CAPITAL PUBLICATIONS LIMITED
資本出版有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8155)

INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 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 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.

INTERIM 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 and six months ended 30 June 2005, together with the comparative unaudited figures for the corresponding periods in 2004, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended 30 June		**Six months ended 30 June**	
		2005	2004	**2005**	2004
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Restated)	**(Unaudited)**	(Restated)
Turnover	*2*	**7,760**	3,208	**12,275**	6,011
Direct operating expenses		**(5,389)**	(2,242)	**(9,874)**	(3,624)
Other operating income		**2**	5	**2**	6
Selling and distribution costs		**(1,987)**	(1,007)	**(3,831)**	(2,154)
Administrative expenses		**(681)**	(613)	**(1,344)**	(1,220)
Net loss before taxation	*3*	**(295)**	(649)	**(2,772)**	(981)
Taxation	*4*	**–**	–	**–**	–
Net loss for the period		**(295)**	(649)	**(2,772)**	(981)
Loss per share – Basic	*6*	**HK(0.06) cent**	HK(0.13) cent	**HK(0.55) cent**	HK(0.19) cent

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**As at 30 June 2005** ***HK$'000*** **(Unaudited)**	As at 31 December 2004 *HK$'000* (Restated)
Non-current assets			
Property, plant and equipment		**1,223**	1,129
Current assets			
Trade receivables	*7*	**5,054**	5,198
Other receivables		**838**	510
Bank balances and cash		**1,632**	2,710
		7,524	8,418
Total assets		**8,747**	9,547
Capital and reserves			
Share capital		**5,065**	5,065
Share premium and reserves		**(5,058)**	(2,325)
Total equity		**7**	2,740
Current liabilities			
Trade payables	*8*	**5,640**	3,892
Other payables and accrued charges		**2,775**	2,515
Receipts in advance		**198**	218
Amount due to a related company		**127**	182
Total liabilities		**8,740**	6,807
Total equity and liabilities		**8,747**	9,547

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	Share capital *HK$'000* (Unaudited)	**Share premium** *HK$'000* (Unaudited)	**Capital reserve** *HK$'000* (Unaudited)	**Accumulated losses** *HK$'000* (Unaudited)	**Total** *HK$'000* (Unaudited)
2004					
At 1 January 2004	5,065	11,483	6,044	(16,461)	6,131
Effect on adoption of HKFRS 2	–	–	593	(593)	–
As restated	5,065	11,483	6,637	(17,054)	6,131
Recognition of share based payment	–	–	108	–	108
Net loss for the period	–	–	–	(981)	(981)
At 30 June 2004	5,065	11,483	6,745	(18,035)	5,258
2005					
At 1 January 2005	**5,065**	**11,483**	**6,044**	**(19,852)**	**2,740**
Effect on adoption of HKFRS 2	**–**	**–**	**763**	**(763)**	**–**
As restated	**5,065**	**11,483**	**6,807**	**(20,615)**	**2,740**
Recognition of share based payment	**–**	**–**	**39**	**–**	**39**
Net loss for the period	**–**	**–**	**–**	**(2,772)**	**(2,772)**
At 30 June 2005	**5,065**	**11,483**	**6,846**	**(23,387)**	**7**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(799)**	(270)
Net cash used in investing activities	**(279)**	(170)
Net decrease in cash and cash equivalents	**(1,078)**	(440)
Cash and cash equivalents, beginning of the period	**2,710**	5,011
Cash and cash equivalents, end of the period	**1,632**	4,571
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	**1,632**	4,571

Notes:

1 BASIS OF PRESENTATION

The unaudited consolidated financial statements for the three months and six months ended 30 June 2005 have not been audited by the Company's auditors but has been reviewed by the Company's audit committee.

The financial 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.

These interim financial statements should be read, where relevant, in conjunction with the 2004 annual financial statements of the Group.

Save as disclosed below, the accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2004.

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 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 which are not vested at 1 January 2005.

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

	Three months ended 30 June		Six months ended 30 June	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Increase in accumulated losses as at beginning of the period	**783**	647	**763**	593
Increase in capital reserve as at beginning of the period	**783**	647	**763**	593
Decrease in capital reserve during the period	**19**	54	**39**	108
Decrease in profit during the period	**19**	54	**39**	108

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 June		Six months ended 30 June	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Sales of magazine	**641**	352	**1,200**	633
Advertising income	**4,887**	2,087	**8,281**	3,819
Promotion and marketing income	**2,232**	769	**2,794**	1,559
	7,760	3,208	**12,275**	6,011

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 DEPRECIATION

Net loss before taxation for the three months and six months ended 30 June 2005 is arrived at after charging depreciation of HK$95,000 and HK$187,000 respectively (three months and six months ended 30 June 2004: HK$59,000 and HK$114,000 respectively).

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 and six months ended 30 June 2005 (three months and six months ended 30 June 2004: Nil).

5 INTERIM DIVIDEND

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

6 LOSS PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2005 is based on the net loss for the period of approximately HK$295,000 and HK$2,772,000 respectively (three months and six months ended 30 June 2004: loss of approximately HK$649,000 and HK$981,000 respectively) and on 506,498,344 shares in issue (three months and six months ended 30 June 2004: 506,498,344 shares).

No diluted loss per share has been presented because the exercise of the Company's share option will reduce loss per share for the three months and six months ended 30 June 2004 and 2005.

