South China Land Limited

(Formerly known as Capital Publications Limited)

Incorporated in the Cayman Islands with limited liability

Stock Code : 8155

Annual Report 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 annual 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 annual report.

This annual report, for which the directors (the "Directors") of South China Land Limited 南華置地有限公司 (formerly known as Capital Publications Limited 資本出版有限公司 *) *(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 having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this annual 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 annual report misleading; and (iii) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

* *For identification purpose only*

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Corporate Information

Board of Directors

Executive Directors

Mr. Ng Hung Sang (*Chairman*)
Mr. Ng Yuk Yeung, Paul (*Chief Executive Officer*)
Mr. Hui Ping
Mr. Ng Yuk Fung, Peter

Non-executive Director

Ms. Ng Yuk Mui, Jessica

Independent Non-executive Directors

Mr. Law Cho Wa, Richard
Dr. Lo Wing Yan, William, *JP*
Mr. Cheng Yuk Wo

Compliance Officer

Mr. Hui Ping

Company Secretary & Qualified Accountant

Mr. Chan Chi Keung ACCA

Authorised Representatives

Mr. Hui Ping
Mr. Chan Chi Keung

Audit Committee

Mr. Law Cho Wa, Richard
(*Committee Chairman*)
Dr. Lo Wing Yan, William, *JP*
Mr. Cheng Yuk Wo

Remuneration Committee

Dr. Lo Wing Yan, William, *JP*
(*Committee Chairman*)
Mr. Law Cho Wa, Richard
Mr. Cheng Yuk Wo

Auditors

Messrs. Grant Thornton

Principal Banker

Standard Chartered Bank (Hong Kong) Limited
Shop 16
Ground Floor & Lower Floor
New World Tower
Central
Hong Kong

Registered Office

Scotia Centre, 4th Floor
P. O. Box 2804
George Town
Grand Cayman
Cayman Islands

Head Office and Principal Place of Business

Unit A, 3rd Floor
Wah Shing Centre
5 Fung Yip Street
Chai Wan
Hong Kong

Share Registrar and Transfer Office

Union Registrars Limited
Room 1803
Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

Stock Code

8155

Website for the Group's Magazine

www.capital-hk.com

Chairman's Statement and Management Discussion and Analysis

I am pleased to report the activities of the Company and its subsidiaries (together "the Group") for the year ended 31 December 2006.

BUSINESS REVIEW

For the year ended 31 December 2006, the Group's turnover decreased by 5% to HK$23.9 million as compared with HK$25.1 million in 2005. The slight decrease in turnover was mainly attributable to the World Cup event when many advertisers decided to direct the majority of the marketing promotions to media of World Cup.

The Group however recorded a significant decrease in operating costs. This was a result of a decrease in printing costs and the streamlining of operations. Total operating cost was reduced to HK$23.9 million from HK$27.1 million.

Despite the drop in advertising revenue, the Group still managed to record a small profit of HK$0.15 million compared with a loss of HK$1.95 million in 2005 as a result of the large cost savings. The three titles continued to expand and solidify their status in their respective areas. Capital hosted the "Capital Leaders of Excellance 2006" and "The 1st Capital Outstanding China Enterprise Awards" for the first time this year. Capital CEO conducted a large promotional event by Tourism Australia that was targeted at the affluent executives in Hong Kong whilst Capital Entrepreneur continued their series of awards such as Hong Kong Distinguished Enterprise Pilgrimage 2006 and Macau Distinguished Enterprise Pilgrimage 2006 for upcoming successful enterprises.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2006, the Group's operation was mainly financed by the internal financial resources of the Group.

As at 31 December 2006, the Group had net current assets of HK$279,000 (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 at 31 December 2006 (i) the Group had no significant exposure to fluctuations in exchange rates and any related hedges; (ii) the Group had no charges on its assets; (iii) the Group had no loan arrangements with or had not obtained any credit facilities from any financial institutions; and (iv) as at 31 December 2006, the Group had contracted commitment of HK$800 million in respect of the acquisition of subsidiaries. Save as disclosed, the Group did not made any material acquisitions, disposals and investment.

As the Group had no bank borrowings, no gearing ratio is presented for both 2005 and 2006.

SIGNIFICANT INVESTMENT PLANS

Save as disclosed below, the Group did not have any significant investment plans as at 31 December 2006.

EMPLOYEES

As at 31 December 2006, the total number of employees of the Group was 50 (2005: 52). Employees' cost (including directors' emoluments) amounted to HK$11.2 million for the year (2005: HK$11.9 million).

The Group considers its employees are its most valuable asset. 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

With the buoyant financial market, management expects a rising demand in advertising in finance based media to promote their products and services. With titles in three distinct market segments, the Group is in a good position to exploit the situation.

However, the Group is also facing fierce competition with the introduction of free newspapers and other new forms of media. The Group is well aware of these threats and will monitor closely the market environment. The Group will continue to seek opportunities to develop the China market.

With the recent completion of acquisition of 51% interest in Praise Rich Limited, which in turn indirectly holds 80% of a land development project in Shenyang City, the Board will actively participate in the construction and development of the property comprising of a seven-storey shopping mall. It is expected that a positive cash flow will be contributed to the Group upon completion of the project by 2008.

The Board will continue to look for opportunities of strengthening property investment and property development in the Mainland China.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated service.

Ng Hung Sang
Chairman

Hong Kong, 13 March 2007

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Ng Hung Sang, aged 57, is an Executive Director and the Chairman of the Company. Mr. Ng is actively involved in the overall corporate policies, strategic planning and business development of the Group. Mr. Ng is also the Chairman of South China Holdings Limited, South China Financial Holdings Limited (formerly known as South China Brokerage Company Limited), South China Industries Limited and Jessica Publications Limited. He holds a Master's degree in marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. He has extensive experience in the media industry. Mr. Ng was appointed as a Director of the Company on 28 January 2002. Mr. Ng is the father of Ms. Ng Yuk Mui, Jessica, Mr. Ng Yuk Fung, Peter and Mr. Ng Yuk Yeung, Paul.

Mr. Ng Yuk Yeung, Paul, aged 25, is an Executive Director and the Chief Executive Officer of the Company. Mr. Ng is also an Executive Director of South China Financial Holdings Limited (formerly known as South China Brokerage Company Limited). He graduated in law from Corpus Christi College, University of Cambridge (the "University") in the United Kingdom and is a Scholar of the University. He has been engaged in the financial service, travel and media businesses for over four years. Mr. Ng was appointed as a Director of the Company on 9 October 2003. Mr. Ng is a son of Mr. Ng Hung Sang and a brother of Ms. Ng Yuk Mui, Jessica and Mr. Ng Yuk Fung, Peter.

Mr. Hui Ping, aged 56, was appointed as a Director of the Company on 28 January 2002 and as Editorial Director and Associate Publisher of the Group on 20 March 2002. He is also the Compliance Officer and one of the Authorised Representatives of the Company. He holds a Master's degree in International Studies from the Griffith University in Australia. He has extensive experience in the media industry. Since November 1999, Mr. Hui worked for the South China Media Group as Chief Editor and Quality Controller of its magazine publication business, which included, amongst other things, the "資本雜誌 Capital" magazine where his responsibilities included giving editorial direction and management of the editorial teams.

Mr. Ng Yuk Fung, Peter, aged 26, was appointed as a Director of the Company on 9 October 2003. He is also an Executive Director of South China Holdings Limited, South China Industries Limited and both the Executive Director and Chief Executive Officer of Jessica Publications Limited. He holds a bachelor's degree in law from King's College, University of London in the United Kingdom. He has been engaged in the industrial and pharmaceutical businesses for over five years. Mr. Ng is a son of Mr. Ng Hung Sang and a brother of Ms. Ng Yuk Mui, Jessica and Mr. Ng Yuk Yeung, Paul.

Non-executive Director

Ms. Ng Yuk Mui, Jessica, aged 28, was appointed as a Non-executive Director of the Company on 20 August 2003. She is also a Non-executive Director of South China Holdings Limited, South China Industries Limited and Jessica Publications Limited. Ms. Ng has a bachelor's degree in law from King's College London, University of London in the United Kingdom and was admitted to the Hong Kong Bar in 2006. Ms. Ng is an associate member of the Chartered Institute of Management Accountants and a member of the Chinese People's Political Consultative Conference Tianjin Provincial Committee. Ms. Ng is the daughter of Mr. Ng Hung Sang and the sister of Mr. Ng Yuk Fung, Peter and Mr. Ng Yuk Yeung, Paul.

