



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 2005

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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 2005, together with the comparative unaudited figures for the corresponding period in 2004, as follows:

CONSOLIDATED INCOME STATEMENT – UNAUDITED

		Three months ended	
		31 March	
	<i>Notes</i>	2005	2004
		HK\$'000	HK\$'000
Turnover	2	4,515	2,803
Direct operating expenses		(4,485)	(1,727)
Selling and distribution costs		(1,844)	(801)
Administrative expenses		(663)	(553)
		<hr/>	<hr/>
Net loss before taxation	3	(2,477)	(278)
Taxation	4	–	–
		<hr/>	<hr/>
Net loss for the period		(2,477)	(278)
		<hr/>	<hr/>
Loss per share – Basic	6	HK(0.49) cent	HK(0.05) cent
		<hr/>	<hr/>

Notes:

1 BASIS OF PRESENTATION

The unaudited consolidated income statement for the three months ended 31 March 2005 has not been audited by the Company's auditors but has been reviewed by the Company's audit committee.

The accounts 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 Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange of Hong Kong ("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 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 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

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 profit & loss account. 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 a director of the Company after 27 August 2002 and not vested at 1 January 2005.

The effect on adopting HKFRS 2 on the consolidated income statement for the periods ended 31 March 2005 and 31 March 2004 are shown below:

	Three months ended	
	31 March	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Increase in profit	<u>25</u>	<u>–</u>

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

	Three months ended	
	31 March	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Turnover	<u>4,515</u>	<u>2,803</u>

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

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 one geographical segment and no analysis of segmental turnover and results by business and geographical location is presented.

3 NET LOSS BEFORE TAXATION

Net loss before taxation has been arrived at after charging:

	Three months ended	
	31 March	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Staff cost (including directors' emoluments)		
– salaries & others	3,054	1,409
– retirement benefits scheme contributions	<u>129</u>	<u>54</u>
	3,183	1,463
Provision for doubtful debts	50	16
Depreciation	92	55
Auditors' remuneration	<u>75</u>	<u>75</u>

4 TAXATION

No Hong Kong profits tax was provided as the Group had no estimated assessable profit arising in or derived from Hong Kong during the three months ended 31 March 2005 (three months ended 31 March 2004: Nil).

5 DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the three months ended 31 March 2005 (three months ended 31 March 2004: Nil).

6 LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2005 is based on the unaudited loss for the period of HK\$2,477,000 (three months ended 31 March 2004: HK\$278,000) and on the number of 506,498,344 shares in issue (three months ended 31 March 2004: 506,498,344 shares).

For the three months ended 31 March 2004 and 2005, no diluted loss per share has been presented as it is anti-dilutive.

7 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

During the three months ended 31 March 2005, there was an increase in turnover to HK\$4,515,000, representing an increase of 61% from HK\$2,803,000 for the same period last year. It was mainly the result from the publishing of the two new magazines namely “資本才俊 Capital CEO” and “資本企業家 Capital Entrepreneur”. However, the Group recorded a loss of HK\$2,477,000 for the three months ended 31 March 2005 (three months ended 31 March 2004: HK\$278,000).

Although net loss widened compared with 2004 over the corresponding period, this was anticipated in advance due to the two relatively new titles in “資本才俊 Capital CEO” and “資本企業家 Capital Entrepreneur”. Management does not foresee this to be a great problem as traditionally the first quarter is the low season of print media.

All three magazines successfully opened up new client streams with very positive response in terms of the standards and quality of the services provided.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2005, the Group had net current liabilities of HK\$965,000 (31 December 2004: net current assets of HK\$1,584,000 (restated)).

The Board is of the opinion that, taking into account the internal financial resources of the Group, the Group has sufficient working capital for its present requirements.

As the Group had no bank borrowings, no gearing ratio is presented at 31 March 2005.

MATERIAL ACQUISITION AND DISPOSAL

During the three months ended 31 March 2005, the Group did not have any acquisition and disposal.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

During the three months ended 31 March 2005, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

At the balance sheet date, the Group had no charges on its assets and did not have any contingent liabilities.

SIGNIFICANT INVESTMENT PLANS

As at 31 March 2005, the Group did not have any significant investment plans.

PROSPECTS

Management is still very positive on the potential and growth of the three titles under Capital. The second and third quarters should see advertising sales increasing at a very high rate as advertisers increase their frequency to promote products and services.

“資本才俊 Capital CEO” and “資本企業家 Capital Entrepreneur” will continue to be the focus of the Company as the products mature and gain further recognition in their individual markets.

The Company will continue to develop and explore greater sources of revenue such as seminars, conventions and special services so as to cater to the increasing needs of many corporate clients.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN EQUITY SECURITIES

As at 31 March 2005, 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:

Name of director	Name of Company	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Mr. Ng Hung Sang, Robert	The Company	Beneficial owner	18,766,800	3.71%
	The Company	Corporate interest	326,588,403	64.48%

(Note)

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 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 Company.

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 2005, 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 2005 were as follows:-

Name or category of participant	As at 1/1/2005	Number of share options				As at 31/3/2005	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				Initial exercise price per share (Note b) HK\$	Immediately preceding the grant date of share options (Note c) HK\$	Immediately preceding the exercise date of share options HK\$
Director							27/8/2003 -				
Mr. Fung Ka Pun	5,064,983	-	-	-	-	5,064,983	27/8/2002	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 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 for the three months ended 31 March 2005.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 31 March 2005, 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 5% 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:

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

Save as disclosed above, as at 31 March 2005, 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 5% 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.

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”, a subsidiary of South China Holdings) (collectively, the “SC Media Group”) 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. Mr. Ng Yuk Fung Peter, a director of the Company, is also an executive director of South China Holdings. He is regarded to be interested in such competing businesses of the Group. Ms. Ng, Jessica Yuk Mui, a non-executive director of the Company, is also a director of Jessica, South China Holdings and SC Media Group and therefore is regarded to be interested in such competing businesses of the Group.

Save as disclosed above, 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.

AUDIT COMMITTEE

The Company established an audit committee on 25 February 2002 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. Law Cho Wa, Richard and Dr. Lo Wing Yan, William, JP and Mr. Cheng Yuk Wo who are independent non-executive directors of the Company.

The Group’s unaudited results for the three months ended 31 March 2005 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, Dr. Lo Wing Yan, William, JP and Mr. Cheng Yuk Wo 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

6 May 2005