South China Land Limited

Incorporated in the Cayman Islands with limited liability

Stock Code : 8155

ANNUAL REPORT 2007

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(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.

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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
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 (*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
Mr. Cheng Yuk Wo

AUDITORS

Messrs. Grant Thornton

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Chong Hing Bank Limited
China Construction Bank (Asia) Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited

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
Rooms 1901-02, Fook Lee Commercial Centre,
Town Place
33 Lockhart Road
Wanchai
Hong Kong

STOCK CODE

8155

WEBSITE OF THE COMPANY

www.sctrade.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 2007.

BUSINESS REVIEW

PROPERTY DEVELOPMENT

During the year, the Group seized the opportunity to venture into the Mainland property development market with two separate promising projects; the first being the acquisition of a prime commercial land in the pedestrian street Zhong Jie of Shenyang and the second involving relocation and redevelopment of residential/commercial land in Zhongjie (中捷), Cangzhou of Hebei province.

Property development in Shenyang

Since the acquisition of Praise Rich Group in early 2007, about HK$36 million have been spent in relation to property development cost in respect of the cost for improvement of outlay design of the shopping mall, land premium and the necessary foundation work.

South China Land Plaza has progressed satisfactorily with the submission and acceptance of a new concept design scheme by the City Planning Bureau. The new design is futuristic design on the main street with a gradual transformation to a more traditional facade facing the historical Imperial Palace. Soldier piles and excavation works have been completed, laying the foundation for full scale construction in March of 2008. We have already tendered an underground connection with Shenyang's first mass transit railway. The distance between the main station in Zhong Jie is only 50 metres away from the shopping mall.

The final product will be an upscale 7 storey shopping complex with four floors above ground and three below with a combined GFA of 117,000 square metres. The shopping mall will make use of the 10,000 square metres roof top as a park for leisure and cultural activities making it the only shopping mall in Shenyang with such an attraction.

The loss for the year of HK$22.2 million was primarily attributable to significant preliminary expenses and administrative costs of HK$5.6 million associated with the property development project in Shenyang, compounded with the booking of a non-cash interest for the amount of HK$17.8 million on zero-coupon convertible notes with an aggregate face value of HK$800 million.

Relocation project in Zhongjie (中捷), Cangzhou/Hebei

In April 2007, the Group signed a 400,000 square metres site area re-location and re-development agreement with the government of the Tianjin-Bohai Coastal Economic Development Area, with an expected 1,000,000 square metres of saleable floor area. Since then, the Group has been focused on Phase 1 of the development, which involves re-locating roughly 15,000 square metres from the existing residents yielding residential and commercial saleable floor area of roughly 30,000 square metres.

CAPITAL MAGAZINE

The Group recorded a turnover of HK$30.7 million, representing a 28.6% growth in turnover of magazines publication business when compared with last year. The advertising industry within Hong Kong carried on its momentum from 2006 but competition remains fierce with the introduction of several free newspapers and one new economic weekly magazine.

Magazines publication business improved from a profit of HK$132,000 in 2006 to HK$2.3 million in 2007 with improvement in the income from holding events during the year under review.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2007, the Group's operation was financed by the internal financial resources, amount due to related companies, convertible notes and banking facilities granted to the Group.

As at 31 December 2007, the Group had net current liabilities of HK$48,463,000 (2006: net current assets: HK$279,000).

As at 31 December 2007, the Group had a gearing ratio of 20.3% (2006: Nil). The gearing ratio is computed on comparing the Group's total non-current bank borrowings of HK$56 million to the Group's equity of HK$276 million.

The Board is of the opinion that, after taking into account the guarantee made by South China (China) Limited, an intermediate holding company of the Company, to subsidiaries of the Company, bank facilities granted to the Group and the internal financial resources of the Group available, the Group has sufficient working capital for its present requirements for at least the next 12 months.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 31 December 2007, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the year, the Group acquired the entire equity interest in Praise Rich Limited from a subsidiary of South China (China) Limited for a total consideration of HK$800 million by way of issuance of two convertible notes of the Company to Skychance Group Limited ("Skychance"), details of which were disclosed in the two circulars of the Company dated 12 February 2007 and 13 June 2007 respectively.

Save as disclosed above, there were no material acquisitions and disposals during the year.

EMPLOYEES

As at 31 December 2007, the total number of employees of the Group was 90 (2006: 50). Employees' cost (including directors' emoluments) amounted to HK$16.6 million for the year (2006: HK$11.2 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

Property

Property development in Shenyang

We believe our convenience and proximity with the MTR station will bring considerable pedestrian flow into the shopping mall once the subway is brought into operation in year 2009. Being one of the closest malls to the subway main station makes us one of the most natural first stop destinations for consumers arriving at Zhong Jie station.

Despite the slow down in the property market in Mainland China due to various macro economic policies implemented by the Central Government, the retail market in Shenyang Zhong Jie and Tai Yuen Jie still remains very buoyant. This is due to the fact that the two pedestrian streets, have traditionally and will remain the central shopping area for Shenyang and the seven neighbouring cities. With the increasing numbers of affluent individuals in China and the increasing consumer spending over the last year, we expect that demand for retail space remains strong.

The Group is negotiating the acquisition of another two pieces of land in other prime locations of Shenyang. We will continue to explore expansion possibilities within the region.

Relocation project in Zhongjie (中捷), Cangzhou/Hebei

The relocation project in Zhongjie has commenced with Phase 1 of development, and we expect to complete the construction work by the end of 2008. Current local market indicators suggest an improving demand for residential property and we look forward to adjusting our selling price accordingly. Furthermore, due to increasing re-location costs and rising material prices, we will consider to initiate Phase 2 earlier than planned.

Over the past year, considerable efforts has been put into acquiring similar property projects around this area of Hebei province. Looking ahead, we will continue to focus on acquisition to ensure a sufficient landbank to support our future development.

Property development and investment are the core business and focus of the Company. The Company sees good growth potential in the Mainland market despite the ongoing macro economic policies. On top of increasing our involvement in existing areas, we will continue to seek potential investments in other high growth areas of the PRC such as Tianjin, Chongqing, Wuhan and Xian.

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, 26 March 2008

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 58, 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 ("SCH"), South China Financial Holdings Limited ("SCFH") (formerly known as South China Brokerage Company Limited) and South China (China) Limited ("SCC") (formerly known as South China Industries Limited). He holds a Master 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 26, is an Executive Director and the Chief Executive Officer of the Company. Mr. Ng is also an executive director of SCFH. 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 five years. Mr. Ng was appointed as an Executive 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 57, is an Executive Director, the Compliance Officer and one of the Authorized Representatives of the Company. He holds a Master 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. Hui 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.

Mr. Ng Yuk Fung, Peter, aged 27, is an Executive Director of the Company. Mr. Ng is also an executive director of SCH and SCC. He holds a Bachelor degree in law from King's College, University of London in the United Kingdom. He has been engaged in the industrial and agricultural businesses for over six years. Mr. Ng was appointed as an Executive 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 Yeung, Paul.

NON-EXECUTIVE DIRECTOR

Ms. Ng Yuk Mui, Jessica, aged 29, is a Non-executive Director, of the Company. Ms. Ng is also a non-executive director of SCH and SCC. She has a Bachelor 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. She is an associate member of the Chartered Institute of Management Accountants and a Committee Member of Tianjin Municipal Committee of the Chinese People's Political Consultative Conference. Ms. Ng was appointed as a Non-executive Director of the Company on 20 August 2003. 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, aged 42, was the financial controller of Henderson Sunlight Asset Management Limited, which is the manager of Sunlight Real Estate Investment Trust. Mr. Law worked for the Henderson Land Group for over 15 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 degree in Business Administration and a Master degree 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 47, is currently the vice chairman, managing director and 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 Stock Exchange in Hong Kong. Prior to joining to I.T Limited, Dr. Lo held various senior positions with China Unicom Limited, Citibank, N.A., Hong Kong Telecom Group and McKinsey & Company, Inc. He is also the independent non-executive director of Nam Tai Electronics, Inc., which is listed on the New York Stock Exchange, and independent non-executive director of a number of companies listed on the Stock Exchange in Hong Kong, including China Renji Medical Group Limited (formerly known Softbank Investment International (Strategic) Limited) and Varitronix International Limited. He holds a Master degree in Molecular Pharmacology and a Doctorate degree in Genetic Engineering, both from The University of Cambridge in England. He was a Commonwealth Scholar, a Croucher Foundation Fellow (HK), and a Bye-Fellow of Downing College, The University of Cambridge. He 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 the ISF Academy as well as Junior Achievement Hong Kong. In 1996, the renowned global organization World Economic Forum selected Dr. Lo as a "Global Leader for Tomorrow". In 1999, the Hong Kong Special Administrative Region Government appointed him as a Justice of the Peace ("J.P."). In 2003, he was appointed as a committee member of Shantou Municipal Committee of the Chinese People's Political Consultative Conference. He was appointed as an Independent Non-executive Director of the Company on 25 February 2002.

Mr. Cheng Yuk Wo, aged 47, 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, GFT Holdings Limited and Goldbond Group Holdings Limited and a non-executive director of 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.

Directors' Report

The Directors present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2007.

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 principal subsidiaries are set out in note 16 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 24 of the annual report.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2007 (2006: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of results, total assets and total liabilities of the Group for the last five financial years, as extracted from the audited financial statements as appropriate, is set out on page 69 of the annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTES

Details of the Company's share capital and share options are set out in notes 28 and 29(ii) to the financial statements respectively. Details of convertible notes are set out in note 26 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity respectively.