Independent Non-executive Directors

Mr. Law Cho Wa, Richard, aged 41, is the Financial Controller of Henderson Sunlight Asset Management Limited, which is the manager of Sunlight Real Estate Investment Trust. Mr. Law has been working for the Henderson Land Group for over 14 years and was formerly the Company Secretary of Henderson China Holdings Limited from 2005 to 2006 and Hong Kong Ferry (Holdings) Company Limited from 1997 to 2005. Mr. Law has extensive experience in financial and management reporting, auditing, company secretarial practice, compliance, finance and general management. He holds a Master of Business Administration and a Master of Science in Real Estate, both from the University of Hong Kong and a Post-graduate Diploma in Corporate Administration and a Professional Diploma in Accountancy, both from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries, The Association of Chartered Certified Accountants, and The Institute of Chartered Secretaries and Administrators and a member of the Hong Kong Institute of Directors. Mr. Law was appointed as an Independent Non-executive Director of the Company on 5 June 2002.

Dr. Lo Wing Yan, William, JP, aged 46, is currently the Vice Chairman, Managing Director & Chief Financial Officer of I.T Limited, a well established trend setter in fashion apparel retail market in Hong Kong with stores in the PRC, Taiwan and Malaysia, which is listed on the Main Board of the Hong Kong Stock Exchange. Prior to I.T Limited, Dr. Lo held various senior positions with China Unicom Limited, Citibank, N.A., Hong Kong Telecom Group, Cable & Wireless Plc, and McKinsey & Company, Inc. He is also the independent non-executive director of Nam Tai Electronics, Inc. which is listed on the NYSE, and independent non-executive director of a number of companies listed on the Stock Exchange including Softbank Investment International (Strategic) Limited and Varitronix International Limited. He was an independent non-executive director of Ocean Grand Chemical Holdings Limited and a non-executive director of Intelli-Media Group (Holdings) Limited (formerly known as Panorama International Holdings Limited) and is an independent non-executive director of Superdata Software Holdings Limited, the listing of its shares was withdrawn in 2006. Dr. Lo holds a M Phil Degree in Molecular Pharmacology and a PhD degree in Genetic Engineering, both from Cambridge University. He was a Commonwealth Scholar, a Croucher Foundation Fellow (HK), and a Bye-Fellow of Downing College, Cambridge. Dr. Lo is very active in the education sector of which he is an Adjunct Professor of The School of Business, Hong Kong Baptist University as well as that of the Faculty of Management, Hong Kong Polytechnic University. He is also a Governor of a newly established independent school the ISF Academy as well as Junior Achievement Hong Kong. In 1996, Dr. Lo was selected as a "Global Leader for Tomorrow" by World Economic Forum. In 1999, he was appointed as a Justice of the Peace ("J.P."). In 2003, he was appointed as Committee Member of Shantou People's Political Consultative Conference. Dr. Lo was appointed as an Independent Non-executive Director of the Company on 25 February 2002.

Mr. Cheng Yuk Wo, aged 46, worked at Coopers and Lybrand (now known as PricewaterhouseCoopers) in London and Swiss Bank Corporation (now known as UBS AG) in Toronto. He has held senior management positions in a number of Hong Kong listed companies and is a co-founder of a Hong Kong merchant banking firm. He is the proprietor of a certified public accountant practice in Hong Kong. He is currently an independent non-executive director of Capital Strategic Investment Limited, HKC (Holdings) Limited, Chia Tai Enterprises International Limited, Chong Hing Bank Limited, Jessica Publications Limited and Henry Group Holdings Limited, all being public companies listed in Hong Kong. Mr. Cheng holds a Master of Science (Economics) degree in Accounting and Finance and a Bachelor of Arts (Honours) degree in Accounting. Mr. Cheng was appointed as an Independent Non-executive Director of the Company on 17 September 2004.

Senior Management

Mr. Chan Chi Keung, aged 33, is the Company Secretary, Qualified Accountant and one of the Authorised Representatives of the Company. He graduated from Hong Kong Baptist University with an Honours Degree in Professional Accounting. He is an associate member of the Association of Chartered Certified Accountants. Mr. Chan has about 10 years' experience in auditing, accounting and financial management.

Mr. Lam Chun Wai, aged 43, is the Managing Chief Editor of the "資本雜誌 Capital" magazine. Mr. Lam joined the Group on 24 April 2002 and is responsible for editing and reporting of the "資本雜誌 Capital" magazine. He graduated with a Bachelor's degree of Arts from Tamkang University in Taiwan and has about 21 years of experience in the media industry.

Directors' Report

The Directors of the Company present their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006.

Change of Name

At an extraordinary general meeting of shareholders of the Company held on 8 March 2007, a special resolution was passed to change the name of the Company from "Capital Publications Limited (the Chinese translation being 資本出版有限公司, for identification purpose only)" to "South China Land Limited 南華置地有限公司" with effect from 8 March 2007.

Principal Activities

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 15 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 21.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2006 (2005: Nil).

Plant and Equipment

Details of the movements in plant and equipment of the Group during the year are set out in note 14 to the financial statements.

Share Capital

Details of movements in the Company's share capital are set out in note 19 to the financial statements.

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Ng Hung Sang	*(Chairman)*	*(Changed from Co-chairman to Chairman subsequent to the resignation of Mr. Fung Ka Pun as Co-Chairman)*
Mr. Fung Ka Pun	*(Co-Chairman)*	*(Resigned as Co-chairman and Executive Director on 9 November 2006)*
Mr. Ng Yuk Yeung, Paul	*(Chief Executive Officer)*	
Mr. Hui Ping		
Mr. Ng Yuk Fung, Peter		

Non-executive Director:

Ms. Ng Yuk Mui, Jessica

Independent Non-executive Directors:

Dr. Lo Wing Yan, William, *JP*
Mr. Law Cho Wa, Richard
Mr. Cheng Yuk Wo

In accordance with Article 116 of the Articles of Association of the Company, Ms. Ng Yuk Mui, Jessica and Dr. Lo Wing Yan, William will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. All other remaining Directors continue in office.

Directors' Service Contracts

Each of Mr. Ng Hung Sang and Mr. Hui Ping, Executive Directors of the Company, has entered into a service contract with the Company for an initial fixed term of one year commencing from 28 January 2002 which continues thereafter unless and until terminated by not less than three months' notice in writing served by either party on the other. In addition, Mr. Hui Ping is required to work full time for the Company.

The Non-executive Director and the Independent Non-executive Directors are appointed for an initial term of two years commencing from his/her date of appointment and will thereafter be subject to retirement by rotation at the annual general meeting according to the Articles of Association of the Company.

Save for the aforesaid, none of the Directors has entered into any service contract or has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 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:

(i) Interests in ordinary shares of HK$0.01 each of the Company (the "Shares")

Name of director	Capacity	Number of Shares held	Approximate percentage of shareholding
Mr. Ng Hung Sang ("Mr. Ng")	Beneficial owner	20,120,800	3.97%
	Interest of controlled corporations	326,588,403 (Note a)	64.48%

(ii) Interests in underlying shares of the Company

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Mr. Ng	Corporate interest	10,666,666,666 (Note c)	2,105.96%

Notes:

(a) 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, Ms. Cheung Choi Ngor ("Ms. Cheung"), and Mr. Richard Howard Gorges ("Mr. Gorges"), directors of South China Holdings Limited ("SCH"), 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.

(b) Mr. Ng, Ms. Cheung and Mr. Gorges, through companies wholly-owned and controlled by them, had interests in 487,949,760 shares in SCH. Mr. Ng personally owned 71,652,200 shares in SCH and through companies wholly-owned and controlled by him, beneficially owned 784,579,852 shares (include 487,949,760 shares stated above) in SCH.

