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 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.

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 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 only*

INTERIM RESULTS

The board of directors (the "Board") of the Company hereby announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30 June 2006 together with the comparative unaudited figures for the corresponding periods in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended 30 June		**Six months ended 30 June**	
		2006	2005	**2006**	2005
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Restated)	**(Unaudited)**	(Restated)
Turnover	*2*	**6,646**	7,760	**12,310**	12,275
Direct operating expenses		**(4,321)**	(5,389)	**(8,092)**	(9,874)
Other operating income		**6**	2	**11**	2
Selling and distribution costs		**(1,932)**	(1,987)	**(3,570)**	(3,831)
Administrative expenses		**(446)**	(681)	**(862)**	(1,344)
Net loss before taxation	*3*	**(47)**	(295)	**(203)**	(2,772)
Taxation	*4*	**–**	–	**–**	–
Net loss for the period		**(47)**	(295)	**(203)**	(2,772)
Loss per share – Basic	*6*	**HK(0.01) cent**	HK(0.06) cent	**HK(0.04) cent**	HK(0.55) cent

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2006 HK$'000 (Unaudited)	As at 31 December 2005 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**920**	1,096
Current assets			
Trade receivables	*7*	**5,910**	6,306
Other receivables		**766**	347
Amount due from a related company		**–**	53
Bank balances and cash		**561**	1,330
		7,237	8,036
Total assets		**8,157**	9,132
Capital and reserves			
Share capital		**5,065**	5,065
Share premium and reserves		**(4,425)**	(4,222)
Total equity		**640**	843
Current liabilities			
Trade payables	*8*	**3,641**	5,218
Other payables and accrued charges		**2,761**	2,903
Receipts in advance		**186**	168
Amount due to a related company		**929**	–
Total liabilities		**7,517**	8,289
Total equity and liabilities		**8,157**	9,132

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Share capital	Share premium	Capital reserve	Employee compensation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
2005						
At 1 January 2005	5,065	11,483	6,044	763	(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	6,044	802	(23,387)	7
2006						
At 1 January 2006	**5,065**	**11,483**	**6,044**	**816**	**(22,565)**	**843**
Net loss for the period	**–**	**–**	**–**	**–**	**(203)**	**(203)**
At 30 June 2006	**5,065**	**11,483**	**6,044**	**816**	**(22,768)**	**640**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2006	2005
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(743)**	(799)
Net cash used in investing activities	**(26)**	(279)
Net decrease in cash and cash equivalents	**(769)**	(1,078)
Cash and cash equivalents, beginning of the period	**1,330**	2,710
Cash and cash equivalents, end of the period	**561**	1,632
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	**561**	1,632

Notes:

1 BASIS OF PRESENTATION

The unaudited consolidated income statement for the three months and six months ended 30 June 2006 has not been audited by the Company's auditors but has been reviewed by the Company's audit committee.

These interim 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 interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2005.

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**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Sales of magazine	**515**	641	**1,060**	1,200
Advertising income	**4,096**	4,887	**7,338**	8,281
Promotion and marketing income	**2,035**	2,232	**3,912**	2,794
	6,646	7,760	**12,310**	12,275

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 2006 is arrived at after charging depreciation of HK$101,000 and HK$202,000 respectively (three months and six months ended 30 June 2005: HK$95,000 and HK$187,000 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 2006 (three months and six months ended 30 June 2005: Nil).

5 INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2006 (six months ended 30 June 2005: Nil).

6 LOSS PER SHARE

The calculation of basic loss per share for the three months and six months ended 30 June 2006 is based on the net loss for the period of approximately HK$47,000 and HK$203,000 respectively (three months and six months ended 30 June 2005: loss of approximately HK$295,000 and HK$2,772,000 respectively) and on 506,498,344 shares in issue (three months and six months ended 30 June 2005: 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 2005 and 2006 as it is anti-dilutive.