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.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Save as disclosed under the section headed "Share Capital, Share Options and Convertible Notes" above, during the year, 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

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

Executive Directors:

Mr. Ng Hung Sang	*(Chairman)*
Mr. Ng Yuk Yeung, Paul	*(Chief Executive Officer)*
Mr. Hui Ping	
Mr. Ng Yuk Fung, Peter	
Dr. Tang Kam Sun	(Appointed on 5 July 2007 and resigned on 30 August 2007)

Non-executive Director:

Ms. Ng Yuk Mui, Jessica

Independent Non-executive Directors:

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

In accordance with Article 116 of the Articles of Association of the Company, Mr. Ng Hung Sang, and Mr. Cheng Yuk Wo will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. Mr. Law Cho Wa will also retire from office by rotation, but he will not offer himself for re-election at the forthcoming annual general meeting of the Company. Save as disclosed above, all other remaining Directors continue in office.

Each of the Non-executive Director and the Independent Non-executive Directors, including those which are subject to retirement at the forthcoming annual general meeting, has agreed and confirmed in writing with the Company that his/her term of appointment is three years commenced from the date of his/her last re-election by the shareholders at the annual general meeting.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Company are set out on pages 7 to 8 of the annual report.

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. In addition, Mr. Hui Ping is required to work full time for 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 2007, the interests and short position of the Directors and 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 which was required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the directors of the listed issuers, were as follows:

A. The Company

(I) *Long position in ordinary shares of HK$0.01 each of the Company (the "Shares")*

Name of Director	Capacity	Number of Shares	Approximate % of issued share capital
Ng Hung Sang ("Mr. Ng")	Interest of controlled corporations	346,829,203 *(Note c)*	68.48%

(II) *Long position in underlying Shares*

Convertible Notes

Name of Director	Capacity	Number of underlying Shares	Approximate % of issued share capital
Mr. Ng	Interest of controlled corporations	10,666,666,666 *(Note d)*	2,105.96%

Share options

Name of Director	Capacity	Number of underlying Shares	Approximate % of issued share capital
Ng Yuk Yeung, Paul	Beneficial owner	5,000,000	0.99%
Ng Yuk Fung, Peter	Beneficial owner	5,000,000	0.99%

Note: These share options were granted on 14 March 2007 at an exercise price of HK$0.2166 per share with exercisable periods as follows: (i) 1/3 of the total share options granted shall be exercised from the beginning of the second year from the date of grant to the end of the third year from the date of grant; (ii) 1/3 of the total share options granted shall be exercised from the beginning of the third year from the date of grant to the end of the fourth year from the date of grant; and (iii) 1/3 of the total share options granted shall be exercised from the beginning of the fourth year from the date of grant to the end of the fifth year from the date of grant.

B. Associated corporations

(I) *Long position in shares*

(i) SCH *(Note e)*

Name of Director	Capacity	Number of shares	Total number of shares	Approximate % of issued share capital
Mr. Ng	Beneficial owner	71,652,200	1,344,181,812 *(Note f)*	73.72%
	Interest of controlled corporations	1,272,529,612		

(ii) SCC *(Note b)*

Name of Director	Capacity	Number of shares	Approximate % of issued share capital
Mr. Ng	Interest of controlled corporations	1,983,206,785 *(Note g)*	74.79%

(iii) SCFH *(Note h)*

Name of Director	Capacity	Number of shares	Approximate % of issued share capital
Mr. Ng	Interest of controlled corporations	3,660,502,500 *(Note i)*	72.79%

(iv) South China Financial Credits Limited ("SCFC") *(Note j)*

Name of Director	Capacity	Number of shares	Approximate % of issued share capital
Ng Yuk Fung, Peter	Beneficial owner	250,000	0.59%
Ng Yuk Yeung, Paul	Beneficial owner	250,000	0.59%

(v) Prime Prospects Limited ("Prime Prospects") *(Note k)*

Name of Director	Capacity	Number of shares	Approximate % of issued share capital
Mr. Ng	Interest of a controlled corporation	30	30%

(II) *Long position in underlying shares*

(i) SCH

Share options

Name of Director	Capacity	Number of underlying shares	Approximate % of issued share capital
Ng Yuk Yeung, Paul	Beneficial owner	18,000,000	0.99%
Ng Yuk Fung, Peter	Beneficial owner	18,000,000	0.99%
Ng Yuk Mui, Jessica	Beneficial owner	18,000,000	0.99%

Note: These share options were granted on 18 September 2007 at an exercise price of HK$2.00 per share with exercisable periods as follows: (i) not more than 1/3 of the total share options granted shall be exercised from the beginning of the second year from the date of grant to the end of the tenth year from the date of grant; (ii) not more than 2/3 of the total share options granted shall be exercised from the beginning of the third year from the date of grant to the end of the tenth year from the date of grant; and (iii) all of the share options granted shall be exercised from the beginning of the fourth year from the date of grant to the end of the tenth year from the date of grant.

(ii) SCC

Warrants (*Note l*)

Name of Director	Capacity	Number of underlying shares	Approximate % of issued share capital
Mr. Ng	Interest of controlled corporations	396,641,357 (*Note m*)	14.96%

Share options

Name of Director	Capacity	Number of underlying shares	Approximate % of issued share capital
Ng Yuk Fung, Peter	Beneficial owner	26,000,000	0.98%
Ng Yuk Yeung, Paul	Beneficial owner	26,000,000	0.98%

Note: These share options were granted on 18 September 2007 at an exercise price of HK$1.50 per share with exercisable periods as follows: (i) not more than 1/3 of the total share options granted shall be exercised from the beginning of the second year from the date of grant to the end of the tenth year from the date of grant; (ii) not more than 2/3 of the total share options granted shall be exercised from the beginning of the third year from the date of grant to the end of the tenth year from the date of grant; and (iii) all of the share options granted shall be exercised from the beginning of the fourth year from the date of grant to the end of the tenth year from the date of grant.

(iii) SCFH

Warrants (*Note n*)

Name of Director	Capacity	Number of underlying shares	Approximate % of issued share capital
Mr. Ng	Interest of controlled corporations	732,100,500 (*Note o*)	14.56%

Share options

Name of Director	Capacity	Number of underlying shares	Approximate % of issued share capital
Ng Yuk Fung, Peter	Beneficial owner	50,000,000	0.99%
Ng Yuk Yeung, Paul	Beneficial owner	50,000,000	0.99%

Note: Each of Mr. Ng Yuk Fung, Peter and Mr. Ng Yuk Yeung, Paul was granted with share options to subscribe for 30,000,000 shares and 20,000,000 shares on 16 March 2006 and 26 April 2006 respectively at an exercise price of HK$0.128 per share with exercisable periods as follows: (i) 1/3 of the total share options granted shall be exercised from the beginning of the second year from the date of grant to the end of the third year from the date of grant; (ii) 1/3 of the total share options granted shall be exercised from the beginning of the third year from the date of grant to the end of the fourth year from the date of grant; and (iii) 1/3 of the total share options granted shall be exercised from the beginning of the fourth year from the date of grant to the end of the fifth year from the date of grant.

Notes:

(a) Skychance, a wholly-owned subsidiary of SCC, beneficially holds 346,829,203 Shares.

(b) SCC is a 74.79% owned subsidiary of SCH.

(c) By virtue of Notes (a), (b) and (f), Mr. Ng has a duty of disclosure under SFO in relation to 346,829,203 Shares held by Skychance.

(d) The two convertible notes with the rights to convert into 5,440,000,000 Shares and 5,226,666,666 Shares respectively at a conversion price of HK$0.075 per Share were issued to Skychance. By virtue of Notes (b) and (f), Mr. Ng is taken to have a duty of disclosure under SFO in relation to 10,666,666,666 underlying Shares to be issued to Skychance upon conversion.

(e) SCH is the holding company of SCC and the ultimate holding company of the Company.

(f) Mr. Ng, Miss Cheung Choi Ngor and Mr. Richard Howard Gorges, through controlled corporations, have interest in 487,949,760 shares of SCH. In addition, Mr. Ng personally owns 71,652,200 shares of SCH and through controlled corporations, beneficially owns 784,579,852 shares of SCH.

(g) By virtue of Notes (b) and (f), Mr. Ng has a duty of disclosure under SFO in relation to 1,983,206,785 shares of SCC held by certain wholly-owned subsidiaries of SCH.

(h) SCFH is a 72.79% owned subsidiary of SCH.

(i) By virtue of Notes (f) and (h), Mr. Ng has a duty of disclosure under SFO in relation to 3,660,502,500 shares of SCFH held by certain wholly-owned subsidiaries of SCH.

(j) SCFC is a 98.42% owned subsidiary of SCFH.

(k) Prime Prospects is a 70% owned subsidiary of SCC.

(l) These are warrants of SCC which entitle the holders thereof to subscribe at any time during the period from 7 September 2007 to 6 September 2010 (both days inclusive) for fully paid shares of SCC at an initial subscription price of HK$0.40 per share (subject to adjustments).

(m) By virtue of Notes (b) and (f), Mr. Ng is taken to have a duty of disclosure under SFO in relation to 396,641,357 underlying shares of SCC to be subscribed under warrants of SCC held by certain wholly-owned subsidiaries of SCH.

(n) These are warrants of SCFH which entitle the holders thereof to subscribe at any time during the period from 23 October 2007 to 22 October 2008 (both days inclusive) for fully paid shares of SCFH at an initial subscription price of HK$0.168 per share (subject to adjustments).

(o) By virtue of Notes (f) and (h), Mr. Ng is taken to have a duty of disclosure under SFO in relation to 732,100,500 underlying shares of SCFH to be subscribed under warrants of SCFH held by certain wholly-owned subsidiaries of SCH.

Save as disclosed above, none of the Directors or Chief Executive of the Company had registered, as at 31 December 2007, 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 which was 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 the securities transactions by directors of listed issuers.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company received from each of the Independent Non-executive Directors, Mr. Law Cho Wa, 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

Details of the share option scheme of the Company are set out in note 29(i) to the financial statements.