(c) On 20 October 2006, the Company as the purchaser entered into the agreement (the "Agreement") with WTS International (BVI) Limited (the "Vendor"), a subsidiary of South China Industries Limited ("SCI") and SCI in relation to the acquisition of the entire issued share capital of Praise Rich Limited ("Praise Rich") and a debt in the sum of HK$70,000,000 for a consideration of HK$800 million. The consideration would be satisfied by the Company issuing to SCI or its nominee (the "Noteholder") a non-interest bearing convertible note (the "Convertible Note"). If the conversion right attached to the Convertible Note had been fully exercised, 10,666,666,666 Shares would be issued to the Noteholder at the agreed conversion price of HK$0.075 per Share. By virtue of the said interests in SCH shares in relation to which Mr. Ng had a duty of disclosure under SFO as described in Note (b) above and SCI was a subsidiary of SCH, Mr. Ng was taken to have a duty of disclosure in relation to the said underlying Shares of the Company under the SFO. The Agreement was amended and restated on 9 January 2007, details of which were disclosed in the circular dated 12 February 2007.

(d) 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 31 December 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 rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors of listed issuers as referred to therein.

Confirmation of Independence of Independent Non-executive Directors

The Company received from each of the Independent Non-executive Directors, Mr. Law Cho Wa, Richard, Dr. Lo Wing Yan, William, JP and Mr. Cheng Yuk Wo an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company still considers all the Independent Non-executive Directors are independent.

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 of the Scheme as required under the GEM Listing Rules are set out below:

(i) Summary of the Scheme

1. Purpose of the Scheme

The purpose of the Scheme is to recognise and motivate the contribution of the Employees (as defined in sub-section headed "Participants of the Scheme" below) and other person(s) who may make a contribution to the Group and to provide incentives and help the Company in retaining its existing Employees and recruiting additional Employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

2. Participants of the Scheme

The board of directors of the Company or a duly authorised committee thereof (the "Board"), may, at its discretion, makes offers to any full time or part time employee (including any executive and non-executive director or proposed executive and non-executive director) of the Group (the "Employees"), adviser, consultant, contractor, client or supplier who have contributed to the Group (collectively the "Participants"), to take up options to subscribe for shares of HK$0.01 each in the share capital of the Company ("Shares") in accordance with the provisions of the Scheme.

3. Total number of Shares available for issue under the Scheme

Pursuant to the letter issued by the Stock Exchange on 8 July 2002, the total number of Shares available for issue under options, which may be granted under the Scheme is 50,649,834 Shares, being 10% of the issued share capital at the date of completion of the Placing.

During the year, share options in relation to 5,064,983 Shares granted under the Scheme were lapsed and cancelled.

As at 31 December 2006, the total number of Shares available for issue under the Scheme was 50,649,834, representing 10% of the issued share capital of the Company as at 31 December 2006.

4. Maximum entitlement of each participant

No Participant shall be granted an option if total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12 month period up to the date of grant to such Participant would exceed 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the GEM Listing Rules) abstaining from voting.

5. Period within which the Shares must be taken up under an option

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

6. Minimum period, if any, for which an option must be held before it can be exercised

At the time of granting an option, the Board may, at its discretion, specify the minimum period(s), if any, for which an option must be held before it can be exercised.

7. Amount payable upon acceptance of the option and the period within which the payment must be made

HK$1.00 shall be paid within 5 business days from the date of offer of the option.

8. Basis of determining the exercise price of the option

The exercise price for Shares under the Scheme shall be a price determined by the Board, but in any case will not be less than the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading day;

(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer; or

(c) the nominal value of a Share.

9. Remaining life of the Scheme

Subject to early termination of the Scheme pursuant to the terms thereof, the Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Scheme becomes effective, i.e. 18 July 2002 and ending on 17 July 2012.

Details of the principal terms of the Scheme are summarised under the sub-section headed "Share Option Scheme" in Appendix IV to the Prospectus.

(ii) Details of options granted or outstanding

No share options were granted or exercised during the year ended 31 December 2006 (2005: Nil). The share option relating to 5,064,983 shares granted to Mr. Fung Ka Pun, the former director, and outstanding as at 1 January 2006, was lapsed and cancelled during the year ended 31 December 2006.

Convertible Securities, Options, Warrants or Similar Rights

Save as disclosed under the section headed "Share Option Scheme" above, during the year ended 31 December 2006, neither the Company nor any of its subsidiaries issued or granted any convertible securities, options, warrants or similar rights and there was no exercise of any conversion or subscription rights under any convertible securities, options, warrants or similar rights issued or granted at any time by the Company or any of its subsidiaries.

Directors' Right to Acquire Shares or Debentures

Save as disclosed under the section headed "Share Option Scheme" above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or the Chief Executive, or any of their spouses or children under the age of 18, was granted any rights to subscribe for equity or debt securities of the Company, nor had exercised any such right.

Directors' Interests in Contracts of Significance

Save as disclosed under the section headed "Connected Transactions" below, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management Contracts

No contract for the management and administration of the whole or any substantial part of the business of the Company was entered into or subsisted during the year.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying shares

As at 31 December 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:–

(i) Interests in the Shares

Name of shareholder	Capacity	Number of Shares held	percentage 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%
	Interest of controlled corporation	59,325,840 (Note b)	11.71%
Bannock	Beneficial owner	59,325,840 (Note b)	11.71%

(ii) Interests in the underlying shares of the Company

Name	Capacity	Number of underlying shares	Approximate percentage of shareholding
SCI	Interest of controlled corporations	10,666,666,666 (Notes c and d)	2,105.96%
SCH	Interest of controlled corporations	10,666,666,666 (Notes c and d)	2,105.96%

Notes:

(a) Each of Parkfield and Fung Shing is wholly owned by Mr. Ng, the Chairman of the Company.

(b) Earntrade, which is owned as to 60%, 20% and 20% by Mr. Ng, Ms. Cheung and Mr. Gorges, directors of SCH, respectively, was the holding company of Bannock. Thus, Earntrade is deemed to be interested in the 59,325,840 Shares held by Bannock.

(c) On 20 October 2006, the Company as the purchaser entered into the Agreement with the Vendor and SCI in relation to the acquisition of the entire issued share capital of Praise Rich and a debt in the sum of HK$70,000,000 for a consideration of HK$800 million, to be satisfied by the Company issuing to the Noteholder the Convertible Note. If the conversion right attached to the Convertible Note had been fully exercised, 10,666,666,666 Shares would be issued at the agreed conversion price of HK$0.075 per Share. The Agreement was amended and restated on 9 January 2007, details of which were disclosed in the circular dated 12 February 2007.

(d) SCI is a 74.79% owned subsidiary of SCH. Thus SCH is deemed to be interested in 10,666,666,666 underlying shares held by the Noteholder.

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

Save as disclosed above, as at 31 December 2006, the Company had not been notified by any other persons, other than the Directors or Chief Executive 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.

Management Shareholders

So far as the Directors are aware, other than those disclosed under the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares" above, there is no other person who is directly or indirectly interested in 5% or more of the share capital of the Company issued and who is able, as a practical matter, to direct or influence the management of the Company.

Connected Transactions

On 20 October 2006, the Company as the purchaser entered into the Agreement with the Vendor and SCI in relation to the acquisition of the entire issued share capital of Praise Rich and a debt for a consideration of HK$800 million, to be satisfied by the Company issuing to the Noteholder the Convertible Note. If the conversion right attached to the Convertible Note had been fully exercised, 10,666,666,666 Shares would be issued at the agreed conversion price of HK$0.075 per Share. On 9 January 2007, the Company, the Vendor and SCI entered into an amended agreement (the "Amended Agreement") to amend and restate the terms of the Agreement. Pursuant to the Amended Agreement, the Vendor agreed to sell to the Company 51% equity interest in Praise Rich and 51% of a debt for a consideration of HK$408 million, to be satisfied by the Company issuing to the Noteholder the revised Convertible Note. If the conversion right attached to the revised Convertible Note had been fully exercised, 5,440,000,000 Shares would be issued at the agreed conversion price of HK$0.075 per Share, full details of the transaction has been included in the circular to the shareholders dated 12 February 2007.

Save as disclosed above, there were no transactions which required to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules during the year ended 31 December 2006.

