



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 2006

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 GEM 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.

* For identification purposes

QUARTERLY RESULTS

The board of directors (the “Board”) of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 March 2006, together with the comparative unaudited figures for the corresponding period in 2005, as follows:

CONSOLIDATED INCOME STATEMENT – UNAUDITED

		Three months ended	
		31 March	
	<i>Notes</i>	2006	2005
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	5,664	4,515
Direct operating expenses		(3,771)	(4,485)
Other operating income		5	–
Selling and distribution costs		(1,638)	(1,844)
Administrative expenses		(416)	(613)
Other operating expenses		–	(50)
		<hr/>	<hr/>
Loss before income tax	3	(156)	(2,477)
Income tax expense	4	–	–
		<hr/>	<hr/>
Net loss for the period		<u>(156)</u>	<u>(2,477)</u>
		<hr/>	<hr/>
Loss per share	6		
– Basic		<u>HK(0.03) cents</u>	<u>HK(0.49) cents</u>
		<hr/>	<hr/>
– Diluted		<u>N/A</u>	<u>N/A</u>
		<hr/>	<hr/>

Notes:

1 BASIS OF PRESENTATION

The unaudited consolidated income statement for the three months ended 31 March 2006 has not been audited by the Company's auditors but has been reviewed by the Company's audit committee.

These quarterly financial statements should be read in conjunction with the 2005 annual report.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the quarterly financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2005.

2 REVENUE

	Three months ended 31 March	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Revenue/Turnover	<u>5,669</u>	<u>4,515</u>

Revenue, which is also the Group's turnover, which 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 LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	Three months ended 31 March	
	2006 HK\$'000 (Unaudited)	2005 HK\$'000 (Unaudited)
Staff cost (including directors' emoluments)		
– salaries & others	2,697	3,054
– retirement benefits scheme contributions	<u>121</u>	<u>129</u>
	2,818	3,183
Provision for doubtful debts	–	50
Depreciation	101	92
Auditors' remuneration	<u>50</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 2006 (three months ended 31 March 2005: Nil).

5 DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the three months ended 31 March 2006 (three months ended 31 March 2005: Nil).

6 LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2006 is based on the unaudited loss attributable to shareholders of HK\$156,000 (three months ended 31 March 2005: HK\$2,477,000) and on the number of 506,498,344 shares in issue (three months ended 31 March 2005: 506,498,344 shares).

For the three months ended 31 March 2005 and 2006, 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 losses of current period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded an increase in turnover of 25% to HK\$5,664,000 for the three months ended 31 March 2006. The three titles continued to boost advertising revenues to new levels as Capital CEO and Capital Entrepreneur gain further maturity.

The Group also managed to control costs of production via the sourcing of new suppliers and evaluation of the current distribution network.

The gain in advertising revenue managed to reduce the deficit from last year's corresponding period loss of HK\$2,477,000 to only HK\$156,000 for the period ended 31 March 2006.

This result provides a strong base for the remaining nine months for the Group as traditionally the 1st Quarter is the low season of print media.

The Group has been expanding its client base to areas outside of Hong Kong such as in Greater China, Macau and other parts of South East Asia.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2006, the Group had net current liabilities of HK\$329,533 (31 December 2005: HK\$253,000).

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, no gearing ratio is presented at 31 March 2006.

MATERIAL ACQUISITION AND DISPOSAL

During the three months ended 31 March 2006, 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 2006, 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 2006, the Group did not have any significant investment plans.

PROSPECTS

The fiscal year 2006 outlook remains very positive given the current pace of the advertising revenue and the reduction in costs of production. The Group looks forward to an upswing in advertising revenue as we enter the peak seasons of the advertisers.

The Group will continue to build on the brand name of “Capital” with marketing campaigns and events in the second half of the year; many of which are already in the pipeline.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2006, the interests and short positions of the directors and the chief executive 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:

Long position in ordinary shares of HK\$0.01 each of the Company

Name of director	Capacity	Number of shares	Approximate % of shareholding
Ng Hung Sang	Beneficial owner	18,766,800	3.71%
	Corporate interest	326,588,403 (<i>Note</i>)	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, Ms. Cheung Choi Ngor and Mr. Richard Howard Gorges, directors of South China Holdings Limited (“South China Holdings”), respectively. The 121,987,440 shares referred to above include the 59,325,840 shares held by Bannock Investment Limited (“Bannock”) which is a wholly owned subsidiary of Earntrade. Each of Parkfield, Fung Shing and Ronastar is wholly owned by Mr. Ng Hung Sang.

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 31 March 2006, 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 three months ended 31 March 2006 were as follows:—

Name and category of participant	Number of share options					Outstanding as at 31.3.2006	Date of grant of share options (Note a)	Exercise period of share options	Price of the Company's shares		
	Held as at 1.1.2006	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				Initial exercise price per share HK\$	Immediately preceding the grant date of options HK\$	Immediately preceding the exercise date of options HK\$
Director											
Fung Ka Pun	5,064,983	-	-	-	-	5,064,983	27.8.2002	27.8.2003 – 17.7.2012	0.27	0.25	N/A
Total	5,064,983	-	-	-	-	5,064,983					

Notes:

- (a) All share options granted are subject to a vesting period and becoming exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable %
Within 12 months	Nil
13th – 24th months	33 ¹ / ₃ %
25th – 36th months	33 ¹ / ₃ %
37th – 48th months	33 ¹ / ₃ %

- (b) The price of the shares disclosed as immediately preceding the grant date of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options.
- (c) The weighted average closing price of the shares immediately before the date on which the options were exercised.
- (d) As no share options were granted during the three months ended 31 March 2006, no consideration in respect of share options was received and disclosure of the value of options granted during the period is not applicable.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2006, the following persons, other than the directors or chief executive 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:

Long position in ordinary shares of HK\$0.01 each of the Company

Name of shareholder	Capacity	Number of shares	Approximate % 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, Co-chairman of the Company.
- (b) Earntrade, which is owned as to 60%, 20% and 20% by Mr. Ng Hung Sang, Ms. Cheung Choi Ngor and Mr. Richard Howard Gorges, directors of South China Holdings, respectively, is the holding company of Bannock. Thus, Earntrade is deemed to be interested in the 59,325,840 shares of the Company held by Bannock.

Save as disclosed above, as at 31 March 2006, 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Ng Hung Sang, Co-chairman and management shareholder of the Company, is also chairman of South China Holdings and Jessica Publications Limited (“Jessica”). Mr. Ng Hung Sang, personally and through Parkfield, Fung Shing and Ronastar, has interest in South China Holdings and Jessica. Mr. Ng Hung Sang together with Ms. Cheung Choi Ngor 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, 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, Ms. Cheung Choi Ngor 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 the chief executive officer of Jessica. They are regarded to be interested in such competing businesses of the Group.

Ms. Ng Yuk Mui, Jessica, a non-executive director of the Company, is also a non-executive director of South China Holdings and Jessica. She is not regarded to have any businesses competing with the business of the Group since she is not involved in the day-to-day running of the businesses of South China Holdings and Jessica.

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 has any interest in a business which competes or may compete or has any conflicts of interest with the business of the Group.

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 (Chairman of the Committee), Dr. Lo Wing Yan, William, JP and Mr. Cheng Yuk Wo.

The Group’s unaudited results for the three months ended 31 March 2006 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures 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 three months ended 31 March 2006.

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

On behalf of the Board

Ng Hung Sang

Co-chairman

Hong Kong, 9 May 2006