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' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

During the year, there were no contracts of significance for the provision of services to the Group by the controlling shareholders or any of their respective subsidiaries.

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

As at 31 December 2007, 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 which was required to be kept by the Company under Section 336 of the SFO:

(i) Long position in the shares

Name of shareholder	Capacity	Number of Shares	Approximate % of issued share capital
Skychance	Beneficial owner	346,829,203 (*Note a*)	68.48%
SCC	Interest of controlled corporations	346,829,203 (*Note b*)	68.48%
SCH	Interest of controlled corporations	346,829,203 (*Note c*)	68.48%

(ii) Long position in the underlying shares of the Company

Name of shareholder	Capacity	Number of underlying Shares	Approximate % of issued share capital
Skychance	Beneficial owner	10,666,666,666 (*Note d*)	2,105.96%
SCC	Interest of controlled corporations	10,666,666,666 (*Note d*)	2,105.96%
SCH	Interest of controlled corporations	10,666,666,666 (*Note d*)	2,105.96%

Notes:

(a) The 346,829,203 Shares included 342,829,203 Shares held by Skychance and 4,000,000 Shares held by Fung Shing Group Limited, which were transferred to Skychance on 9 January 2008.

(b) By virtue of Skychance is a wholly owned subsidiary of SCC, SCC has a duty of disclosure under SFO in relation to the 346,829,203 Shares as stated in Note (a).

(c) By virtue of Note (b) above and SCC is a 74.79% owned subsidiary of SCH, SCH has a duty of disclosure under SFO in relation to the 346,829,203 Shares as stated in Note (a).

(d) The two convertible notes with the right to convert into 5,440,000,000 Shares and 5,226,666,666 Shares respectively at a conversion price of HK$0.075 each were issued to Skychance. By virtue of Notes (a), (b) and (c), SCC and SCH are deemed to be interested in 10,666,666,666 underlying Shares to be issued to Skychance upon conversion.

Save as disclosed above, as at 31 December 2007, no persons, other than the Directors or Chief Executive whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered any interests or short positions in the Shares and underlying Shares of the Company as recorded in the register which was required to be kept 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 issued share capital of the Company and who is able, as a practical matter, to direct or influence the management of the Company.

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 SCC and was the former chairman of Jessica Publications Limited ("JPL", now known as Honbridge Holdings Limited) up to 15 October 2007. Mr. Ng, personally and through controlled corporations, had controlling interest in the Company, SCH, SCC and JPL (up to 15 October 2007), in which certain corporate interest as disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" are held by Mr. Ng jointly with Ms. Cheung Choi Ngor ("Ms. Cheung") and Mr. Richard Howard Gorges ("Mr. Gorges"). Since certain subsidiaries of SCH are principally engaged in property development and investment and publication business, certain subsidiaries of SCC are principally engaged in property development and investment and certain subsidiaries of JPL are principally engaged in publication business, Nr. Ng is regarded as interested in such competing businesses with the Group. As Ms. Cheung and Mr. Gorges are also executive directors of SCH and SCC and involve in the day-to-day management of SCH and SCC, they are regarded as interested in such competing businesses with the Group.

Mr. Ng Yuk Fung, Peter ("Mr. Peter Ng"), an Executive Director of the Company, is also an executive director of SCH and SCC and was the former executive director of JPL up to 15 October 2007. He is regarded as interested in such competing businesses with the Group.

Certain publication business of JPL was sold to Mr. Ng on 16 October 2007 and the whole publication business of SCH was sold to Mr. Ng after 31 December 2007 (collectively, "Private Media Group"). Mr. Ng, Mr. Peter Ng and Ms. Ng Yuk Mui, Jessica ("Ms. Jessica Ng", a Non-executive Director of the Company) are directors of Private Media Group and Mr. Ng is a controlling shareholder of Private Media Group. As such, each of Mr. Ng, Mr. Peter Ng and Ms. Jessica Ng is regarded to be interested in such competing business with the Group.

Save as disclosed above, none of the directors or the management shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates has any interest in a business which competes or may compete or has any conflicts of interest with the businesses of the Group.

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.

CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2007, 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 54% of the Group's total purchases. In addition, the largest supplier accounted for 34% of the Group's total purchases.

Save as disclosed above, 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 customers or suppliers

CONNECTED TRANSACTIONS

Details of the significant related party transactions undertaken by the Group during the year in the ordinary course of business are set out in note 35 to the financial statements.

During the year, the Company and the Group had the following connected transactions, details of which were disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules.

On 20 October 2006, the Company as the purchaser entered into the agreement (the "Agreement") with a wholly-owned subsidiary of SCC (the "Vendor") and SCC (a company controlled by Mr. Ng, the Chairman and the management shareholder of the Company which in turn is a connected person under GEM Listing Rules) in relation to the acquisition of the entire issued share capital of Praise Rich Limited ("Praise Rich") and a debt for a consideration of HK$800 million, which was to be satisfied by the Company issuing 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 acquisition of Praise Rich would provide a good opportunity for the Company to participate in property development and investment business in the PRC.

On 9 January 2007, the Company, the Vendor and SCC entered into the amended and restated share purchase 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, which was satisfied by the Company issuing to Skychance a convertible note (the "Convertible Note I"). If the conversion right attached to the Convertible Note I had been fully exercised, 5,440,000,000 Shares would be issued at the agreed conversion price of HK$0.075 per Share. The transaction was approved by the shareholders on 8 March 2007 and completed on 12 March 2007. Details of the transaction have been disclosed in the circular of the Company dated 12 February 2007.

On 30 April 2007, the Company, the Vendor and SCC entered into another agreement, the Vendor agreed to sell to the Company the remaining 49% equity interest in Praise Rich and 49% of a debt for a consideration of HK$392 million, which was satisfied by the Company issuing to Skychance another convertible note (the "Convertible Note II"). If the conversion right attached to the Convertible Note II had been fully exercised, 5,226,666,666 Shares would be issued at the agreed conversion price of HK$0.075 per Share. The transaction was approved by the shareholders on 4 July 2007 and completed on 6 July 2007. Details of the transaction have been disclosed in the circular of the Company dated 13 June 2007.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee include the review of the Group's audit plan and process with the auditors, the independence of the auditors, the Group's financial statements and system of internal control. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Law Cho Wa (Chairman of the Committee), Dr. Lo Wing Yan, William. *JP* and Mr. Cheng Yuk Wo.

The Audit Committee is satisfied with their review of the audit fees and the independence of the auditors and recommended to the Board the re-appointment of Messrs. Grant Thornton as Auditors of the Company at the forthcoming annual general meeting.

The Group's annual results for the year ended 31 December 2007 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, 26 March 2008

Corporate Governance Report

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize 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 of the GEM Listing Rules (the "CG Code") throughout the year ended 31 December 2007 with exception to code provision A.4.1 that Non-executive Directors of the Company were not appointed for a specific term and to code provision A.4.2 that the Articles of Association of the Company did 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 of the Company after their appointment.

In order to comply with the code provision A.4.2 of CG Code, a special resolution was passed at the annual general meeting of the Company on 17 April 2007 to amend the Articles of Association of the Company, inter alia, to the effect that every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years and all newly appointed Directors should be subject to re-election by shareholders at the first general meeting of the Company after their appointment.

All Directors of the Company are subject to the retirement by rotation in accordance with the Company's Articles of Association. Each of the Non-executive Directors has agreed and confirmed in writing with the Company that his term of appointment is three years commenced from the date of his last re-election by the shareholders at the annual general meeting. As such, the Board of Directors of the Company (the "Board") considers that code provision A.4.1 of the CG Code is complied.

BOARD COMPOSITION AND BOARD PRACTICES

The Board 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" on pages 7 to 8 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 GEM Listing Rules in having one of the Independent Non-executive Directors with 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.

The Board has adopted a formal written procedure and policy for the appointment of new directors. When selecting potential candidates for directors, skills, experience, expertise, his devotion of time and conflicts of interests are 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 met once in 2007 with a majority of Directors present.

All Directors of the Company are subject to the retirement by rotation in accordance with the Company's Articles of Association. Each of the Non-executive Directors has agreed and confirmed in writing with the Company that his term of appointment is three years commenced from the date of his last re-election by the shareholders at the annual general meeting.

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 are fully discussed at the board meetings. All Directors have been fully consulted about any matters proposed for inclusion in the agenda of regular meetings. The Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the Company Secretary. With the assistance 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 have received 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 Executive Directors. They report periodically to the Board their work and business decisions.

The Board meets regularly and held five meetings in 2007:

	Attendance
Executive Directors	
Ng Hung Sang (*Chairman*)	4/5
Ng Yuk Yeung, Paul (*Chief Executive Officer*)	4/5
Hui Ping	4/5
Ng Yuk Fung, Peter	4/5
Tang Kam Sun (appointed on 5 July 2007 and resigned on 30 August 2007)	1/1
Non-executive Director	
Ng Yuk Mui, Jessica	5/5
Independent Non-executive Directors	
Law Cho Wa	5/5
Lo Wing Yan, William. *JP*	3/5
Cheng Yuk Wo	5/5

Notice of at least fourteen days are 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 person or through other means of electronic communication in accordance with the Articles of Association of the Company. The Company Secretary ensures that the procedure 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 Directors.

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

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the 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 standard of dealings and its code of conduct regarding the directors' securities transactions throughout the year ended 31 December 2007.

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 the 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, a team, comprising qualified accountants, has been organized to carry out the internal audit function of the Company ("IA Team").

