

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 31 March 2004.

### **SIGNIFICANT INVESTMENT PLANS**

As at 31 March 2004, 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 10 July 2002 (the "Prospectus").

### **PROSPECTS**

The Group has gained much experience of launching new magazines as well as developing new streams of business contributing to the gross profit margins of the Group for the past year. The Group is in the process of launching a new monthly magazine "CAPITAL CEO" in the late second quarter, or early third quarter of 2004, in order to widen our business base, as well as further strengthen the brand of "資本雜誌 Capital" in Hong Kong and the People's Republic of China (not including Hong Kong, Taiwan and Macau). The gross profit margins of the Group in the first quarter of 2004 makes us extremely positive for the coming year, and with the strength of Hong Kong economy, the Closer Economic Partnership Arrangement and other positive effects of the mainland and global economy on the Hong Kong economy, the management is positive towards the rest of 2004.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN EQUITY SECURITIES

As at 31 March 2004, the interests and short positions of the directors and the chief executive 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:

<b>Name of director</b>	<b>Name of company</b>	<b>Capacity</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of shareholding</b>
Mr. Ng Hung Sang, Robert	The Company	Beneficial owner	18,766,800	3.71%
	The Company	Corporate interest	326,588,403 (Note)	64.48%
Mr. Fung Ka Pun	The Company	Beneficial owner	6,000,000	1.18%

*Note:* The 326,588,403 shares referred to above include 101,422,000 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 ("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, Robert.

Save as disclosed above and the interests of a director of the Company in the share options of the Company as disclosed in the section headed "SHARE OPTION SCHEME" below, as at 31 March 2004, none of the directors or chief executive of the Company had 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) 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.

## SHARE OPTION SCHEME

The Company's existing share option scheme (the "Scheme") was adopted on 24 June 2002 and became effective on 18 July 2002. Particulars and movements of the outstanding share options granted under the Scheme during the three months ended 31 March 2004 were as follows:-

Name or category of participant	As at 1/1/2004	Number of share options				As at 31/3/2004	Date of grant of share options <i>(Note a)</i>	Exercise period of share options	Price of the Company's shares Immediately		
		Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				Initial exercise price per share <i>(Note b)</i>	preceding the grant date of share options <i>(Note c)</i>	Immediately preceding the exercise date of share options
									HK\$	HK\$	HK\$
<b>Director</b>											
Mr. Fung Ka Pun	5,064,983	—	—	—	—	5,064,983	27/8/2002	27/8/2003 - 17/7/2012	0.27	0.25	N/A

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 $\frac{1}{3}$ %
25th - 36th months	33 $\frac{1}{3}$ %
37th - 48th months	33 $\frac{1}{3}$ %

- (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.

## SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 31 March 2004, shareholders 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, who were directly, or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group were as follows:

<b>Name of shareholder</b>	<b>Name of Company</b>	<b>Capacity</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of shareholding</b>
Mr. Ng Hung Sang, Robert	The Company	Beneficial owner	18,766,800	3.71%
	The Company	Corporate interest	326,588,403 (Note a)	64.48%
Parkfield	The Company	Beneficial owner	101,422,000 (Note a)	20.02%
Fung Shing	The Company	Beneficial owner	99,012,563 (Note a)	19.55%
Earntrade	The Company	Beneficial owner	62,661,600 (Note b)	12.37%
	The Company	Corporate interest	59,325,840 (Note b)	11.71%
Bannock	The Company	Beneficial owner	59,325,840 (Note b)	11.71%

### Notes:

- (a) The 326,588,403 shares referred to above include 101,422,000 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. 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 2004, the directors or chief executives of the Company were not aware of any other person who had an interest or short position 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 who was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group.

## SPONSOR'S INTERESTS

Pursuant to the agreement dated 10 July 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 sponsor for the period from 18 July 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 2004, 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, Co-Chairman, Chief Executive Officer and management shareholder of the Company, is also Chairman of South China Holdings and Jessica Publications Limited (“Jessica”). Mr. Ng Hung Sang, Robert, personally and through Parkfield, Fung Shing and Ronastar, has interest in South China Holdings and Jessica. 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 Jessica. Ms. Cheung Choi Ngor, Christina, who is an ex-director of Capital Publishing Limited, a wholly owned subsidiary of the Company and Mr. Richard Howard Gorges, are also directors of various members of South China Holdings. As Jessica and certain members of South China Media Limited (“SC Media”) (collectively, the “SC Media Group”), 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, Mr. Hui Ping, a director of the Company, is an ex-employee of SC Media. Ms. Ng, Jessica Yuk Mui, a non-executive director of the Company, is also a director of Jessica, South China Holdings and certain members of SC Media and therefore is regarded to be interested in such competing businesses of the Group.

Mr. Ng Yuk Fung Peter is an executive director of the South China Holdings. He is not regarded to have any businesses competing with the business of the Group since he is not involved in the day-to-day running of the businesses of SC Media Group.

Save as disclosed above and in the Prospectus, none of the directors or the management shareholders of the Company or their respective associates have any interest in any business, which competes or may compete or had any conflicts of interest 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 5.34 to 5.45 of the GEM Listing Rules since the shares of the Company were listed on GEM of the Stock Exchange on 18 July 2002.

## **AUDIT COMMITTEE**

The Company established an audit committee on 25 February 2002 with written terms of reference in compliance with Rules 5.29 to 5.30 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. Law Cho Wa, Richard and Dr. Lo Wing Yan, William, JP, who are independent non-executive directors of the Company.

The Group’s unaudited results for the three months ended 31 March 2004 have been reviewed by the audit committee, who is of the opinion that the preparation of such results has 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 18 July 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.

As at the date of this report, the board of directors of the Company comprises (1) Mr. Ng Hung Sang, Robert, Mr. Fung Ka Pun, Mr. Hui Ping, Mr. Ng Yuk Fung Peter and Mr. Ng Yuk Yeung Paul as executive directors; (2) Ms. Ng, Jessica Yuk Mui as non-executive director; and (3) Mr. Law Cho Wa, Richard and Dr. Lo Wing Yan, William, JP as independent non-executive directors.

On behalf of the Board  
**Ng Hung Sang, Robert**  
*Co-Chairman*

Hong Kong Special Administrative Region  
of the People's Republic of China

10 May 2004