South China Land Limited

Incorporated in the Cayman Islands with limited liability

Stock Code : 8155

ANNUAL REPORT

2008

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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. Richard Howard Gorges
Ms. Cheung Choi Ngor
Mr. Ng Yuk Fung, Peter

Non-executive Directors

Ms. Ng Yuk Mui, Jessica
Mr. Hui Ping

Independent Non-executive Directors

Dr. Lo Wing Yan, William, *JP*
Mr. Cheng Yuk Wo
Ms. Pong Oi Lan, Scarlett

COMPLIANCE OFFICER

Ms. Cheung Choi Ngor

COMPANY SECRETARY

Mr. Leung Kwok Wai *ACCA*

AUTHORISED REPRESENTATIVES

Ms. Cheung Choi Ngor
Mr. Leung Kwok Wai

AUDIT COMMITTEE

Mr. Cheng Yuk Wo (*Committee Chairman*)
Dr. Lo Wing Yan, William, *JP*
Ms. Pong Oi Lan, Scarlett

REMUNERATION COMMITTEE

Dr. Lo Wing Yan, William, *JP* (*Committee Chairman*)
Mr. Cheng Yuk Wo
Ms. Pong Oi Lan, Scarlett

AUDITORS

Grant Thornton

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Chong Hing Bank Limited
China Construction Bank Corporation
Agricultural Bank of China Limited

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

28th Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Rooms 1901-2, 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 South China Land Limited 南華置地有限公司 (the "Company") and its subsidiaries (together "the Group") for the year ended 31 December 2008.

BUSINESS REVIEW

The Group recorded a net loss of HK$40.4 million for the year ended 31 December 2008, representing an 82% increase when compared with the net loss of HK$22.2 million last year. The increase in loss was substantially accounted for by the non-cash imputed interest on convertible notes of HK$28.1 million according to the prevailing accounting standards. Operating loss for the year was HK$12.3 million.

Property Investment and Development

There was no turnover recorded for this segment during the year ended 31 December 2008 as the construction of properties held by the Group is still under progress. The kick-off of the construction and marketing programs of the shopping complex in Shenyang has led to increased expense for the Group, resulting in the widening of operating loss of the property segment. The loss of this segment increased from HK$5.6 million in 2007 to HK$8.6 million in 2008.

Shenyang property project

Despite the cooling of the property market in the People's Republic of China ("PRC"), the demand for commercial property in Shenyang remains strong, especially in the prime commercial area where we are located. Our major property development project, the building of the upscale 7-storey shopping complex, Fortuna Plaza (formerly known as South China Landmark Plaza), is well underway. The principal contractor was appointed during the third quarter of 2008 and at the end of 2008 construction up to the ground floor was partially completed. The construction of the upper levels is now progressing on schedule. We have commenced the marketing campaign for the project which looks promising on testing of the market interest so far.

Cangzhou/Hebei property projects

The construction work of phase one of Zhongjie (中捷) relocation and redevelopment project is at the final stage. Major construction items were completed up to the end of 2008 and periphery infrastructure will be installed in April 2009. Pre-sale was launched in April 2008 and up to the end of December 2008, 89% of the available units were sold and the cash received of around HK$10.0 million was recognized as other payables on the consolidated balance sheet.

In August 2008, we signed a supplementary agreement with Zhongjie government to finalise the development plan of a high class commercial/residential area covering 866,000 square metres.

The relocation projects in the commercial district of Nandagang (南大港) has been put on hold as the negotiation with local government regarding the terms of the project is undergoing. However, we are open to any option to resume the project if the forecasted return meets our expectation.

Chongqing Nanchuan (重慶南川) property project

During the year, we also signed a preliminary agreement with Chongqing Nanchuan Municipal Government in relation to a property development project that covers up to 13,334,000 square metres of suburban area in Chongqing. The project includes development and construction of new and modern agricultural estates, agricultural related tourism centre, country parks and hot springs holiday resorts. Details of the development plans are still under negotiation.

Publication business

Loss of HK$1.0 million was recorded for this segment comparing with a net profit of HK$2.3 million last year. The increase in net loss is mainly due to the increase in operating expenses during the year.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2008, the Group's operation was financed by internal financial resources, amounts due to an intermediate holding company, related companies, convertible notes and banking facilities. The Board is of the opinion that, after taking into account these available resources, the Group has sufficient working capital for its present requirements.

As at 31 December 2008, the Group had net current assets of HK$818.3 million (2007: net current liabilities: HK$48.5 million); and had a gearing ratio of 64.4% (31 December 2007: 20.3%). The gearing ratio is computed on comparing the Group's total non-current bank borrowings of HK$180.2 million to the Group's equity of HK$280 million. The increase in the gearing ratio was substantially due to the drawing of the construction loan for development of the property project in Shenyang, the PRC.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 31 December 2008, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

CAPITAL STRUCTURE

The Group's convertible notes as at 31 December 2008 was HK$697.6 million (2007: HK$669.6 million).

