



CAPITAL PUBLICATIONS LIMITED

資本出版有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8155)

THIRD QUARTERLY REPORT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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.

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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 hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three and nine months ended 30 September 2005, together with the comparative unaudited figures for the corresponding periods in 2004, as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Three months ended		Nine months ended	
		30 September		30 September	
		2005	2004	2005	2004
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Restated)	(Unaudited)	(Restated)
Turnover	2	5,918	3,970	18,193	9,978
Direct operating expenses		(4,162)	(3,234)	(14,036)	(7,203)
Other operating income		4	3	6	12
Selling and distribution costs		(1,604)	(1,487)	(5,435)	(3,297)
Administrative expenses		(799)	(684)	(2,143)	(1,903)
Loss before taxation	3	(643)	(1,432)	(3,415)	(2,413)
Income tax expenses	4	–	–	–	–
Loss for the period		(643)	(1,432)	(3,415)	(2,413)
Basic loss per share	6	HK(0.13) cent	HK(0.28) cent	HK(0.67) cent	HK(0.48) cent

Notes:

1. BASIS OF PRESENTATION

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

The unaudited consolidated income 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.

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 and nine months ended 30 September 2005 and 30 September 2004 are shown below:

	Three months ended		Nine months ended	
	30 September		30 September	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Decrease in profit during the period	14	42	53	150

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 September		Nine months ended 30 September	
	2005 <i>HK\$'000</i> (Unaudited)	2004 <i>HK\$'000</i> (Unaudited)	2005 <i>HK\$'000</i> (Unaudited)	2004 <i>HK\$'000</i> (Unaudited)
Sales of magazine	604	433	1,804	1,064
Advertising income	3,865	2,815	12,146	6,634
Promotion and marketing income	1,449	722	4,243	2,280
	<u>5,918</u>	<u>3,970</u>	<u>18,193</u>	<u>9,978</u>

3 LOSS BEFORE TAXATION

During the three and nine months ended 30 September 2005, loss before taxation is arrived at after charging depreciation of approximately HK\$97,000 and HK\$284,000 respectively (three and nine months ended 30 September 2004: HK\$70,000 and HK\$184,000 respectively) in respect of the Group's property, plant and equipment.

4 INCOME TAX EXPENSES

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 and nine months ended 30 September 2005 (three and nine months ended 30 September 2004: Nil).

5 DIVIDEND

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

6 LOSS PER SHARE

The calculation of basic loss per share for the three and nine months ended 30 September 2005 is based on the loss for the periods of HK\$643,000 and HK\$3,415,000 respectively (three and nine months ended 30 September 2004: loss of HK\$1,432,000 and HK\$2,413,000 respectively) and on 506,498,344 shares in issue (three and nine months ended 30 September 2004: 506,498,344 shares).

For the three and nine months ended 30 September 2004 and 30 September 2005, no diluted earnings per share has been presented because the exercise price of the Company's options was higher than the average market price for shares.

7 MOVEMENT OF RESERVES

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

8 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the nine months ended 30 September 2005, the Group's turnover was HK\$18,193,000, representing an increase of 82% from HK\$9,978,000 for the corresponding period last year. The result is mainly attributable to the publication of the magazines "Capital Entrepreneur" and "Capital CEO" and an increase in advertising revenue of the flagship "Capital" magazine.

However, the Group recorded a loss of HK\$3,415,000 for the nine months ended 30 September 2005 as compared with a loss of HK\$2,413,000 in the previous year. This was mainly due to the publication of the magazines "Capital Entrepreneur" and "Capital CEO".

For the three months ended 30 September 2005, we saw a growth in the Group's turnover to HK\$5,918,000, representing an increase of 49% from that for the same period of last year. Net loss for the three months was reduced to HK\$643,000, a good improvement when compared with last year's corresponding loss of HK\$1,432,000. This is a positive sign considering that only one new magazine was in its investment stages last year compared with two this year.

"Capital" magazine continues to build upon its successful and prominent brand name with a strong performance in its overall advertising revenue for the year.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 September 2005, the Group had net current liabilities of approximately HK\$1.8 million (31 December 2004: net current assets of approximately HK\$1.6 million). The current assets comprised bank balances and cash of approximately HK\$1.2 million and trade and other receivables of approximately HK\$5.4 million. The current liabilities comprised trade payables, accruals and others of approximately HK\$8.4 million.

As the Group had no bank borrowings, no gearing ratio is presented at 30 September 2005.

SIGNIFICANT INVESTMENT PLANS

As at 30 September 2005, the Group did not have any significant investment plans.

PROSPECTS

The Group will continue to market and solidify the "Capital" brand name in terms of both circulation and corporate servicing. The three magazines will continue to open new sources of revenue, especially in the PRC market where corporate servicing is in high demand and competition within the financial magazines sector is in its infant stages.

Special focus will be put upon event marketing and public relation services for large corporate clients. We are looking forward to a good performance for the final quarter of the fiscal year.

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

As at 30 September 2005, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO were as follows:

Name of director	Capacity	Number of ordinary shares of the Company held	Approximate percentage of shareholding
Mr. Ng Hung Sang, Robert	Beneficial owner	18,766,800	3.71%
	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 the Company.

Save as disclosed above and the interests as disclosed under the section headed “SHARE OPTION SCHEME” below, none of the directors or chief executives of the Company had, as at 30 September 2005, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in rule 5.46 of the GEM Listing Rules.

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 nine months ended 30 September 2005 were as follows:–

Name or category of participant	Held as at 1/1/2005	Number of share options					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	Outstanding as at 30/9/2005			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 nine months ended 30 September 2005.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2005, the following persons, other than the directors or chief executives of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:–

Name of shareholder	Capacity	Number of ordinary shares of the Company held	Approximate percentage of shareholding
Parkfield	Beneficial owner	101,422,000 (<i>Note a</i>)	20.02%
Fung Shing	Beneficial owner	99,012,563 (<i>Note a</i>)	19.55%
Earntrade	Beneficial owner	62,661,600 (<i>Note b</i>)	12.37%
	Corporate interest	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, Robert, Co-Chairman of the Company.
- (b) 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, 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 September 2005, 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 and underlying shares of the Company which would fall to be disclosed to the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPETING INTERESTS

Mr. Ng Hung Sang, Robert, Co-Chairman 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 and an executive director and chief executive officer of Jessica. They are 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 non-executive director of South China Holdings and Jessica. She is therefore regarded to be interested in such competing business of the Group.

Save as disclosed above, none of the directors or the management shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete or had any conflicts of interest with the business of the Group for the nine months ended 30 September 2005.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with 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 independent non-executive directors, namely Mr. Law Cho Wa, Richard, Dr. Lo Wing Yan, William, JP and Mr. Cheng Yuk Wo. Mr. Law Cho Wa, Richard is the chairman of the audit committee.

The Group’s unaudited results for the three and nine months ended 30 September 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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the nine months ended 30 September 2005.

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

Hong Kong, 8 November 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. Ng Yuk Yeung, Paul, Mr. Hui Ping and Mr. Ng Yuk Fung, Peter 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.