Directors' and Management Shareholders' Interests in Competing Business

Mr. Ng, the Chairman and management shareholder of the Company, is also the Chairman of SCH and Jessica Publications Limited ("Jessica"). Mr. Ng, personally and through Parkfield, Fung Shing and Ronastar, has interest in SCH and Jessica. Mr. Ng together with Ms. Cheung and Mr. Gorges, management shareholders of the Company and executive directors of SCH, have beneficial interests in Earntrade, which directly and indirectly through Bannock holds shares in SCH and Jessica. Ms. Cheung and Mr. Gorges are also directors of various members of SCH. However, Ms. Cheung and Mr. Gorges are neither directors nor involved in the day-to-day management of the Company and Jessica. As Jessica and certain members of South China Media Limited, a subsidiary of SCH, are principally engaged in magazine publication, Mr. Ng is regarded as interested in such competing businesses of the Group. Mr. Ng Yuk Fung, Peter, an Executive Director of the Company, is also an executive director of SCH and an executive director and the chief executive officer of Jessica. He is 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 SCH 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 SCH and Jessica.

Save as disclosed above (including the information of Mr. Ng, Ms. Cheung, Mr. Gorges, Mr. Ng Yuk Fung, Peter and Ms. Ng Yuk Mui, Jessica), 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 year ended 31 December 2006.

Controlling Shareholders' Interests in Contracts

Other than the contracts as disclosed in the section headed "Directors' Interests in Contracts of Significance", there was no contract of significance between the Company or its subsidiaries and a controlling shareholder or any of its subsidiaries subsisting during or at the end of the year. Furthermore, there was no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2006.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Retirement Benefits Scheme

Details of the Group's retirement benefits scheme are set out in Note 25 to the financial statements.

Customers and Suppliers

During the year ended 31 December 2006, the five largest customers of the Group accounted for less than 30% of the Group's total turnover and the five largest suppliers of the Group accounted for 62.4% of the Group's total purchases. In addition, the largest supplier accounted for 50% of the Group's total purchases.

The management shareholders of the Company, including Mr. Ng, Parkfield, Fung Shing, Ronastar, Ms. Cheung, Mr. Gorges, Earntrade and Bannock, hold interests in SCH.

None of the directors, their associates, or shareholders (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest suppliers as at 31 December 2006.

Audit Committee

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

During the year, the audit committee held four meetings to review and comment on the Company's 2005 annual report and 2006 half-yearly report and quarterly reports as well as the Company's internal control procedures.

The Group's audited results for the year ended 31 December 2006 were 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 were made.

Auditors

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Grant Thornton as auditors of the Company.

On behalf of the Board

Ng Hung Sang
Chairman

Hong Kong, 13 March 2007

Corporate Governance Report

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasizes accountability and transparency and are adopted in the best interests of the Company and its shareholders.

Code on Corporate Governance Practices

The Company complied with the Code on Corporate Governance Practices (the "CG Code") of the GEM Listing Rules throughout the year ended 31 December 2006 with the exception that Non-executive Directors are not appointed for a specific term and the Articles of Association of the Company does not provide that (a) every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; and (b) 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 term 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 of the Company. In addition, amendments to the Articles of Association of the Company have been proposed at the forthcoming Annual General Meeting in order to bring the Articles of Association of the Company in line with the changes brought about by the amendments to the GEM Listing Rules as well as the provisions of the CG Code.

Board Composition and Board Practices

As at the year-end date, the Board of Directors (the "Board") of the Company is composed of eight Directors, including the Chairman and the Chief Executive Officer who are Executive Directors, two additional Executive Directors, three Independent Non-executive Directors and one Non-executive Director. One Executive Director resigned during the year. More than one-third of the Board is Independent Non-executive Directors and all of them have appropriate professional qualifications, or accounting or related financial management expertise. Their biographies and relevant relationships amongst them are set out in the section of "Biographical Details of Directors and Senior Management" on page 6 to 7 of this annual report.

Review will be made regularly on the Board composition to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Group. Also, a balanced composition of Executive Directors and Non-executive Directors is maintained to ensure independence and effective management. The Company has satisfied the relevant provision of the GEM Listing Rules that at least one Independent Non-executive Director has appropriate accounting qualifications and expertise to chair the Audit Committee.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

A formal written procedure and policy have been adopted by the Board for the appointment of new directors. When selecting potential candidates for directors, their skill, experience, expertise, devotion of time and conflicts of interests are the key factors for consideration. No Nomination Committee has been set up, and, hence, the nomination and selection process are performed by the Board. The Board meets at least once a year in discussing whether the composition, size, structure of the Board is adequate. The Board meets once with a majority of Directors present. According to the Articles of Association of the Company, one-third, but not exceeding one-third of Directors are subject to re-election. Non-executive Directors are not appointed for a specific term. These deviate from the CG Code in which it states that all Non-executive Directors must be appointed for a specific term and all Directors must rotate at least once every three years. Despite the non-provision of the clause in the Articles of Association of the Company, all Non-executive Directors have agreed to limit their term to comply with the CG Code. Moreover, 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.

The Board is collectively responsible for the formulation of the Group's strategy, overseeing the management of the business and affairs of the Group.

The roles of the Chairman and the Chief Executive Officer are exercised by separate individuals with a view to reinforce their independence and accountability. Key and important decisions shall be fully discussed at the board meetings. All Directors have been fully consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the Company Secretary. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and receive adequate and reliable information in a timely manner.

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies are delegated to the executive committee, comprising all of the Executive Directors. They report periodically to the Board their work and business decisions.

The Board meets regularly and held five meetings in 2006.

	Attendance
Executive Directors	
Ng Hung Sang (*Chairman*)	5/5
Fung Ka Pun	3/5
(*Former Co-chairman and former Executive Director resigned on 9 November 2006*)	
Ng Yuk Yeung, Paul (*Chief Executive Officer*)	5/5
Hui Ping	1/5
Ng Yuk Fung, Peter	5/5
Non-executive Director	
Ng Yuk Mui, Jessica	3/5
Independent Non-executive Directors	
Law Cho Wa, Richard	5/5
Lo Wing Yan, William, *JP*	5/5
Cheng Yuk Wo	5/5

Notice of at least fourteen days is given to the Directors for regular meetings, while Board papers are sent to the directors not less than three days before the intended date of a board or board committee meeting. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Articles of Association of the Company. The Company Secretary ensures that the procedures and all applicable rules and regulations are strictly and fully complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any reasonable time on reasonable notice by any Director.

Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors.

Model Code for Securities Transactions

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. In addition, the Board has established similar guidelines for relevant employees who are likely in possession of unpublished price sensitive information in relation to the Group or its securities.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and its code of conduct regarding the directors' securities transactions throughout the year ended 31 December 2006.

Internal Control

Recognising that a well-designed and effective system of internal control is crucial to safeguard the assets of the Company and the shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirement of GEM Listing Rules, the Directors acknowledge that they have overall responsibility for the Company's internal control, financial control and risk management and shall monitor its effectiveness from time to time. Therefore, an internal audit team ("IA Team") has been established to carry out the internal audit function of the Company.

Based on the assessment of risk exposure, the IA Team formulates audit plans quarterly, which ensures the audit programs cover key internal control areas on a rotational basis, for review by the Audit Committee. The scopes and timing of the audit review is usually determined according to risk assessment. Special reviews may also be performed on areas of concern identified by management or the Audit Committee from time to time. Communication channel has been established between the IA Team and the Audit Committee members.

IA Team consistently monitors the internal control procedures and systems of the Group and reports its findings and recommendations, if any, to Audit Committee periodically. During the year, advertising cycle and printing cycle of the Group were reviewed, recommended remedial actions, distinguishing specific incidents from control weakness that require procedural changes or enhancement to prevent recurrence were proposed and addressed in the internal control report which was presented by the IA Team for review by the Audit Committee and the Board.

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The Directors ensure that the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on page 20 of this annual report.

Auditors' Remuneration

For the year ended 31 December 2006, the Auditors of the Company would receive approximately HK$220,000 for audit service.

Remuneration Committee

The Remuneration Committee was set up on 16 March 2005 and comprises all the Independent Non-executive Directors. The Remuneration Committee members are Dr. Lo Wing Yan, William, JP (Chairman of the Committee), Mr. Law Cho Wa, Richard and Mr. Cheng Yuk Wo. The Remuneration Committee met once in 2006 and was attended by all Committee members. The policies for the remuneration of Executive Directors and the Senior Management were reviewed by the Remuneration Committee, after consultation with the Chief Executive Officer. Remuneration, including basic salaries, discretionary performance bonuses, of the Executive Directors and Senior Management is based on skill, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability, as well as industry practice. Granting share options is considered as one of the means for giving long term motivation and incentive to and for retaining staff.