Based on the assessment of risk exposure, the IA Team formulates audit plans quarterly and ensures the audit programs cover key internal control areas on a rotational basis for review by the Audit Committee on a regular interval. 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, reports findings and make recommendations, if any, to the Audit Committee on a regular interval. During the year, IA Team reviewed construction payment cycle, management reporting cycle and sales commission cycle of the Group . 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 to the Audit Committee and the Board for review.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The Directors ensure that the financial statements of the Group are prepared in accordance with statutory requirements and applicable accounting standards. The Directors will review, from time to time, the consistency of accounting treatments applied during the quarterly and interim reports with those used in the annual report. However, should there be any inconsistencies in applying the accounting treatments in the unaudited results, the Directors will endeavor to restate comparative results in the prospective quarterly and interim reports to conform with the latest audited results of the Group as appropriate. On review of the capitalisation policy at the year end, the non-cash imputed interest on the zero-coupon convertible notes was expensed to the consolidated income statement as at 31 December 2007, instead of capitalised as construction in progress on the consolidated balance sheet as shown in the previous quarterly and interim reports.

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 23 of this annual report.

AUDITORS' REMUNERATION

For the year ended 31 December 2007, the Auditors of the Company will receive approximately HK$450,000 for audit service. For non-audit service for 2007, the Auditors of the Company received HK$352,000.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 16 March 2005 and comprises Dr. Lo Wing Yan, William. *JP* (Chairman of the Committee), Mr. Law Cho Wa and Mr. Cheng Yuk Wo, all Independent Non-executive Directors. The Remuneration Committee reviewed the policy for the remuneration of Executive Directors and the Senior Management after consultation with the Chief Executive Officer. Remuneration, including basic salaries, discretionary performance bonuses and other emolument of the Executive Directors and Senior Management, is based on skills, 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.

During the year under review, one meeting of the Remuneration Committee was held in 2007:

Name of members	Attendance
Lo Wing Yan, William. JP *(Chairman)*	0/1
Law Cho Wa	1/1
Cheng Yuk Wo	1/1

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 Board committee meetings.

AUDIT COMMITTEE

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

The Audit Committee Members meet regularly and held four meetings in 2007:

	Attendance
Law Cho Wa *(Chairman of the Committee)*	4/4
Lo Wing Yan, William. JP	3/4
Cheng Yuk Wo	4/4

The Audit Committee is satisfied with their review of the audit fees, the independence of the Auditors and recommended to the Board the re-appointment of Auditors in 2008 at the forthcoming annual general meeting.

The Group's annual results for the year ended 31 December 2007 were reviewed by the Audit Committee.

Independent Auditors' Report

Grant Thornton
均富

Member of Grant Thornton International Ltd

To the members of South China Land Limited南華置地有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of South China Land Limited (the "Company") set out on pages 24 to 68, which comprise the consolidated and company balance sheets as at 31 December 2007, 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 2007 and of the Group's loss 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

26 March 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Revenue	5	**30,741**	23,912
Direct operating expenses		**(16,228)**	(14,708)
Other operating income	6	**1,829**	184
Selling and distribution costs		**(9,290)**	(7,234)
Administrative and other operating expenses		**(11,458)**	(2,001)
Operating (loss)/profit	8	**(4,406)**	153
Finance costs	9	**(17,791)**	–
(Loss)/profit before income tax		**(22,197)**	153
Income tax expenses	10	**–**	–
(Loss)/profit for the year		**(22,197)**	153
Attributable to:			
Equity holders of the Company		**(20,881)**	153
Minority interest		**(1,316)**	–
(Loss)/profit for the year		**(22,197)**	153
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year			
– Basic	12	**HK (4.12) cents**	HK 0.03 cent
– Diluted	12	**N/A**	N/A

Consolidated Balance Sheet

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**710,031**	717
Goodwill	17	**355,271**	–
Recoverable from an intermediate holding company and a fellow subsidiary	18	**88,777**	–
Prepayments	20	**6,564**	–
		1,160,643	717
Current assets			
Trade receivables	19	**4,780**	5,501
Amount due from a minority shareholder of a subsidiary	21	**12,561**	–
Prepayments and other receivables	20	**8,563**	705
Cash and cash equivalents	22	**19,702**	1,388
		45,606	7,594
Current liabilities			
Trade payables	23	**4,590**	3,789
Other payables and accrued expenses	24	**4,721**	3,118
Receipts in advance		**145**	193
Amount due to an intermediate holding company	21	**46,553**	–
Amount due to a fellow subsidiary	21	**962**	215
Amount due to a related party	21	**10,200**	–
Amount due to a director	21	**2,898**	–
Bank borrowings	25	**24,000**	–
		94,069	7,315
Net current (liabilities)/assets		**(48,463)**	279
Total assets less current liabilities		**1,112,180**	996
Non-current liabilities			
Bank borrowings	25	**56,000**	–
Convertible notes	26	**669,559**	–
Deferred tax liabilities	27	**110,971**	–
		836,530	–
Net assets		**275,650**	996
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	28	**5,065**	5,065
Reserves	30	**158,094**	(4,069)
		163,159	996
Minority interest		**112,491**	–
Total equity		**275,650**	996

Ng Yuk Yeung, Paul
Director

Hui Ping
Director

Balance Sheet

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interest in subsidiaries	16	**1,108**	1,108
Current assets			
Amounts due from subsidiaries	16	**800,029**	–
Prepayments and other receivables	20	**26**	1
Cash and cash equivalents		**167**	52
		800,222	53
Current liabilities			
Other payables		**184**	48
Net current assets		**800,038**	5
Total assets less current liabilities		**801,146**	1,113
Non-current liabilities			
Convertible notes	26	**669,559**	–
Net assets		**131,587**	1,113
EQUITY			
Share capital	28	**5,065**	5,065
Reserves	30	**126,522**	(3,952)
Total equity		**131,587**	1,113

Ng Yuk Yeung, Paul
Director

Hui Ping
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
(Loss)/profit before income tax		**(22,197)**	153
Adjustments for:			
Interest income	6	**(60)**	(21)
Depreciation	8	**375**	405
Equity settled share-based payment expenses	13	**1,951**	–
Interest expense	9	**17,791**	–
Operating (loss)/profit before working capital changes		**(2,140)**	537
Decrease in trade receivables		**721**	805
Decrease in amount due from a minority shareholder of a subsidiary		**4,820**	–
Increase in prepayments and other receivables		**(5,389)**	(358)
Decrease in amount due from a related company		**–**	53
Increase/(decrease) in trade payables		**399**	(1,429)
Increase in other payables and accrued expenses		**475**	215
(Decrease)/increase in receipts in advance		**(48)**	25
Increase in amount due to a fellow subsidiary		**962**	215
Decrease in amount due to related companies		**(14,961)**	–
Increase in amount due to a related party		**12,721**	–
Net cash generated from operating activities		**(2,440)**	63
Cash flows from investing activities			
Interest received		**60**	21
Purchases of property, plant and equipment		**(23,098)**	(26)
Acquisition of subsidiaries	36	**4,759**	–
Net cash used in investing activities		**(18,279)**	(5)
Cash flows from financing activities			
Increase in amount due to an intermediate holding company		**46,553**	–
Increase in prepayments for construction in progress		**(6,564)**	–
Net cash generated from financing activities		**39,989**	–
Net increase in cash and cash equivalents		**19,270**	58
Cash and cash equivalents at 1 January		**1,388**	1,330
Effect of foreign exchange rate changes		**(956)**	–
Cash and cash equivalents at 31 December		**19,702**	1,388
Analysis of the cash and cash equivalents			
– Cash at bank and in hand		**19,702**	1,388

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Equity attributable to equity holders of the Company									
	Share capital	**Share premium**	**Capital reserve**	**Employee compensation reserve**	**Convertible notes equity reserve**	**Exchange reserve**	**Accumulated losses**	**Total**	**Minority interest**	**Total equity**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2006	5,065	11,483	6,044	816	–	–	(22,565)	843	–	843
Profit for the year	–	–	–	–	–	–	153	153	–	153
Total recognised income and expense for the year	–	–	–	–	–	–	153	153	–	153
Share options forfeited during the year	–	–	–	(816)	–	–	816	–	–	–
At 31 December 2006 and 1 January 2007	5,065	11,483	6,044	–	–	–	(21,596)	996	–	996
Exchange realignment	–	–	–	–	–	32,861	–	32,861	–	32,861
Loss for the year	–	–	–	–	–	–	(20,881)	(20,881)	(1,316)	(22,197)
Total recognised income and expense for the year	–	–	–	–	–	32,861	(20,881)	11,980	(1,316)	10,664
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	–	113,807	113,807
Recognition of equity component of convertible notes	–	–	–	–	148,232	–	–	148,232	–	148,232
Recognition of equity-settled share-based compensation	–	–	–	1,951	–	–	–	1,951	–	1,951
At 31 December 2007	5,065	11,483	6,044	1,951	148,232	32,861	(42,477)	163,159	112,491	275,650

Notes to the Financial Statements

For the year ended 31 December 2007

1. GENERAL INFORMATION

South China Land Limited南華置地有限公司 (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 principal activities of the Company and its subsidiaries (together referred to as the "Group") are publication of magazines and property development.

In the opinion of directors, the ultimate holding company of the Company is South China Holdings Limited, which is incorporated in the Cayman Islands.

The financial statements on pages 24 to 68 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") 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 2007 were approved by the board of directors on 26 March 2008.

2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has adopted, for the first time, the following new and amended standards and interpretations of HKFRSs, which are relevant to its operations. These include the following new, revised and renamed standards:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments – Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

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 except for HKAS 1 (Amendment) and HKFRS 7 as explained below.

2.1 HKAS 1 (Amendment) – Capital Disclosures

In accordance with the HKAS 1 (Amendment) – Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change are detailed in note 39.