7 TRADE RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its customers.

The following is an aging analysis of trade receivables:

	As at 30 June 2005	As at 31 December 2004
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**2,346**	2,335
31 – 60 days	**1,109**	1,234
61 – 90 days	**522**	615
91 – 180 days	**740**	875
Over 180 days	**752**	337
	5,469	5,396
Less: Allowance for bad and doubtful debts	**(415)**	(198)
	5,054	5,198

8 TRADE PAYABLES

The following is an aging analysis of trade payables:

	As at 30 June 2005	As at 31 December 2004
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**728**	863
31 – 60 days	**525**	567
61 – 90 days	**1,399**	585
91 – 180 days	**2,185**	1,497
Over 180 days	**803**	380
	5,640	3,892

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2005, the Group's turnover was HK$12,275,000, an increase of 104% from HK$6,011,000 for the corresponding period last year. The result is mainly attributable to the publication of the two new magazines "資本才俊Capital CEO" and "資本企業家Capital Entrepreneur". However, the Group recorded a loss of HK$2,772,000 for the six months ended 30 June 2005 as compared with a loss of HK$981,000 in the previous year.

During the three months ended 30 June 2005, we saw a growth in the Group's turnover to HK$7,760,000, representing an increase of 142% from that for the same period of last year and an increase of 72% when compared to the last quarter ended 31 March 2005.

The net loss of the Group for the three months ended 30 June 2005 was reduced to HK$295,000, an improvement when compared to last year's net loss for the period of HK$649,000. The turnover of the two relatively new titles "資本才俊 Capital CEO" and "資本企業家Capital Entrepreneur" began to pick up, which contributed significantly to the results improvement.

In reinforcing the brand image of "資本雜誌 Capital" as the number one business magazine in the territory, the Group hosted the "Best of the Best for Executives 2005" awards in June 2005. In each exclusive category, a brand was selected by a panel of renowned judges together with the Group's editorial team and awarded as "Best of the Best for Executives".

In addition, "資本才俊 Capital CEO" toasted its first anniversary by throwing a celebration party. The evening was filled with the attendance of many distinguished guests and CEOs of successful corporations.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2005, the Group had net current liabilities of approximately HK$1,216,000 (31 December 2004: net current assets of HK$1,611,000).

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 at 30 June 2005, no gearing ratio is presented.

MATERIAL ACQUISITION AND DISPOSAL

During the six months ended 30 June 2005, the Group did not have any acquisition and disposal.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

During the six months ended 30 June 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 30 June 2005, the Group did not have any significant investment plans.

EMPLOYEES

As at 30 June 2005, the total number of employees of the Group was 48 (30 June 2004: 30). Employees' cost (including directors' emoluments) amounted to approximately HK$6,265,000 for the six months ended 30 June 2005 (six months ended 30 June 2004: approximately HK$3,351,000).

The Group considers its employees are its most valuable assets. In addition to salary, other fringe benefits such as medical subsidies, life insurance and provident fund are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on performance. An employee share option scheme was adopted by the Company on 24 June 2002 and became effective on 18 July 2002.

PROSPECTS

Traditionally, the second half of the year is a stronger period for advertising sales. This coupled with the fact that the two new titles have begun to pick up in terms of circulation and advertising revenue bodes well for the company.

The Company will continue to open new sources of revenue via conferences, events, exhibitions and special formats. In terms of circulation, the magazines will soon gain exposure into the China market through various outlets.

Management looks forward to an improved performance in the following six months.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN EQUITY SECURITIES

As at 30 June 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 *(Note)*	64.48%

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 30 June 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 six months ended 30 June 2005 were as follows:–

	Number of share options								Price of the Company's shares		
Name or category of participant	As at 1/1/2005	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 30/6/2005	Date of grant of share options *(Note a)*	Exercise period of share options	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											
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	$33^1/_3$%
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 six months ended 30 June 2005.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 30 June 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 *(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.

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

Save as disclosed above, as at 30 June 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 Earntrade, 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, 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, an executive director of the Company, is an ex-employee of SC Media. Mr Ng Yuk Fung Peter, an executive 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, was also an executive director of Jessica, South China Holdings and a director of certain members of SC Media as at 30 June 2005. She is therefore 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 for the six months ended 30 June 2005.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code on CG Practices") contained in Appendix 15 to the GEM Listing Rules, except that non-executive directors of the Company are not appointed for specific terms, but are subject to retirement by rotation in accordance with the Company's articles of association. In addition, Mr Ng Hung Sang Robert is currently the Co-Chairman and Chief Executive Officer of the Company. To comply with the Code on CG Practices, the Board proposes to amend the articles of association of the Company that all non-executive directors will be appointed for a specific term of no more than three years, but be eligible for re-appointment upon retirement. With effect from 10 August 2005, Mr Ng Hung Sang Robert will resign from the position of Chief Executive Officer and Mr Ng Yuk Yeung Paul will be appointed as Chief Executive Officer of the Company to succeed Mr Ng Hung Sang Robert.

AUDIT COMMITTEE

The Company established an audit committee on 25 February 2002 with written terms of reference in compliance with Rule 5.28 and the Code on CG Practices. 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, 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 and six months ended 30 June 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.

REMUNERATION COMMITTEE

The Company established a remuneration committee, comprising three members, Mr Law Cho Wa Richard, Dr Lo Wing Yan William, JP and Mr Cheng Yuk Wo, who are independent non-executive directors of the Company.

The principal responsibilities of the remuneration committee include making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management by reference to corporate goals and objects resolved by the Board from time to time.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all directors and the Company are not aware of any non-compliance with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the period.

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 six months ended 30 June 2005.

As at the date of this report, the Board 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

9 August 2005