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 2006 *HK$'000* **(Unaudited)**	As at 31 December 2005 *HK$'000* (Audited)
0 – 30 days	**2,923**	2,966
31 – 60 days	**1,284**	1,214
61 – 90 days	**491**	482
91 – 180 days	**690**	1,148
Over 180 days	**502**	496
	5,890	6,306

8 TRADE PAYABLES

The following is an aging analysis of trade payables:

	As at 30 June 2006 *HK$'000* **(Unaudited)**	As at 31 December 2005 *HK$'000* (Audited)
0 – 30 days	**1,389**	681
31 – 60 days	**327**	694
61 – 90 days	**389**	785
91 – 180 days	**1,223**	1,840
Over 180 days	**313**	1,218
	3,641	5,218

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2006, the Group's turnover was HK$12,310,000, an increase of 0.3% from HK$12,275,000 for the corresponding period last year. The relatively modest increase was a result of the hosting of the 2006 World Cup. The worldwide event led to many advertisers switching most of their budget to television as the main media. Despite the modest increase, the Group recorded a reduced loss of HK$203,000 for the six months ended 30 June 2006 as compared with a loss of HK$2,772,000 in the previous year.

During the three months ended 30 June 2006, the Group's turnover was HK$6,646,000, representing a decrease of 14% from that for the same period of last year and an increase of 17% when compared to the last quarter ended 31 March 2006.

The net loss of the Group for the three months ended 30 June 2006 was reduced to HK$47,000, an improvement when compared to last year's net loss for the period of HK$295,000. This was mainly due to more efficient allocation of resources, which led to a decrease in running and production costs.

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 2006" awards in June 2006 at the prestigious International Finance Center Mall. 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".

Furthermore, Capital magazine hosted its first ever "Capital's China Outstanding Enterprise Award". The ceremony was successfully executed with many expected elite companies receiving the accolades.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2006, the Group's operation was mainly financed by the internal financial resources of the Group.

As at 30 June 2006, the Group had net current liabilities of approximately HK$280,000 (31 December 2005: net current liabilities of 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 at 30 June 2006, no gearing ratio is presented.

MATERIAL ACQUISITION AND DISPOSAL

During the six months ended 30 June 2006, 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 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 30 June 2006, the Group did not have any significant investment plans.

EMPLOYEES

As at 30 June 2006, the total number of employees of the Group was 47 (30 June 2005: 48). Employees' cost (including directors' emoluments) amounted to approximately HK$5,556,000 for the six months ended 30 June 2006 (six months ended 30 June 2005: approximately HK$6,265,000).

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

The second half of the year has always been a stronger period for advertising sales. This coupled with the fact that the World Cup Fever has already passed, should see higher advertising revenue and support from major advertisers.

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.

The Group is also looking for various partners to work as sales agents for different provinces in greater China.

Management anticipates an improved performance in the second half of the year.

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

As at 30 June 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	20,120,800	3.97%
	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, 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 30 June 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 six months ended 30 June 2006 were as follows:

	Number of share options									Price of the Company's shares	
Name and category of participant	Held as at 1.1.2006	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Outstanding as at 30.6.2006	Date of grant of share options *(Note a)*	Exercise period of share options	Initial exercise price per share option *HK$*	Immediately preceding the grant date of share options *(Note b)* *HK$*	Immediately preceding the exercise date of share options *(Note c)* *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

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 six months ended 30 June 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 30 June 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 *(Note a)*	20.02%
Fung Shing	Beneficial owner	99,012,563 *(Note a)*	19.55%
Earntrade	Beneficial owner	62,661,600 *(Note b)*	12.37%
	Corporate interest	59,325,840 *(Note b)*	11.71%
Bannock	Beneficial owner	59,325,840 *(Note b)*	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 30 June 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices of the GEM Listing Rules through the adoption of relevant practices and procedures during the six months ended 30 June 2006 with the exception that non-executive directors are not appointed for a specific term; the Articles of Association of the Company does not provide that every director, including those appointed for a specific term, will rotate at least once every three years and that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In view of good corporate governance practices, all non-executive directors have agreed to comply with the GEM Listing Rules and that their terms of appointment will be limited accordingly. Furthermore, every director of the Company, including those appointed for a specific term, voluntarily retires from his office by rotation at least once every three years notwithstanding that he is not required to do so by the Articles of Association.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules for directors.

All directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding directors' securities transaction throughout the six months ended 30 June 2006.

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 six months ended 30 June 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 six months ended 30 June 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, 8 August 2006