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

2.2 HKFRS 7 – Financial Instruments: Disclosures

HKFRS 7 – Financial Instruments: Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 Financial Instruments: Presentation and Disclosures and has been adopted by the Group in its consolidated financial statements for the year ended 31 December 2007. All disclosures relating to financial instruments including the comparative information have been updated to reflect the new requirements. In particular, the Group's consolidated financial statements now feature:

– a sensitivity analysis explained the Group's market risk exposure in regard to its financial instruments, and

– a maturity analysis that shows the remaining contractual maturities of financial liabilities, each as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments on cash flows, net income or balance sheet items.

2.3 Early adoption of HKFRSs

The Group has early adopted HKAS 23 (Revised) – Borrowing Costs, of which early adoption is permitted.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional provision in the revised standard, the Group shall apply the revised standard on a prospective basis to borrowing costs relating to qualifying assets for which the commencement date designated by the Group for capitalisation is on or after 1 January 2007. The adoption of the revised standard has had no significant impact on the financial position or results of operations of the Group.

2.4 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.

HKAS 1 (Revised)	Presentation of Financial Statements [1]
HKFRS 8	Operating Segments [1]
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions [2]
HK(IFRIC) – Int 12	Service Concession Arrangement [3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes [4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction [3]

Note:

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2008

Among those new Standards and interpretations, HKAS 1 (revised) is expected to be relevant to the Group's financial statements.

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

2.4 New standards or interpretations that have been issued but are not yet effective *(Continued)*

Amendments HKAS 1 Presentation of Financial Statements

This amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. Management is currently assessing the detailed impact of this amendment on the Group's financial statements.

The Directors of the Company anticipate that the adoption of the other standards or interpretations will not result in substantial changes to the Group's accounting policies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of presentation

The financial statements have been prepared on a going concern basis despite the Group had significant net current liabilities HK$48,463,000 as at 31 December 2007. In the opinion of directors, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements, after taking into consideration on undertaking made by the intermediate holding company, South China (China) Limited, to provide financial support to the Group and not to demand repayment of debts due from the Group until such time when repayment will not affect the Company's ability to repay other creditors in the normal course of business.

3.2 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.

3.3 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 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.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

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.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 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.

3.6 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the currency translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

Other exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed.

3.8 Goodwill

Goodwill represents the excess of the cost of a business combination or an investment over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assume, and equity instruments issued by the Group, plus any costs directly attributable to the business combination or investment.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3.10).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

In case of the changes in ownership in a subsidiary after control is obtained that do not result in a loss of control, an excess of the cost of the further acquisition over the carrying amounts of the net assets acquired is recognised as goodwill in the consolidated balance sheet. A surplus of the carrying amounts of the net assets acquired over the cost of the further acquisition is recognised in the consolidated income statement.

3.9 Property, plant and equipment

Property, 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 property, 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 (or over the lease term, if shorter).

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 Impairment of assets

Goodwill arising on an acquisition of subsidiaries, property, plant and equipment, interest in subsidiaries and other financial assets are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

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.

3.11 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)*

3.12 Financial assets

The Group's financial assets, include trade receivables, other receivables, amount due from a minority shareholder of a subsidiary, recoverable from an intermediate holding company and a fellow subsidiary 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.

3.13 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 assets and liabilities are not recognized if the temporary difference arises from goodwill or 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 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 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 difference 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.

3.14 Cash and cash equivalents

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 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.

3.16 Pension obligations and employee benefits

Defined contribution plan

Pensions to employees are provided through a defined contribution plan. For details of the retirement benefits scheme, please refer to note 34 to the financial statements.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

The employees of the Group's subsidiary which operates in the People's Republic of China, excluding Hong Kong and Macau (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

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.

3.17 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 Share-based employee compensation *(Continued)*

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.

3.18 Financial liabilities

The Group's financial liabilities include trade payables, other payables, amount due to an intermediate holding company, amount due to a fellow subsidiary, amount due to a related party, amount due to a director, bank borrowings and convertible notes. They are included in balance sheet items as "Trade payables", "Other payables and accrued expenses", "Receipts in advance", "Amount due to an intermediate holding company", "Amount due to a fellow subsidiary", "Amount due to a related party", "Amount due to a director", "Bank borrowings" and "Convertible notes".

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

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible note issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible note and the fair value assigned to the liability component, representing the call option for conversion of the note into equity, is included in equity as convertible note equity reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.18 Financial liabilities *(Continued)*

Convertible notes (Continued)

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the note.

When the convertible note is converted, the convertible note equity reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the convertible note is redeemed, the convertible notes equity reserve is released directly to retained profits.

3.19 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 uncertain future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.20 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.21 Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

In respect of business segment reporting, unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as provision for tax and certain corporate borrowings.

Capital expenditure comprises additions to property, plant and equipment, including additions resulting from acquisitions of subsidiaries.

In respect of geographical segment reporting, revenue is based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

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 up to ten years based on exercise restrictions and behavioural consideration, the volatility of share price, weighted average share price and exercise price of the share options granted. Furthermore, the calculation assumes nil future dividends.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(iii) Valuation of convertible notes

On initial recognition date, the fair value of convertible notes that are not traded in an active market is determined by using discounted cash flow method. The Group uses its judgement to make assumptions that are mainly based on market conditions existing at the issue date. Details of the key assumptions are disclosed in note 26.

(iv) 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

	2007	2006
	HK$'000	HK$'000
Bank and other interest income	**60**	21
Exchange gains, net	**1,759**	–
Write back of impairment of trade receivables	**–**	160
Sundry income	**10**	3
	1,829	184

7. SEGMENT INFORMATION

Business segments

The business activities of the Group are the basis on which the Group reports its primary segment information. The following tables present revenue, asset, liabilities and expenditure information for the Group's business segments for the year ended 31 December 2007.

Year ended 31 December 2007

	Magazine publications HK$'000	**Property development** HK$'000	**Total** HK$'000
Revenue			
Sales to external customers	30,741	–	30,741
Segment results	2,332	(5,638)	(3,306)
Unallocated income			60
Unallocated expenses			(1,160)
Operating loss			(4,406)
Finance costs			(17,791)
Loss before income tax			(22,197)
Income tax expense			–
Loss for the year			**(22,197)**
Segment assets	5,985	1,127,418	1,133,403
Unallocated assets			72,846
Total assets			**1,206,249**
Segment liabilities	9,391	60,345	69,736
Unallocated liabilities			860,863
Total liabilities			**930,599**
Other segment information:			
Capital expenditure	92	23,006	23,098
Unallocated capital expenditure			–
Total capital expenditure			23,098
Depreciation	333	42	375
Impairment of trade receivables	258	–	258
Total cash expenses			633
Other non-cash expenses	–	–	–
Unallocated non-cash expense			17,791
Total non-cash expenses			**17,791**

For the year ended 31 December 2006, no business segment is presented as all the activities related to magazine and publications.

7. SEGMENT INFORMATION *(Continued)*

Geographical segments

The geographical locations of the Group's customers are the basis on which the Group reports its secondary segment information.

The Group's operations are located in two main geographical areas. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods and services.

Revenue by geographical markets:

	2007	2006
	HK$'000	HK$'000
Hong Kong	**30,741**	23,912
Mainland China	**–**	–
	30,741	23,912

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located.

	Segment assets		**Capital expenditures**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**12,013**	8,311	**92**	26
Mainland China	**1,194,236**	–	**23,006**	–
	1,206,249	8,311	**23,098**	26

For the year ended 31 December 2006, no geographical segment is presented as all the activities related to Hong Kong operations.

8. OPERATING (LOSS)/PROFIT

	2007	2006
	HK$'000	HK$'000
Operating (loss)/profit is arrived at after charging:		
Auditors' remuneration	**450**	220
Depreciation	**375**	405
Minimum lease payments paid under operating leases in respect of rented premises	**420**	225
Charge on impairment loss of trade receivables	**258**	–

9. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest charged on bank borrowings repayable within five years	**3,639**	–
Imputed interest on convertible notes	**17,791**	–
Total interest	**21,430**	–
Less: Interest capitalised on construction in progress	**(3,639)**	–
	17,791	–

10. INCOME TAX EXPENSES

For the year ended 31 December 2007, no provision for Hong Kong profits tax has been provided in the financial statements as the Group has no estimated assessable profit arising or derived from Hong Kong.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation interpretations and practices in respect thereof.

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

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

	2007 HK$'000	2006 HK$'000
(Loss)/profit before income tax	**(22,197)**	153
Tax at the applicable tax rates	**(4,624)**	27
Tax effect of non-deductible expenses	**3,984**	2
Tax effect of non-taxable revenue	**(348)**	(31)
Tax effect of utilisation of previously unrecognised tax losses	**(492)**	(684)
Tax effect of tax losses not recognised	**1,440**	624
Tax effect on temporary differences not recognised	**40**	62
Income tax expense	**–**	–

11. (LOSS)/PROFIT FOR THE YEAR

Of the consolidated loss for the year attributable to equity holders of the Company of HK$20,881,000 (2006: consolidated profit HK$153,000), a loss of HK$19,709,000 (2006: HK$4,000) has been dealt with in the financial statements of the Company.

12. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of HK$20,881,000 (2006: profit of HK$153,000) and on 506,498,344 (2006: 506,498,344) shares in issue.