Remuneration, comprising directors' fees, of Non-executive Directors is subject to annual assessment for shareholders' approval at the annual general meeting. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

Audit Committee

The Audit Committee comprises all three Independent Non-executive Directors, Mr. Law Cho Wa, Richard (Chairman of the Committee), Dr. Lo Wing Yan, William, JP and Mr. Cheng Yuk Wo. The principal duties of the Audit Committee include the review of the Group's audit plan and process with the Auditors, participation in the review of the Auditors' independence, and review of the Group's financial statements in accordance with its terms of reference, which is substantially the same as the CG Code.

The Audit Committee Members meet regularly. Four meetings of the Audit Committee were held in 2006:

	Attendance
Law Cho Wa, Richard (*Chairman of the Committee*)	4/4
Lo Wing Yan, William, *JP*	2/4
Cheng Yuk Wo	4/4

The Audit Committee is satisfied with their review of the audit fees, process and effectiveness, and the independence of the Auditors and has recommended to the Board the re-appointment of Auditors in 2007 at the forthcoming annual general meeting.

The Group's annual report for the year ended 31 December 2006 has been reviewed by the Audit Committee.

Independent Auditors' Report

Grant Thornton
均富會計師行

Certified Public Accountants
Member of Grant Thornton International

To the members of South China Land Limited
(formerly known as Capital Publications Limited)
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of South China Land Limited (formerly known as Capital Publications Limited) (the "Company") set out on pages 21 to 45, which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower,
The Landmark
15 Queen's Road Central
Hong Kong

Hong Kong, 13 March 2007

Consolidated Income Statement

For the year ended 31 December 2006

	Notes	**2006** **HK$'000**	2005 HK$'000
Revenue	5	**23,912**	25,140
Direct operating expenses		**(14,708)**	(17,255)
Other operating income	6	**184**	15
Selling and distribution costs		**(7,234)**	(7,111)
Administrative expenses		**(2,001)**	(2,074)
Other operating expenses		**–**	(665)
Profit/(loss) before income tax	8	**153**	(1,950)
Income tax expense	9	**–**	–
Profit/(loss) for the year attributable to equity holders of the Company	10	**153**	(1,950)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the year			
– Basic	11	**HK 0.03 cent**	HK(0.38) cent
– Diluted		**N/A**	N/A

Consolidated Balance Sheet

As at 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	14	**717**	1,096
Current assets			
Trade receivables	16	**5,501**	6,306
Other receivables		**705**	347
Amount due from a related company	26(b)	**–**	53
Cash and cash equivalents	17	**1,388**	1,330
		7,594	8,036
Current liabilities			
Trade payables	18	**3,789**	5,218
Other payables and accrued expenses		**3,118**	2,903
Receipts in advance		**193**	168
Amount due to a related company	26(b)	**215**	–
		7,315	8,289
Net current assets/(liabilities)		**279**	(253)
Net assets		**996**	843
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	19	**5,065**	5,065
Reserves		**(4,069)**	(4,222)
Total equity		**996**	843

Ng Yuk Yeung, Paul
Director

Hui Ping
Director

Balance Sheet

As at 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interest in subsidiaries	15	**1,108**	1,108
Current assets			
Other receivables		**1**	–
Cash and cash equivalents	17	**52**	36
		53	36
Current liabilities			
Other payables		**48**	27
		48	27
Net current assets		**5**	9
Net assets		**1,113**	1,117
EQUITY			
Share capital	19	**5,065**	5,065
Reserves	21	**(3,952)**	(3,948)
Total equity		**1,113**	1,117

Ng Yuk Yeung, Paul
Director

Hui Ping
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Cash flows from operating activities			
Profit/(loss) before income tax		**153**	(1,950)
Adjustments for:			
Depreciation	8	**405**	384
Equity settled share-based payment expenses	12	**–**	53
Interest income	6	**(21)**	(9)
Operating profit/(loss) before working capital changes		**537**	(1,522)
Decrease/(increase) in trade receivables		**805**	(1,108)
(Increase)/decrease in other receivables		**(358)**	163
Decrease/(increase) in amount due from a related company		**53**	(53)
(Decrease)/increase in trade payables		**(1,429)**	1,326
Increase in other payables and accrued expenses		**215**	388
Increase/(decrease) in receipts in advance		**25**	(50)
Increase/(decrease) in amount due to a related company		**215**	(182)
Net cash generated from/(used in) operating activities		**63**	(1,038)
Cash flows from investing activities			
Interest received		**21**	9
Purchases of plant and equipment		**(26)**	(351)
Net cash used in investing activities		**(5)**	(342)
Net increase/(decrease) in cash and cash equivalents		**58**	(1,380)
Cash and cash equivalents at 1 January		**1,330**	2,710
Cash and cash equivalents at 31 December		**1,388**	1,330
Analysis of the cash and cash equivalents			
– Cash at bank and in hand	17	**1,388**	1,330

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	Equity attributable to equity holders of the Company					
	Share capital	**Share premium**	**Capital reserve**	**Employee compensation reserve**	**Accumulated losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2005, as previously reported	5,065	11,483	6,044	–	(19,852)	2,740
Effect of changes in accounting policy:						
– initial adoption of HKFRS 2	–	–	–	763	(763)	–
At 1 January 2005, as restated	5,065	11,483	6,044	763	(20,615)	2,740
Loss for the year	–	–	–	–	(1,950)	(1,950)
Total recognised income and expense for the year	–	–	–	–	(1,950)	(1,950)
Equity settled share-based payment expenses	–	–	–	53	–	53
At 31 December 2005 and 1 January 2006	5,065	11,483	6,044	816	(22,565)	843
Profit for the year	–	–	–	–	153	153
Total recognised income and expense for the year	**–**	**–**	**–**	**–**	**153**	**153**
Share options forfeited during the year	–	–	–	(816)	816	–
At 31 December 2006	**5,065**	**11,483**	**6,044**	**–**	**(21,596)**	**996**

Notes to the Financial Statements

For the year ended 31 December 2006

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The address of its registered office is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands and its principal place of business is Unit A, 3rd Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong. The Company's shares are listed on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (together the "Group") are principally engaged in publication of magazines.

The financial statements on pages 21 to 45 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

The financial statements for the year ended 31 December 2006 were approved by the board of directors on 13 March 2007.

2. ADOPTION OF NEW OR AMENDED HKFRSs

From 1 January 2006, the Group has adopted the new and amended standards and interpretations of HKFRSs, which are relevant to its operations. These include the following new, revised and renamed standards:

HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease

The adoption of these new and amended standards and interpretations did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these standards did not result in significant changes to the amounts or disclosures in these financial statements.

2.1 New standards or interpretations that have been issued but are not yet effective

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the adoption of these standards or interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures [1]
HKFRS 7	Financial Instruments – Disclosures [1]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [2]
HK(IFRIC) – Int 8	Scope of HKFRS 2 [3]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives [4]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment [5]
HK(IFRIC) – Int 11	Group and Treasury Share Transactions [6]

Note:

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 March 2006
3 Effective for annual periods beginning on or after 1 May 2006
4 Effective for annual periods beginning on or after 1 June 2006
5 Effective for annual periods beginning on or after 1 November 2006
6 Effective for annual periods beginning on or after 1 March 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

3.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3.4 Income and expense recognition

Revenue comprises the fair value from the sale of goods and services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

– Sale of magazines is recognised when the magazines are delivered and title has been passed, with advance subscription fee received from subscribers recorded as receipts in advance.

– Advertising income is recognised on the date of the relevant publication issue or on time basis by reference to the period in which the advertisement is published.

– Promotion and marketing income is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

– Interest income is recognised on a time-proportion basis using the effective interest method.

Operating expenses are charged to the income statement when incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Plant and equipment

Plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses.

The gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on plant and equipment is provided to write off the cost less their residue values over their estimated useful lives, using the straight-line method at 20% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

3.6 Impairment of assets

Plant and equipment, interest in subsidiaries and financial assets are subject to impairment testing.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.7 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Operating lease charges as the lessee

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial assets

The Group's financial assets include trade receivables, other receivables, amount due from a related company and cash and cash equivalents.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

3.9 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3.12 Pension obligations and employee benefits

Defined contribution plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. Prior to the MPF Scheme becoming effective, the Group operated a defined contribution retirement benefits scheme (the "Prior Scheme") for those employees who were eligible to participate in this scheme. The Prior Scheme operated in a similar way to the MPF Scheme, except that when an employee left the Prior Scheme before his/her interest in the Group's employer contributions vested fully, the ongoing contributions payable by the Group were reduced by the relevant amount of the forfeited employer's contributions.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.13 Share-based employee compensation

The Group operates equity-settled share-based compensation plan for its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in income statement, with a corresponding increase in employee compensation reserve. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the amount previously recognised in employee compensation reserve and the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will be transferred to accumulated losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Financial liabilities

The Group's financial liabilities include trade payables, other payables and amount due to a related company. They are included in balance sheet items as "Trade payables", "Other payables and accrued expenses" and "Amount due to a related company".

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

3.15 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.16 Related parties

A party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, the Company or Group;
- has an interest in the Company that gives it significant influence over the Company or Group;
- has joint control over the Company or Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Company or Group, or of any entity that is a related party of the Company or Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of receivables at the balance sheet date.

(ii) Valuation of share option granted

The fair value of share option granted was calculated using the Black-Scholes valuation model based on the Group's management's significant inputs into calculation including an estimated life of share options granted to be ten years based on exercise restrictions and behavioural consideration, the volatility of share price, weighted average share prices and exercise price of the share options granted. Furthermore, the calculation assumes nil future dividends.

(iii) Depreciation

The Group depreciates the plant and equipment on a straight-line basis over the estimated useful lives, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's plant and equipment.

5. REVENUE

Revenue, which is also the Group's turnover, represents the income generated from the publication of magazines.

6. OTHER OPERATING INCOME

	2006 **HK$'000**	2005 HK$'000
Bank and other interest income	**21**	9
Write back of impairment of trade receivables	**160**	–
Sundry income	**3**	6
	184	15

7. SEGMENT INFORMATION

The Group's operation was principally attributable to the publication of magazines in Hong Kong. Accordingly, no analysis on the basis of business and geographical segments is presented.

8. PROFIT/(LOSS) BEFORE INCOME TAX

	2006	2005
	HK$'000	HK$'000
Profit/(loss) before income tax is arrived at after charging/(crediting):		
Auditors' remuneration:		
– Provision for current year	**220**	200
– Under provision in previous year	**–**	20
	220	220
Depreciation	**405**	384
Minimum lease payments paid under operating leases in respect of rented premises	**225**	212
(Write back of)/charge on impairment of trade receivables	**(160)**	665

9. INCOME TAX EXPENSE

For the year ended 31 December 2006, no provision for Hong Kong profits tax has been provided in the financial statements as the Group has tax losses brought forward from previous years to offset against the assessable profit for the year.

For the year ended 31 December 2005, no Hong Kong profits tax has been provided as the Group has incurred tax losses for the year.

Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	2006	2005
	HK$'000	HK$'000
Profit/(loss) before income tax	**153**	(1,950)
Tax at the applicable tax rates of 17.5% (2005: 17.5%)	**27**	(341)
Tax effect of non-deductible expenses	**2**	–
Tax effect of non-taxable revenue	**(31)**	–
Tax effect of utilisation of previously unrecognised tax losses	**(684)**	(467)
Tax effect of tax losses not recognised	**624**	689
Tax effect on temporary differences not recognised	**62**	119
Income tax expense	**–**	–

10. PROFIT/(LOSS) FOR THE YEAR

Of the consolidated profit for the year attributable to equity holders of the Company of HK$153,000 (2005: loss of HK$1,950,000), a loss of HK$4,000 (2005: HK$2,169,000) has been dealt with in the financial statements of the Company.

11. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the profit attributable to equity holders of the Company of HK$153,000 (2005: loss of HK$1,950,000) and on 506,498,344 (2005: 506,498,344) shares in issue.

Diluted earnings/(loss) per share for both years were not presented because the impact of the exercise of the share options was anti-dilutive.

12. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2006 HK$'000	2005 HK$'000
Wages and salaries	10,705	11,323
Equity settled share-based payment expenses	–	53
Pension costs – defined contribution plans (note 25)	472	486
	11,177	11,862

Included in staff costs are key management personnel compensation and comprises the following categories:

	2006 HK$'000	2005 HK$'000
Basic salaries and housing allowances	2,854	2,380
Equity settled share-based payment expenses	–	53
Pension costs – defined contribution plans	60	60
	2,914	2,493

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT

(a) Directors' emoluments

The emoluments paid or payable to the directors were as follows:

Year ended 31Decemebr 2006

	Fees HK$'000	Salaries and allowances HK$'000	Contribution to defined contribution plan HK$'000	Equity-settled share-based payment expenses HK$'000	Total HK$'000
Executive directors					
NG Hung Sang	–	–	–	–	–
FUNG Ka Pun (note i)	–	–	–	–	–
HUI Ping	–	540	12	–	552
NG Yuk Fung, Peter	–	–	–	–	–
NG Yuk Yeung, Paul	–	–	–	–	–
Non executive director					
NG Yuk Mui, Jessica	10	–	–	–	10
Independent non-executive directors					
LAW Cho Wa, Richard	50	–	–	–	50
LO Wing Yan, William	50	–	–	–	50
CHENG Yuk Wo	40	–	–	–	40
	150	540	12	–	702

Note:

(i) Mr. Fung Ka Pun resigned on 9 November 2006.

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT (Continued)

(a) Directors' emoluments (Continued)

Year ended 31 December 2005

	Fees HK$'000	Salaries and allowances HK$'000	Contribution to defined contribution plan HK$'000	Equity-settled share-based payment expenses HK$'000	Total HK$'000
Executive directors					
NG Hung Sang	–	–	–	–	–
FUNG Ka Pun	–	–	–	53	53
HUI Ping	–	540	12	–	552
NG Yuk Fung, Peter	–	–	–	–	–
NG Yuk Yeung, Paul	–	–	–	–	–
Non executive director					
NG Jessica Yuk Mui, Jessica	–	–	–	–	–
Independent non-executive directors					
LAW Cho Wa, Richard	50	–	–	–	50
LO Wing Yan, William	50	–	–	–	50
CHENG Yuk Wo	40	–	–	–	40
	140	540	12	53	745

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2005: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2005: four) individuals during the year are as follows:

	2006 HK$'000	2005 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,314**	1,840
Contributions to pension schemes	**48**	48
	2,362	1,888

13. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT (Continued)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following band:

	Number of individuals	
	2006	2005
Emolument band		
HK$nil – HK$1,000,000	**4**	4

During the year, no amount was paid by the Group to the directors or the four (2005: four) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. PLANT AND EQUIPMENT

GROUP

	Leasehold improvements	**Furniture and office equipment**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2005			
Cost	540	1,110	1,650
Accumulated depreciation	(267)	(254)	(521)
Net book amount	273	856	1,129
Year ended 31 December 2005			
Opening net book amount	273	856	1,129
Additions	1	350	351
Depreciation	(108)	(276)	(384)
Closing net book amount	166	930	1,096
At 31 December 2005			
Cost	541	1,460	2,001
Accumulated depreciation	(375)	(530)	(905)
Net book amount	166	930	1,096
Year ended 31 December 2006			
Opening net book amount	166	930	1,096
Additions	–	26	26
Depreciation	(108)	(297)	(405)
Closing net book amount	**58**	**659**	**717**
At 31 December 2006			
Cost	541	1,486	2,027
Accumulated depreciation	(483)	(827)	(1,310)
Net book amount	**58**	**659**	**717**

15. INTEREST IN SUBSIDIARIES/AMOUNT DUE FROM A SUBSIDIARY

COMPANY

	2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	**1,108**	1,108
Amount due from a subsidiary	**17,593**	17,621
Less: Impairment losses recognised	**(17,593)**	(17,621)
	–	–

Particulars of the subsidiaries at 31 December 2006 are as follows:

Name of subsidiary	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Percentage of issued capital held by the Company Directly	Indirectly	Principal activities
Media Bonus Limited	British Virgin Islands, limited liability company	2 ordinary shares of US$1 each	100%	–	Investment holding
Capital Publishing Management Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Provision of employee and personnel services for the Group
Capital Publishing Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Publication of "資本雜誌 Capital" magazine
Capital CEO Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Publication of "資本才俊 Capital CEO" magazine
Capital Entrepreneur Limited	Hong Kong, limited liability company	1 ordinary shares of HK$1 each	–	100%	Publication of "資本企業家 Capital Entrepreneur" magazine
Watson Century Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	–	100%	Dormant

16. TRADE RECEIVABLES

GROUP

	2006 HK$'000	2005 HK$'000
Trade receivables	**6,204**	7,169
Less: Impairment of trade receivables	**(703)**	(863)
Trade receivables – net	**5,501**	6,306

16. TRADE RECEIVABLES (Continued)

The Group allows a credit period from 30 days to 120 days to its trade customers. The following is the ageing analysis of net trade receivables at the balance sheet date:

	2006 HK$'000	2005 HK$'000
0 – 30 days	**1,933**	2,966
31 – 60 days	**1,182**	1,214
61 – 90 days	**1,019**	482
91 – 180 days	**1,131**	1,148
Over 180 days	**236**	496
	5,501	6,306

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	2006 HK$'000	2005 HK$'000
GROUP		
Cash at bank and in hand	**1,388**	1,330
COMPANY		
Cash at bank and in hand	**52**	36

18. TRADE PAYABLES

GROUP

	2006 HK$'000	2005 HK$'000
Trade payables	**3,789**	5,218

The following is the ageing analysis of trade payables at the balance sheet date:

	2006 HK$'000	2005 HK$'000
0 – 30 days	**590**	681
31 – 60 days	**546**	694
61 – 90 days	**722**	785
91 – 180 days	**1,271**	1,840
Over 180 days	**660**	1,218
	3,789	5,218

19. SHARE CAPITAL

	2006 HK$'000	2005 HK$'000
Authorised:		
100,000,000,000 (2005: 100,000,000,000) ordinary shares of HK$0.01 each	**1,000,000**	1,000,000
Issued and fully paid:		
506,498,344 (2005:506,498,344) ordinary shares of HK$0.01 each	**5,065**	5,065

20. SHARE – BASED EMPLOYEE COMPENSATION

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 24 June 2002 and became effective on 18 July 2002 for the primary purpose of providing incentives to directors and eligible employees and will expire on 17 July 2012. Under the Scheme, the board of directors of the Company may offer to any director or employee of the Company, or any of its subsidiaries, options to subscribe for shares in the Company.

At 31 December 2006, there were no shares in respect of which options were granted under the Scheme (2005: the number of share option granted was 5,064,983, representing approximately 1% of the issued shares of the Company). As at 31 December 2006, the total number of shares available for issue under the Scheme was 50,649,834, representing approximately 10% of the issued share capital of the Company as at 31 December 2006 and the date of this report. Without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, and the aggregate number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

The consideration payable on the grant of an option is HK$1 per option. Options may be exercised at any time for a period of ten years commencing on the first anniversary of the date of grant. The exercise price of the option shares would be at a price equal to the higher of: (i) the closing price of the shares of the Company on the Stock Exchange on the date of offer of the option; (ii) average of the closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the options; and (iii) the nominal value of a share.

The following table discloses the movements in the Scheme during the year:

	Outstanding as at 1 January 2005	Movement during the year	Outstanding as at 31 December 2005 and 1 January 2006	Forfeited during the year	Outstanding as at 31 December 2006
Executive director					
Mr. Fung Ka Pun (resigned on 9 November 2006)	5,064,983	–	5,064,983	(5,064,983)	–

Details of the share options are as follows:

Date of grant	Exercisable period	Exercise price
27 August 2002	27 August 2003 to 17 July 2012	HK$0.27

20. SHARE – BASED EMPLOYEE COMPENSATION (Continued)

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 Percentage
Within 12 months	Nil
13th – 24th month	$33^1/_3$%
25th – 36th month	$33^1/_3$%
37th – 48th month	$33^1/_3$%

No share options were granted during the year and therefore no consideration in respect of the share options was received.

The fair value of options granted under the Scheme on 27 August 2002, measured at the date of grant, was approximately HK$816,000. The following significant assumptions were used to derive the fair value, using the Black-Scholes option pricing model:

Date of grant	27 August 2002
Expected volatility	49%
Expected life (in years)	9.9
Risk-free interest rate	5%
Expected dividend yield	Nil

No employee compensation expense has been included in the consolidated income statement for the year ended 31 December 2006 (2005: HK$53,000) with a corresponding credit in equity.

21. RESERVES

(a) Group

The amount of the Group's reserves and the movements therein for the current and previous years are presented in the consolidated statement of changes in equity on page 25 of the financial statements.

(b) Company

	Share premium HK$'000	Employee compensation reserve HK$'000	Capital reserve HK$'000	Accumulated Losses HK$'000	Total HK$'000
At 1 January 2005, as previously reported	11,483	–	652	(13,967)	(1,832)
Effect of changes in accounting policy:					
– initial adoption of HKFRS 2	–	763	–	(763)	–
At 1 January 2005, as restated	11,483	763	652	(14,730)	(1,832)
Employee share-based compensation	–	53	–	–	53
Loss for the year	–	–	–	(2,169)	(2,169)
At 31 December 2005 and 1 January 2006	11,483	816	652	(16,899)	(3,948)
Share option forfeited during the year	–	(816)	–	816	–
Loss for the year	–	–	–	(4)	(4)
At 31 December 2006	**11,483**	**–**	**652**	**(16,087)**	**(3,952)**

22. DEFERRED TAX

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%).

The following are the major deferred tax (assets) and liabilities recognised by the Group and movements thereon during the current and previous financial years.

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2005	119	(119)	–
Charge/(credit) to income statement	147	(147)	–
At 31 December 2005 and 1 January 2006	266	(266)	–
Charge/(credit) to income statement	(181)	181	–
At 31 December 2006	**85**	**(85)**	**–**

No deferred tax liability has been provided in the financial statements of the Group as there are no temporary differences.

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2006, the Group has unused tax losses of HK$16,713,000 (2005: HK$ 17,055,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$486,000 (2005: HK$1,520,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$16,227,000 (2005: HK$15,535,000) due to the unpredictability of future profit streams. These tax losses have no expiry date.

23. OPERATING LEASE COMMITMENTS

GROUP

At 31 December 2006, the total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	2006 HK$'000	2005 HK$'000
Within one year	–	197
In the second to fifth year inclusive	–	99
	–	296

COMPANY

The Company does not have any significant operating lease commitments (2005: Nil).

24. OTHER SIGNIFICANT COMMITMENTS

On 20 October 2006, the Company and two subsidiaries of South China Holdings Limited ("SCH"), namely WTS International (BVI) Limited ("WTS") and South China Industries Limited ("SCI"), entered into a conditional agreement (the "Agreement") pursuant to which WTS had conditionally agreed to sell to the Company:

i. the entire equity interest in Praise Rich Limited ("Praise Rich"), which is engaged in a property development project in Liaoning, the PRC; and

ii. the total interest-free debts of approximately HK$93.5 million due from Ever Talent Limited ("Ever Talent"), a wholly-owned subsidiary of Praise Rich to subsidiary of WTS (the "Sale Debt").

Praise Rich, an indirect wholly-owned subsidiary of SCI, is an investment holding company holding all of the shares of Ever Talent, which is a company incorporated in Hong Kong and in turn is the 80% foreign investor in a PRC equity joint venture, namely 遼寧大發房地產有限責任公司 (Liaoning Dafa Real Estate Co., Ltd.) ("Liaoning Dafa"). Liaoning Dafa is principally engaged in property development business in Liaoning, the PRC (the "Property Project").

The consideration of the above transaction is HK$800 million (the "Agreement Consideration"). The Agreement Consideration was to be satisfied by the Company issuing to WTS or as it may direct any subsidiary of SCI as nominee (the "Noteholder") a convertible note in the principal amount of HK$800 million, which carrying a right to the Noteholder to convert the whole or part of such principal amount into ordinary shares of HK$0.01 each of the capital of the Company at the initial price of HK$0.075 per share. The convertible note is non-interest bearing. The maturity date of the convertible note is the fifth anniversary of the date of issue.

