



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 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 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

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 and nine months ended 30 September 2006, together with the comparative unaudited figures for the corresponding periods in 2005, as follows:

CONSOLIDATED INCOME STATEMENT

		Three months ended		Nine months ended	
		30 September		30 September	
		2006	2005	2006	2005
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	2	4,784	5,918	17,094	18,193
Direct operating expenses		(3,076)	(4,162)	(11,168)	(14,036)
Other operating income		5	4	16	6
Selling and distribution costs		(1,832)	(1,604)	(5,402)	(5,435)
Administrative expenses		(406)	(799)	(1,268)	(2,143)
		<hr/>	<hr/>	<hr/>	<hr/>
Loss before income tax	3	(525)	(643)	(728)	(3,415)
Income tax expenses	4	–	–	–	–
		<hr/>	<hr/>	<hr/>	<hr/>
Loss for the period		<u>(525)</u>	<u>(643)</u>	<u>(728)</u>	<u>(3,415)</u>
		<hr/>	<hr/>	<hr/>	<hr/>
Basic loss per share	6	<u>HK(0.10) cent</u>	<u>HK(0.13) cent</u>	<u>HK(0.14) cent</u>	<u>HK(0.67) cent</u>

Notes:

1 BASIS OF PRESENTATION

The unaudited consolidated income statement for the three months and nine months ended 30 September 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 TURNOVER

An analysis of turnover in the unaudited consolidated income statement is as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of magazine	688	604	1,748	1,804
Advertising income	3,746	3,865	11,084	12,146
Promotion and marketing income	350	1,449	4,262	4,243
	<u>4,784</u>	<u>5,918</u>	<u>17,094</u>	<u>18,193</u>

3 LOSS BEFORE INCOME TAX

During the three months and nine months ended 30 September 2006, loss before income tax is arrived at after charging depreciation of approximately HK\$101,000 and HK\$303,000 respectively (three months and nine months ended 30 September 2005: HK\$97,000 and HK\$284,000 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 months and nine months ended 30 September 2006 (three months and nine months ended 30 September 2005: Nil).

5 DIVIDEND

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

6 LOSS PER SHARE

The calculation of basic loss per share for the three months and nine months ended 30 September 2006 is based on the loss for the periods of HK\$525,000 and HK\$728,000 respectively (three months and nine months ended 30 September 2005: HK\$643,000 and HK\$3,415,000 respectively) and on 506,498,344 shares in issue (three months and nine months ended 30 September 2005: 506,498,344 shares).

For the three months and nine months ended 30 September 2005 and 30 September 2006, no diluted loss per share has been presented because the exercise of the Company's share options will reduce loss per share.

7 MOVEMENT OF RESERVES

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the nine months ended 30 September 2006, the Group's turnover was HK\$17,094,000, representing a decrease of 6% from HK\$18,193,000 for the corresponding period last year. The result is mainly attributable to the heavy increase in market competition.

However, the loss for the Group was HK\$728,000 for the nine months ended 30 September 2006 as compared with a loss of HK\$3,415,000 in the previous year, representing a significant decrease of 79%. This was mainly due to a tighter cost control, and lean management structure.

For the three months ended 30 September 2006, we saw a drop of 19% in the Group's turnover to HK\$4,784,000 from that for the same period of last year due to a decrease in number of events hosting. Net loss for the three months was reduced to HK\$525,000, with a corresponding loss of HK\$643,000 for the same period last year as a result of implementation of cost control measures.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 September 2006, the Group had net current liabilities of approximately HK\$0.7 million (31 December 2005: HK\$0.3 million). The current assets comprised bank balances and cash of approximately HK\$1.1 million and trade and other receivables of approximately HK\$5.7 million. The current liabilities comprised trade payables, accruals and others of approximately HK\$7.5 million.

As the Group had no bank borrowings, no gearing ratio is presented at 30 September 2006.

SIGNIFICANT INVESTMENT PLANS

Save as disclosed below, the Group did not have any significant investment plans as at 30 September 2006.

POST BALANCE SHEET EVENT

Pursuant to an announcement dated 23 October 2006, the Company, WTS International (BVI) Limited ("WTS"), a subsidiary of South China Industries Limited ("SCI"), and SCI entered into an agreement pursuant to which WTS has conditionally agreed to sell the entire issued share capital of Praise Rich Limited ("Praise Rich") and procure the sale of a debt in the sum of HK\$70 million advanced to Ever Talent Limited ("Ever Talent") at a consideration of HK\$800 million. Both Praise Rich and Ever Talent are subsidiaries of SCI. The consideration is to be satisfied by the Company issuing a non-interest bearing convertible bond in the principal amount of HK\$800 million due 2011 carrying a right to subscribe for the shares of the Company at HK\$0.075 per share to WTS or as it may direct. Under the agreement, SCI agreed to continue providing a guarantee without charging fee to secure the liabilities of Ever Talent in respect of a loan facility of HK\$80 million and SCI has undertaken with the Company to provide guarantee without charging fee for a period of 3 years for securing the full obligation and liabilities of Praise Rich and its subsidiaries for a proposed facility up to an aggregate principal amount of HK\$500 million.

Ever Talent has a 80% interest in 遼寧大發房地產有限責任公司 (Liaoning Dafa Real Estate Co., Ltd.), whose sole asset is a piece of land located at Zhaoyang Street in the Shenhe District of Shenyang, the PRC with a total area of 23,234 sq.m. for the development of a seven storey shopping mall with a proposed aggregate gross floor area of approximately 125,500 sq.m.

The above transaction is conditional upon, among other things, the approval of the independent shareholders of the Company by way of poll vote.

The name of the Company will be proposed to be changed to South China Land Limited 南華置地有限公司 upon completion of this transaction.

PROSPECTS

The Group will continue to market and solidify the “資本雜誌 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 stage. With the lower cost base and lean management structure, the Group has a more flexible and efficient work base to offer more tailored services to its clients.

Special focus will be put upon event marketing and public relation services for large corporate clients. Many events have already been lined up and in the final stages of preparation. Barring unforeseen circumstances, the Group is confident that the results will be improved for the final quarter of the fiscal year.

As mentioned in the announcement dated 23 October 2006, the Group will conduct a more detailed review of its operations with a view to developing corporate strategy to enhance its existing business and asset base which may include further investing or divesting of loss-making operations.

Upon completion of the acquisition mentioned above, the Group will include property investment and development in the PRC as one of its core business activities and shall consider making more investment should an opportunity arises.

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

As at 30 September 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 (<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 Eartrade Investments Limited (“Eartrade”), 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 Eartrade. 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 September 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 nine months ended 30 September 2006 were as follows:–

Name or category of participant	Held as at 1.1.2006	Number of share options					Outstanding as at 30.9.2006	Date of grant of share options <i>(Note a)</i>	Exercise period of share options	Price of the Company’s shares		
		Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Initial exercise price per share option <i>(Note b)</i>				Immediately preceding the grant date of options <i>(Note c)</i>	Immediately preceding the exercise date of options <i>(Note c)</i>	
Director Fung Ka Pun	5,064,983	-	-	5,064,983	-	-	27.8.2002	27.8.2003 – 17.7.2012	0.27 <i>HK\$</i>	0.25 <i>HK\$</i>	N/A <i>HK\$</i>	

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 nine months ended 30 September 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 September 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 30 September 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 during the nine months ended 30 September 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.

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 audit committee), Dr. Lo Wing Yan, William, JP and Mr. Cheng Yuk Wo.

The Group's unaudited results for the three months and nine months ended 30 September 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 nine months ended 30 September 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, 7 November 2006