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

13. EMPLOYEE BENEFIT EXPENSE (including directors' emoluments)

	2007 HK$'000	2006 HK$'000
Wages and salaries, gross	**14,551**	10,705
Less: Wages and salaries capitalised in construction in progress	**(342)**	–
Wages and salaries, net	**14,209**	10,705
Equity settled share-based payment expenses	**1,951**	–
Pension costs – defined contribution plans (*Note* 34)	**407**	472
	16,567	11,177

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

	2007 HK$'000	2006 HK$'000
Basic salaries and housing allowances	**3,218**	2,854
Equity settled share-based payment expenses	**1,084**	–
Pension costs – defined contribution plans	**60**	60
	4,362	2,914

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT

(a) Directors' emoluments

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, is as follows:

GROUP

	2007 HK$'000	2006 HK$'000
Fees	**160**	150
Other emoluments:		
Salaries, allowances and benefits in kind	**570**	540
Share option benefits	**1,084**	–
Pension scheme contributions	**12**	12
	1,666	552
	1,826	702

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 29(ii) to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant, and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

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

(a) Directors' emoluments *(Continued)*

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

Year ended 31 December 2007

	Fees HK$'000	Salaries and allowances HK$'000	Contribution to defined contribution plan HK$'000	Equity-settled share-based payment expenses HK$'000
Executive directors				
NG Hung Sang	–	–	–	–
HUI Ping	–	570	12	–
NG Yuk Fung, Peter	–	–	–	542
NG Yuk Yeung, Paul	–	–	–	542
TANG Kam Sun (Note i)	–	–	–	–
Non-executive director				
NG Yuk Mui, Jessica	10	–	–	–
Independent non-executive directors				
LAW Cho Wa	50	–	–	–
LO Wing Yan, William	50	–	–	–
CHENG Yuk Wo	50	–	–	–
	160	570	12	1,084

Year ended 31 December 2006

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

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

(a) Directors' emoluments *(Continued)*

Notes:

(i) Dr. Tang Kam Sun was appointed as a director on 5 July 2007 and resigned on 30 August 2007.

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

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 (2006: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2006: four) individuals during the year are as follows:

	2007	2006
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**2,488**	2,314
Contributions to pension schemes	**48**	48
	2,536	2,362

The emoluments fell within the following band:

	Number of individuals	
	2007	2006
Emolument band		
HK$1,000,000 or below	**4**	4

During the year, no amount was paid by the Group to the directors or the four (2006: four) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Leasehold improvements HK$'000	Furniture and office equipment HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2006				
Cost	541	1,460	–	2,001
Accumulated depreciation	(375)	(530)	–	(905)
	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
Year ended 31 December 2007				
Opening net book amount	58	659	–	717
Additions	4	119	22,975	23,098
Acquisition of subsidiaries (*Note* 36)	8	211	642,713	642,932
Depreciation	(54)	(321)	–	(375)
Exchange realignment	–	13	43,646	43,659
Closing net book amount	**16**	**681**	**709,334**	**710,031**
At 31 December 2007				
Cost	720	1,890	709,334	711,944
Accumulated depreciation	(704)	(1,209)	–	(1,913)
Net book amount	**16**	**681**	**709,334**	**710,031**

16. INTEREST IN SUBSIDIARIES/AMOUNT DUE FROM A SUBSIDIARY

COMPANY

	2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	**1,108**	1,108
Amounts due from subsidiaries	**816,959**	17,593
Less: Impairment losses recognised	**(16,930)**	(17,593)
	800,029	–

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

Particulars of the subsidiaries at 31 December 2007 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 share of HK$1 each	–	100%	Publication of " 資本企業家 Capital Entrepreneur" magazine
Ever Talent Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	–	100%	Investment holding
Liaoning Dafa Real Estate Co., Ltd	The PRC, limited liability company	RMB202,000,000	–	80%	Property development
Praise Rich Limited ("Praise Rich")	British Virgin Islands, limited liability company	100 ordinary shares of US$1 each	–	100%	Investment holding

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. GOODWILL

The main changes in the carrying amounts of goodwill result from the acquisition of Praise Rich and Grandbase Universal Limited. The net carrying amount of goodwill can be analysed as follows:

GROUP

	2007 **HK$'000**	2006 HK$'000
At 1 January		
Gross carrying amount	–	–
Accumulated impairment	–	–
Net carrying amount	–	–
Year ended 31 December		
Acquisition of subsidiaries		
51% interest in Praise Rich (note 36(a))	**181,491**	–
100% interest in Grandbase (note 36(b))	**373**	–
Remaining interest in Praise Rich	**173,407**	–
Impairment losses	–	–
Net carrying amount	**355,271**	–
At 31 December		
Gross carrying amount	**355,271**	–
Accumulated impairment	–	–
Net carrying amount	**355,271**	–

The recoverable amounts for the cash generating units given above were determined based on value-in-use calculations, covering a detailed five-year budget plan, followed by an extrapolation of expected cash flows at the growth rates stated below. The growth rates reflect the long-term average growth rates for the cash generating units.

The key assumptions used for value in use calculations are growth rates of 6% and discount of 15% per annum. The key assumptions have been determined based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Apart from the considerations described in determining the value in use of the cash generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

18. RECOVERABLE FROM AN INTERMEDIATE HOLDING COMPANY AND A FELLOW SUBSIDIARY

According to the acquisition agreements, an intermediate holding company and a fellow subsidiary of the Company, indemnify the Group against any attributable land appreciation tax that may become payable by the Group under the PRC laws and regulations in respect of the construction in progress with a prescribed limit. Details of the acquisitions are disclosed in note 36 and the circulars of the Company dated 12 February 2007 and 13 June 2007.

19. TRADE RECEIVABLES

GROUP

	2007 HK$'000	2006 HK$'000
Trade receivables – gross	**5,663**	6,204
Less: Impairment of trade receivables	**(883)**	(703)
Trade receivables – net	**4,780**	5,501

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:

	2007 HK$'000	2006 HK$'000
Within 30 days	**1,778**	1,933
31 – 60 days	**1,638**	1,182
61 – 90 days	**411**	1,019
91 to 180 days	**731**	1,131
Over 180 days	**222**	236
	4,780	5,501

The carrying amount of the trade receivables is considered a reasonable approximation of fair value as this financial asset, which is measured at amortised cost, is expected to be paid within a short timescale, such that the time value of money impact is not significant.

At each balance sheet date, the Group's trade receivables are individually determined to be impaired. The individually impaired receivables, if any, are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision is recognised if the amount is determined to be irrecoverable. The impairment provision will be written off against the trade receivables directly. The Group does not hold any collateral over these balances.

The ageing analysis of trade receivables that are not impaired is as follows:

	2007 HK$'000	2006 HK$'000
Neither past due nor impaired	**1,117**	1,194
Not more than one month past due	**1,285**	1,500
One to three months past due	**1,682**	1,712
Over three months past due	**696**	1,095
	4,780	5,501

20. PREPAYMENTS AND OTHER RECEIVABLES

GROUP

	2007 HK$'000	2006 HK$'000
Prepayments	**8,638**	27
Other receivables	**6,489**	678
	15,127	705
Prepayments classified as non-current	**(6,564)**	–
Current portion	**8,563**	705

COMPANY

	2007 HK$'000	2006 HK$'000
Prepayments	**26**	–
Other receivables	**–**	1
	26	1

Prepayments and other receivables of the Group and the Company do not contain impaired assets and their carrying amount approximates their fair value.

21. BALANCES WITH AN INTERMEDIATE HOLDING COMPANY, A MINORITY SHAREHOLDER OF A SUBSIDIARY, A FELLOW SUBSIDIARY, A RELATED PARTY AND A DIRECTOR

Balances with an intermediate holding company, a minority shareholder of a subsidiary, a fellow subsidiary, a related party, which is a director and beneficial shareholder of the ultimate holding company of the Company and a director are unsecured, interest free and repayable on demand.

The Company's intermediate holding company has undertaken not to demand repayment only when the Group has sufficient working capital in excess of its respective normal requirements.

22. CASH AND CASH EQUIVALENTS

As at 31 December 2007, the Group had cash and cash equivalents denominated in Renminbi ("RMB") of approximately HK$13,701,000 (2006: Nil) deposited with the banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

23. TRADE PAYABLES

GROUP

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

	2007 HK$'000	2006 HK$'000
Within 30 days	**1,080**	590
31 – 60 days	**1,457**	546
61 – 90 days	**777**	722
91 – 180 days	**863**	1,271
Over 180 days	**413**	660
	4,590	3,789

24. OTHER PAYABLES AND ACCRUED EXPENSES

GROUP

	2007 HK$'000	2006 HK$'000
Other payables	**1,530**	721
Accrued expenses	**3,191**	2,397
	4,721	3,118

25. BANK BORROWINGS

GROUP

	Effective interest rate	Maturity	2007 HK$'000	2006 HK$'000
Bank loans – unsecured				
Current	6.8%	June and December 2008	**24,000**	–
Non-current	6.8%	June 2009	**56,000**	–
			80,000	–
Analysed into:				
Bank loans repayable:				
Within one year			**24,000**	–
In the second year			**56,000**	–
			80,000	–

All bank borrowings are denominated in Hong Kong dollars at floating interest rates with reference to Hong Kong Interbank Offering Rates.

The bank borrowings were secured by the entire issued shares in a subsidiary and corporate guarantee executed by South China (China) Limited, an intermediate holding company of the Company.

26. CONVERTIBLE NOTES

GROUP AND COMPANY

	2007 **HK$'000**	2006 HK$'000
Convertible notes	**669,559**	–

The convertible notes of HK$408,000,000 and HK$392,000,000 were issued on 12 March 2007 and 6 July 2007 respectively. The notes are convertible into ordinary shares of the Company at any time between the date of issue of the notes and their settlement dates. The notes can be converted into approximately 13 ordinary shares per HK$1 note at par.

If the notes have not been converted or early redeemed by the noteholder, they will be redeemed on the fifth anniversary of the dates of issue of the convertible notes at par. The convertible notes do not bear any interest.

The fair value of the liability component, included in the convertible notes, was calculated using a market interest rate for an equivalent non-convertible notes. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in convertible notes equity reserve, net of deferred taxes.

The carrying amount of the convertible notes is denominated in Hong Kong dollars.