Subsequent to the balance sheet date, on 9 January 2007, the Company, WTS and SCI entered into an amended and restated agreement (the "Amended Agreement") pursuant to which, inter alia, WTS has conditionally agreed to sell to the Company 51% of the equity interest in Praise Rich, instead of the entire equity interest of Praise Rich as previously agreed, and to procure the sale to the Company of 51% Sale Debt (the "Revised Transaction") at an aggregate consideration of HK$408 million (the "Amended Agreement Consideration"). The Amended Agreement Consideration is to be satisfied by the Company issuing to the Noteholder a convertible note in a reduced principal amount of HK$408 million.

SCI has unconditionally and irrevocably agreed to guarantee the due performance of the WTS's obligations, SCI has also agreed to continue granting the guarantee provided and to be continued by the board of director of SCI to secure the liabilities of Ever Talent in respect of a loan facility of HK$80 million under a loan agreement date 14 June 2006 entered into between Ever Talent and the bank (the "Loan Agreement") without charging for any guarantee fee to secure the due and punctual performance of the obligations of Ever Talent in respect of a loan facility of HK$80 million for a period of three years from the date of the Loan Agreement under the Loan Agreement provided that each of the Loan Agreement and such guarantee has not been terminated on or prior to the completion of the Revised Transaction pursuant to the Amended Agreement (the "Completion").

In addition, SCI has undertaken with the Company to provide the guarantee under the Amended Agreement to be provided by SCI in favour of an independent third party to secure the proposed loan facility of up to an aggregate principal amount of HK$500 million proposed to be borrowed by any member of Praise Rich and its subsidiaries (collectively, the "Acquired Group") from independent third parties on normal commercial terms at market interest rate to finance the development cost of the Property Project (the "Proposed Facility") without charging for any guarantee fee for a period of not exceeding three years from the Completion for securing the due and punctual performance of the full obligation of any member of the Acquired Group under the Proposed Facility of up to HK$500 million.

SCI will also provide such guarantee if required by any independent third parties under the Proposed Facility although it is not obliged to do so under the Amended Agreement.

24. OTHER SIGNIFICANT COMMITMENTS (Continued)

WTS and SCI have jointly and severally undertaken with the Company that they would render or cause to be rendered to any member of the Acquired Group and/or the Company all such assistance as the Company (for itself and on behalf on the Acquired Group) may reasonably require in connection with obtaining the proper land use right in respect of the Property Project.

Pursuant to the Amended Agreement, SCI and WTS have agreed to indemnify the Acquired Group against any land appreciation tax that may become payable by the Acquired Group under the PRC laws and regulations in respect of the Property Project.

Save and except for the aforementioned, in effect, the other principal terms of the Agreement shall remain unchanged as provided in the Amended Agreement.

Mr. Ng Hung Sang and his associates are the controlling group of shareholders in the Company, SCH and SCI. Under the GEM Listing Rules, the Revised Transaction constitutes a connected transaction and very substantial acquisition for the Company. Further details of the Revised Transaction are set out in the Company's circular dated 12 February 2007.

An extraordinary general meeting of the Company was held on 8 March 2007 and the above transactions were approved by the independent shareholders. Please refer to note 28 for the details of the extraordinary general meeting.

25. RETIREMENT BENEFITS SCHEME

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The retirement benefits cost charged to income statement represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

For members of the MPF Scheme, the Group contributes 5% of the relevant payroll costs to the Scheme, which contribution is matched by the employee. Both the employers' and employees' contributions are subject to maximum of monthly earnings of HK$20,000 per employee.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at 5% of the employee's basic salary. The employees are entitled to receive their entire contributions and the accrued interest thereon, and 100% of the employer's contributions and the accrued interest thereon upon retirement or leaving the employer after completing 10 years of service or at a reduced scale of between 30% to 90% after completing 3 to 9 years of service.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

There was no significant amount of forfeited contributions available to reduce future contribution payable by the Group as at 31 December 2006 and 2005.

26. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, during the year, the Group had significant transactions with companies controlled by, or affiliated with, South China Holdings Limited (collectively referred to as South China Group). A director of the Company, Mr. Ng Hung Sang, is a substantial shareholder and a director of South China Holdings Limited.

(a) Details of these transactions are as follows:

	2006	2005
	HK$'000	HK$'000
(i) Purchase of services		
– Colour separation and photo processing fees	**202**	270
(ii) Operating lease expenses	**225**	212

(b) As disclosed in the consolidated balance sheet, the Group had outstanding payable to a related company of HK$215,000 (2005: receivable of HK$53,000), as at the balance sheet date. The balance is unsecured, interest-free and repayable on demand.

(c) The Group had entered into a mutual agreement with the South China Group that the South China Group has a right to use the title "資本 Capital" on publication of various magazines at a nominal value.

(d) During the year and after balance sheet date, the Company has entered into agreements with WTS and SCI in respect of an acquisition of a fellow subsidiary. Please refer to note 24 above for the details of the acquisition.

The above transactions were conducted in accordance with the terms mutually agreed between the Group and South China Group.

27. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the Group's management seats periodically to analyse and formulate strategies to manage the Group's exposure to market risk. The Group's exposure to market risk is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purpose.

The Group's financial assets include cash and cash equivalents, trade receivables, other receivables and amount due from a related company. The Group's financial liabilities include trade payables, other payables and accrued expenses and amount due to a related company.

27.1 Credit risk

The carrying amounts of trade receivables and other receivables included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. No other financial assets carrying a significant exposure to credit risk. The Group has no significant concentration of credit risk.

27. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.2 Foreign currency risk

As the Group's operation is principally attributable to the magazine publishing in Hong Kong, the Group has no exposure to foreign currency risk arising from the exposure of various currencies against Hong Kong dollars.

27.3 Cash flow and interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

27.4 Fair values

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values because of the immediate or short-term maturity of these financial instruments. The fair value of non-current liabilities was not disclosed because the carrying value is not materially different from the fair value.

27.5 Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirement to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer terms. The liquidity of the Company is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations and to obtain undertaking by SCI and WTS in respect of the Property Project. Please refer to note 24 above for the details of the undertaking by SCI and WTS.

28. POST BALANCE SHEET EVENTS

Save as those disclosed elsewhere in these financial statements, subsequent to 31 December 2006 the following post balance sheet date events took place:

An extraordinary general meeting of the Company was held on 8 March 2007 and the following resolutions were passed:

i. Approved, confirmed and ratified the amended and restated share purchase agreement dated 9 January 2007 entered into by the Company, WTS and SCI in respect of the acquisition by the Company of 51% equity interest in Praise Rich and 51% of the total interest-free debts due from a subsidiary of Praise Rich to a subsidiary of WTS.

ii. Approved the issue of a non-interest bearing convertible note in the principal amount of HK$408 million due in 2012 carrying a right to convert the whole or part of such principal amount into ordinary shares of HK$0.01 each in the capital of the Company at the initial price of HK$0.075 per share.

iii. Approved the name of the Company be changed from "Capital Publications Limited (Chinese translation being 資本出版有限公司, for identification purpose only)" to "South China Land Limited 南華置地有限公司".

Financial Summary

FINANCIAL RESULTS

	Year ended 31 December				
	(Restated)	(Restated)	(Restated)		
	2002	2003	2004	2005	**2006**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	6,977	9,653	15,711	25,140	**23,912**
Direct operating expenses	(5,591)	(7,531)	(11,204)	(17,255)	**(14,708)**
Other operating income	294	73	15	15	**184**
Selling and distribution costs	(1,206)	(2,933)	(5,390)	(7,111)	**(7,234)**
Administrative expenses	(4,098)	(3,120)	(2,525)	(2,074)	**(2,001)**
Other operating expenses	–	–	(168)	(665)	**–**
(Loss)/profit before income tax	(3,624)	(3,858)	(3,561)	(1,950)	**153**
Income tax expense	–	–	–	–	**–**
(Loss)/profit for the year	(3,624)	(3,858)	(3,561)	(1,950)	**153**

ASSETS AND LIABILITIES

	As at 31 December				
	(Restated)	(Restated)	(Restated)		
	2002	2003	2004	2005	**2006**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	11,968	9,126	9,547	9,132	**8,311**
Total liabilities	(2,398)	(2,995)	(6,807)	(8,289)	**(7,315)**
Shareholders' funds	9,570	6,131	2,740	843	**996**