At 31 December 2007, the convertible notes were repayable as follows:

	2007 **HK$'000**	2006 HK$'000
In the fifth year	**669,559**	–

The convertible notes recognised in the balance sheet are calculated as follows:

	2007 **HK$'000**	2006 HK$'000
Face value of convertible notes	**800,000**	–
Equity component	**(148,232)**	–
Liability component on initial recognition	**651,768**	–
Imputed interest expense	**17,791**	–
Liability component at 31 December	**669,559**	–

The fair value of the liability component of the convertible notes at 31 December 2007 amounted to HK$669,559,000 (2006: Nil). The fair value is calculated using cash flows discounted at a rate based on the estimated discount rate of 7.07%.

Interest expense of HK$17,791,000 (2006: Nil) has been recognised in the income statement in respect of the convertible notes for the year ended 31 December 2007, using the effective interest method by applying effective interest rate of 4.18% to the liability component.

27. DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% and 25% (2006: 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.

	Revaluation of property, plant and equipment	**Accelerated tax depreciation**	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2006	–	266	(266)	–
Charge/(credit) to income statement	–	(181)	181	–
At 31 December 2006 and 1 January 2007	–	85	(85)	–
Acquisition of subsidiaries (*Note* 36)	110,971	–	–	110,971
Charge/(credit) to income statement	–	(40)	40	–
At 31 December 2007	**110,971**	**45**	**(45)**	**110,971**

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 2007, the Group has estimated unused tax losses of HK$23,374,000 (2006: HK$ 16,713,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$257,000 (2006: HK$486,000) of such losses. No deferred tax asset has been recognised in respect of the remaining estimated tax losses of HK$23,117,000 (2006: HK$16,227,000) due to the unpredictability of future profit streams. The amount of estimated tax losses that have no expiry date is approximately HK$14,434,000 and the remaining tax losses of approximately HK$8,683,000 are subject to expiry period of five years.

28. SHARE CAPITAL

	2007	2006
	HK$'000	HK$'000
Authorised:		
100,000,000,000 (2006: 100,000,000,000) ordinary shares of HK$0.01 each	**1,000,000**	1,000,000
Issued and fully paid:		
506,498,344 (2006: 506,498,344) ordinary shares of HK$0.01 each	**5,065**	5,065

29. SHARE – BASED EMPLOYEE COMPENSATION

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 (the "Board") or a duly authorised committee thereof, may, at its discretion, grant options 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 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*

   The total number of Shares available for issue under options, which may be granted under the Scheme shall not exceed 50,649,834 Shares, being 10% of the total number of Shares in issue immediately following completion of the Placing.

   During the year, 16,000,000 share options were granted under the Scheme.

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.

29. SHARE – BASED EMPLOYEE COMPENSATION *(Continued)*

(i) Summary of the Scheme *(Continued)*

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.

(ii) Details of share options granted or outstanding

Particulars and movements of the outstanding share options granted under the Scheme during the years ended 31 December 2007 and 2006 were as follows:

2007

	Number of share options								Price of shares		
Name and category of participant	Outstanding as at 1.1.2007	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31.12.2007	Date of grant of share options (Note a)	Exercisable periods of share options	Exercise price per share option HK$	Immediately preceding the grant date of share option (Note b) HK$	Immediately preceding the exercise date of share option (Note c) HK$
Directors											
Ng Yuk Yeung, Paul	–	5,000,000	–	–	–	5,000,000	14.3.2007	14.3.2008 – 13.3.2012	0.2166	0.20	N/A
Ng Yuk Fung, Peter	–	5,000,000	–	–	–	5,000,000	14.3.2007	14.3.2008 – 13.3.2012	0.2166	0.20	N/A
Sub-total	–	10,000,000	–	–	–	10,000,000					
Others											
In aggregate	–	1,000,000	–	–	–	1,000,000	14.03.2007	14.3.2008 – 13.3.2012	0.2166	0.20	N/A
	–	3,000,000	–	–	–	3,000,000	02.04.2007	2.4.2008 – 1.4.2012	0.3150	0.29	N/A
	–	2,000,000	–	–	–	2,000,000	10.05.2007	10.5.2008 – 9.5.2012	0.3100	0.29	N/A
Sub-total	–	6,000,000	–	–	–	6,000.000					
Total	–	16,000,000	–	–	–	16,000,000					

29. SHARE – BASED EMPLOYEE COMPENSATION *(Continued)*

(ii) Details of options granted or outstanding *(Continued)*

2006

Name and category of participant	Number of share options: Outstanding as at 1.1.2006	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31.12.2006	Date of grant of share options (Note a)	Exercisable periods of share options	Price of shares: Exercise price per share option HK$	Immediately preceding the grant date of share option (Note b) HK$	Immediately preceding the exercise date of share option (Note c) HK$
Directors											
Fung Ka Pun*	5,064,983	–	–	(5,064,983)	–	–	27.8.2002	27.8.2003-17.7.2012	0.270	0.270	N/A
Total	5,064,983	–	–	(5,064,983)	–	–					

* *Resigned on 9 November 2006*

Notes:

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

From the date of grant of share options	Exercisable percentage
Within 12 months	Nil
13th – 36th months	$33^1/_3$%
25th – 48th months	$33^1/_3$%
37th – 60th months	$33^1/_3$%

(b) The price of the shares disclosed as immediately preceding the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options.

(c) The weighted average closing price of the shares immediately before the date on which the options are exercised.

(d) The fair values of share options granted under the Scheme on 14 March 2007, 2 April 2007 and 10 May 2007 and measured at the respective dates of grant were approximately HK$2,199,999, HK$945,000 and HK$619,999 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	14 March 2007	2 April 2007	10 May 2007
Expected volatility	457%	461%	474%
Expected life (in years)	5.0	5.0	5.0
Risk-free interest rate	4.2%	4.2%	4.2%
Expected dividend yield	Nil	Nil	Nil

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

29. SHARE – BASED EMPLOYEE COMPENSATION *(Continued)*

(ii) Details of options granted or outstanding *(Continued)*

Notes: (Continued)

(e) For the year ended 31 December 2007, employee compensation expense of HK$1,951,000 has been included in the consolidated income statement (2006: Nil) with a corresponding credit in employee compensation reserve. No liabilities were recognised due to share-based payment transactions.

(f) Share options and weighted average exercise prices are as follows for the reporting period presented:

	2007		2006	
	Number	**Weighted average exercise price HK$**	Number	Weighted average exercise price HK$
Outstanding at 1 January	–	–	5,064,983	0.270
Granted	**16,000,000**	**0.247**	–	–
Forfeited	–	–	(5,064,983)	0.270
Outstanding at 31 December	**16,000,000**	**0.247**	–	–

The options outstanding at 31 December 2007 had an exercise prices of HK$0.2166 to HK$0.315 (2006: Nil) and a weighted average remaining contractual life of 5 years (2006: Nil).

30. 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 28.

(b) Company

	Share premium	**Employee compensation reserve**	**Capital reserve**	**Convertible notes equity reserve**	**Accumulated losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2006	11,483	816	652	–	(16,899)	(3,948)
Share options forfeited during the year	–	(816)	–	–	816	–
Loss for the year	–	–	–	–	(4)	(4)
At 31 December 2006 and 1 January 2007	11,483	–	652	–	(16,087)	(3,952)
Recognition of equity component of convertible notes	–	–	–	148,232	–	148,232
Recognition of equity-settled share-based compensation	–	1,951	–	–	–	1,951
Loss for the year	–	–	–	–	(19,709)	(19,709)
At 31 December 2007	**11,483**	**1,951**	**652**	**148,232**	**(35,796)**	**126,522**

31. OPERATING LEASE COMMITMENTS

GROUP

At 31 December 2007, the total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	2007 HK$'000	2006 HK$'000
Within one year	755	–
In the second to fifth year inclusive	82	–
	837	–

COMPANY

At 31 December 2007, the Company does not have any significant operating lease commitments (2006: Nil).

32. CAPITAL COMMITMENTS

GROUP

	2007 HK$'000	2006 HK$'000
Contracted but not provided for:		
– Expenditure in respect of construction in progress	18,191	–
– Investment in equity interest	15,977	–
	34,168	–

COMPANY

As at 31 December 2007, the Company does not have any significant capital commitments (2006: Nil).

33. CONTINGENT LIABILITIES

GROUP AND COMPANY

As at 31 December 2007, the Group and the Company do not have any significant contingent liabilities (2006: Nil).

34. RETIREMENT BENEFITS SCHEME

The Group participates in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees.

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

34. RETIREMENT BENEFITS SCHEME *(Continued)*

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.

35. 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), the ultimate holding company of the Company.

(a) Details of these transactions are as follows:

		2007 **HK$'000**	2006 HK$'000
(i)	Purchase of services – Colour separation and photo processing fees	**138**	202
(ii)	Operating lease expenses	**261**	225

(b) Details of the balances with related parties at the balance sheet date are included in note 21 to the financial statements.

(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 logo "資本Capital" on publication of various magazines at a nominal value.

(d) During the year, the Company had acquired the equity interest in Praise Rich, Grandbase and certain subsidiaries from South China Group. Details of the acquisitions had been disclosed in note 36 to the financial statements.

(e) South China Group had provided guarantee in respect of a loan facility of HK$80,000,000 and proposed facility of up to HK$500,000,000 for a period of not exceeding three years from 12 March 2007, being the date of completion of the acquisition of Praise Rich.

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

36. ACQUISITION OF SUBSIDIARIES

(a) On 12 March 2007, the Group acquired 51% equity interest in Praise Rich and its subsidiaries ("Praise Rich Group") from a related company. Praise Rich is an investment holding company. The consideration for the acquisition has satisfied by the Company issuing convertible notes in principal amount of HK$408 million and procurement of a debt of approximately HK$48 million the ("Sale Debt"). The directors of the Company considered that the use of the purchases method can present fairly the impact on the financial statements relating to the acquisition. Particulars of the acquisitions are as follows:

	Fair value	**Carrying amount**
	HK$'000	HK$'000
Property, plant and equipment	642,932	202,860
Prepayment and other receivables	2,469	2,469
Amount due from a shareholder	17,381	17,381
Bank balances and cash	4,755	4,755
Other payables and accruals	(1,128)	(1,128)
Amount due to immediate holding company	(108,259)	(108,259)
Trade payable	(402)	(402)
Bank borrowings	(80,000)	(80,000)
Deferred tax liabilities	(110,971)	–
Minority interest	(104,891)	(39,072)
Net assets	261,886	(1,396)
Minority interest (49%)	(171,825)	
	90,061	
Acquisition of the Sale debt	47,671	
Net assets attributable to the Group acquired	137,732	
Satisfied by:		
Convertible notes	408,000	
Less: Recoverable from an intermediate holding company and a fellow subsidiary	(88,777)	
Net cost of acquisition	319,223	
Goodwill	181,491	

An analysis of the net inflow of cash and cash equivalents in respect of the acquisitions of the subsidiaries is as follows:

	HK$'000
Bank balances and cash acquired	4,755
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	4,755

Praise Rich Group's construction in progress were revalued at 30 November 2006 and 31 March 2007 by Jones Lang LaSalle Limited on market value basis. The value of net assets attributable to the Group, including construction in progress, all being at fair value, was less than the consideration paid for the acquisition, giving rise to a goodwill recognised in the balance sheet (Note 17).

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*
Since the acquisition of the controlling stake in March 2007, Praise Rich Group contributed a loss of HK$3,260,000 to the Group's consolidated loss for the year ended 31 December 2007. Had the combination taken place at the beginning of the year, the revenue and the loss of the Group for the year would have been HK$30,741,000 and HK$23,781,000 respectively.

On 6 July 2007, the Company acquired the remaining 49% equity interest in Praise Rich and the remaining of the Sale Debt of approximately HK$45,842,000 at a consideration of HK$392 million which was satisfied by the issue of convertible notes of the Company. At the date of acquisition, Praise Rich had net carrying amount of approximately HK$352,556,000. An excess of the cost of the further acquisition over the carrying amounts of the net assets acquired of approximately HK$173,407,000 is recognised as goodwill in the consolidated balance sheet.

(b) On 17 April 2007, the Group acquired 100% equity interest in Grandbase Universal Limited ("Grandbase") and its subsidiaries ("Grandbase Group") from two related parties Grandbase is an investment holding company. The consideration from the acquisition was HK$2. Particulars of the acquisitions are as follows:

	Fair value	**Carrying amount**
	HK$'000	HK$'000
Amount due from a related company	2,521	2,521
Bank balances and cash	4	4
Amount due to a director	(2,898)	(2,898)
Net liabilities acquired	(373)	(373)
	–	
Cash and bank	–	
Goodwill	373	

An analysis of the net inflow of cash and cash equivalents in respect of the acquisitions of the subsidiaries is as follows:

	HK$'000
Bank balances and cash acquired	4
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	4

Since the acquisition of the controlling stake in April 2007, Grandbase Group contribute a loss of HK$518,000 to the Group's consolidated loss for the year ended 31 December 2007. Had the combination taken place at the beginning of the year, the revenue and the loss of the Group for the year would have been HK$30,741,000 and HK$22,543,000 respectively.

37. MAJOR NON-CASH TRANSACTIONS

During the year, the Group acquired certain subsidiaries by the issuance of convertible notes to South China Group with an aggregate face value of HK$800,000,000 (2006: Nil).

38. 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 minority shareholder of a subsidiary. The Group's financial liabilities include trade payables, other payables, bank borrowings, convertible notes and amounts due to an intermediate holding company, a fellow subsidiary, a related party and a director.

38.1 Foreign currency risk

The Group operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB").

The Group has investments in property project in the PRC, whose net assets are exposed to translation risk. Management does not expect any material adverse impact on the foreign exchange fluctuation, as an expected mild appreciation in RMB will further benefit the Group's net assets position in the PRC.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in RMB exchange rate, with all other variables held constant, of the Group's profit before income tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

Group

	Change in foreign currency rate	**Change in profit before income tax**	**Change in equity**
	%	HK$'000	HK$'000
2007			
RMB	1%	234	7,428

During the year ended 31 December 2006, since all the operations carried out in Hong Kong are denominated in Hong Kong dollars which is also the Group's functional and presentation currency, no sensitivity analysis has been prepared,

38. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

38.2 Interest rate risk

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

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to interest rate risk.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before income tax (through the impact on floating rate net borrowings).

Group

	Change in basis point	**Change in profit before income tax** HK$'000
2007		
Hong Kong Dollars	50	400

During the year ended 31 December 2006, the Group has no significant interest bearing assets and liabilities, the income and operating cash flows are substantially independent of changes in market interest rates. According, no sensitivity analysis has been prepared.

38.3 Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	2007 **HK$'000**	2006 HK$'000
Classes of financial assets – carrying amounts		
Recoverable from an intermediate holding company and a fellow subsidiary	**88,777**	–
Trade receivables	**4,780**	5,501
Other receivables	**6,489**	678
Amount due from a minority shareholder of a subsidiary	**12,561**	–
Cash and cash equivalents	**19,702**	1,388
	132,309	7,567

The Group continuously monitors defaults of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

38. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

38.3 Credit risk *(Continued)*

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

38.4 Liquidity risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly.

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As at 31 December 2007 and 31 December 2006, the Group's financial liabilities have contractual maturities which are summarised below:

	Within 1 month HK$'000	**1 to 3 months** HK$'000	**3 to 12 months** HK$'000	**1 to 5 years** HK$'000
At 31 December 2007				
Trade payables	**3,473**	**1,117**	–	–
Other payables	–	**1,530**	–	–
Receipts in advance	–	**145**	–	–
Amount due to an intermediate holding company	–	**46,553**	–	–
Amount due to a fellow subsidiary	–	**962**	–	–
Amount due to a director	–	**2,898**	–	–
Amount due to a related party	–	**10,200**	–	–
Bank borrowings	–	–	**24,000**	**56,000**
Convertible notes	–	–	–	**669,559**
	3,473	**63,405**	**24,000**	**725,559**
At 31 December 2006				
Trade payables	3,123	666	–	–
Other payables	–	721	–	–
Receipts in advance	–	193	–	–
Amount due to a fellow subsidiary	–	215	–	–
	3,123	1,795	–	–

38. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

38.5 Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 December 2007 and 2006 may be categorised as follows. See notes 3.12 and 3.18 for explanations about how the category of financial instruments affects their subsequent measurement.

(i) *Financial assets*

	2007	2006
	HK$'000	HK$'000
Cash and cash equivalents	**19,702**	1,388
Recoverable from an intermediate holding company and a fellow subsidiary	**88,777**	–
Loans and receivables:		
Trade receivables	**4,780**	5,501
Other receivables	**6,489**	678
Amount due from a minority shareholder of a subsidiary	**12,561**	–
	132,309	7,567

(ii) *Financial liabilities*

Financial liabilities at amortised cost:

	2007	2006
	HK$'000	HK$'000
Trade payables	**4,590**	3,789
Other payables	**1,530**	721
Receipts in advance	**145**	193
Amount due to a fellow subsidiary	**962**	215
Amount due to an intermediate holding company	**46,553**	–
Amount due to a director	**2,898**	–
Amount due to a related party	**10,200**	–
Bank borrowings	**80,000**	–
Convertible notes	**669,559**	–
	816,437	4,918

39. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern;

(ii) to provide an adequate return to shareholders;

(iii) to support the Group's sustainable growth; and

(iv) to provide capital for the purpose of potential mergers and acquisitions.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The capital-to-overall financing ratio at balance sheet date was as follows:

	2007	2006
	HK$'000	HK$'000
Capital		
Total equity	**275,650**	996
Convertible bonds – equity components	**(148,232)**	–
	127,418	996
Overall financing		
Convertible bonds – equity and liability components	**669,559**	–
Bank borrowings	**80,000**	–
	749,559	–
Capital-to-overall financing ratio	**17.0%**	N/A

Financial Summary

FINANCIAL RESULTS

	Year ended 31 December				
	(Restated)	(Restated)			
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	9,653	15,711	25,140	23,912	**30,741**
Direct operating expenses	(7,531)	(11,204)	(17,255)	(14,708)	**(16,228)**
Other operating income	73	15	15	184	**1,829**
Selling and distribution costs	(2,933)	(5,390)	(7,111)	(7,234)	**(9,290)**
Administrative and other operating expenses	(3,120)	(2,693)	(2,739)	(2,001)	**(11,458)**
Finance cost	–	–	–	–	**(17,791)**
(Loss)/profit before income tax	(3,858)	(3,561)	(1,950)	153	**(22,197)**
Income tax expense	–	–	–	–	**–**
(Loss)/profit for the year	(3,858)	(3,561)	(1,950)	153	**(22,197)**

ASSETS AND LIABILITIES

	As at 31 December				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	9,126	9,547	9,132	8,311	**1,206,249**
Total liabilities	(2,995)	(6,807)	(8,289)	(7,315)	**(930,599)**
Total equity	6,131	2,740	843	996	**275,650**

Details of Property

CONSTRUCTION IN PROGRESS

Location	Type	Stage of completion	Anticipated completion date	Group's attributable interest	Approximate gross floor area	Approximate site area
South China Land Plaza, a development site located at the Western side of Zhaoyang Street, Shenhe District, Shenyang, Liaoning Province, the PRC	Commercial	Soldier piles and excavation works	2009	80%	117,200 sq. m.	21,893.5 sq. m.