The maturity profile of bank loans and convertible notes as at 31 December 2008 was as follows:

	HK$ million
Within 1 year	31.8
In the 2nd year	123.2
In the 3rd year	57.0
In the 4th year	697.6
	909.6

Bank loans are on floating rate basis and the convertible notes do not bear any interest. Both bank loans and convertible notes are denominated in Hong Kong Dollars.

Equity of the Group increased from HK$275.7 million as at 31 December 2007 to HK$280 million, which was largely attributable to the increase in exchange reserve due to the exchange translation of the underlying property development project in the PRC.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the year ended 31 December 2008, the Group did not make any material acquisition and disposal.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2008, the Group pledged certain properties under development of a subsidiary to secure banking facilities and did not have any contingent liabilities.

EMPLOYEES

As at 31 December 2008, the total number of employees of the Group was 120 (2007: 90). Employees' cost (including Directors' emoluments) amounted to HK$21.6 million for the year (2007: HK$16.6 million).

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

We anticipate long-term growth in demand in the PRC consumer/retail market, especially in those second tier PRC cities, which will provide excellent investment opportunities to the Group. The demand for commercial properties remains strong and the expected return from the property market of PRC will be promising.

For the development of Fortuna Plaza in Shenyang, the construction progress of the shopping complex is satisfactory and is expected to be completed before the end of 2009. Pre-sale is expected to commence in the first half of 2009. With the continuous increase of spending power in the region, we expect our retail spaces will attract keen interest and the successful launch will provide strong support to the Group's cash flow in the near future.

In Hebei, our current relocation projects and land redevelopment projects have a total site area of around 1,286,000 square metres. With the completion of the sales process and legal documentation of the first phase's property in Zhongjie, we anticipate that the project will start to bring revenue contribution to the Group in 2009. Phase two of the relocation project in Zhongjie is expected to be launched in the first half of 2009, which would involve the re-development of a residential area covering 9,092 square metres.

For other development projects in Hebei, we are considering very carefully the expected return from relevant projects. Negotiation with the local government regarding the terms of the projects is undergoing. We, however, are confident that the economic growth of the area will bring considerable value to our investments.

As for the publication business, the Group is considering ways to streamline its business activities in order to maintain greater efficiency in terms of cost and allocation of resources. The Group does not rule out the possibility of disposing the publication business if there is no further improvement.

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, 17 March 2009

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 59, 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 ("SCF") and South China (China) Limited ("SCC"). 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. 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, a Non-executive Director of the Company, Mr. Ng Yuk Fung, Peter, an Executive Director of the Company and Mr. Ng Yuk Yeung, Paul, an Executive Director and the Chief Executive Officer of the Company.

Mr. Ng Yuk Yeung, Paul, aged 27, is an Executive Director and the Chief Executive Officer of the Company. He is also an executive director of SCF. Mr. Ng graduated in law from Corpus Christi College, University of Cambridge in the United Kingdom and is a Scholar of the University. Mr. Ng was appointed as a director of the Company on 9 October 2003. He is the son of Mr. Ng Hung Sang, the Chairman of the Company, and the brother of Ms. Ng Yuk Mui, Jessica, a Non-Executive Director of the Company, and Mr. Ng Yuk Fung, Peter, an Executive Director of the Company.

Mr. Richard Howard Gorges, aged 65, is an Executive Director of the Company. He is also an executive director and a vice-chairman of SCC and SCF, and an executive director of SCH. He holds a Master degree in Law from University of Cambridge in the United Kingdom. Mr. Gorges was appointed as a director of the Company on 7 January 2009.

Ms. Cheung Choi Ngor, aged 55, is an Executive Director, the Compliance Officer and an Authorised Representative of the Company. She is also an executive director, a vice-chairman and chief executive officer of SCC, an executive director and a vice-chairman of SCF, and an executive director of SCH. She holds a Master degree in Business Administration from University of Illinois in the United States of America. Ms. Cheung is a member of National Committee of the Chinese People's Political Consultative Conference. Ms. Cheung was appointed as a director of the Company on 7 January 2009.

Mr. Ng Yuk Fung, Peter, aged 28, is an Executive Director of the Company. He is also an executive director of SCH and SCC. Mr. Ng holds a bachelor's degree in law from King's College London, University of London in the United Kingdom. Mr. Ng was appointed as a director of the Company on 9 October 2003. He is the son of Mr. Ng Hung Sang, the Chairman of the Company, the younger brother of Ms. Ng Yuk Mui, Jessica, a Non-Executive Director of the Company, and the elder brother of Mr. Ng Yuk Yeung, Paul, an Executive Director and the Chief Executive Officer of the Company.

NON-EXECUTIVE DIRECTORS

Ms. Ng Yuk Mui, Jessica, aged 30, 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 director of the Company on 20 August 2003. Ms. Ng is the daughter of Mr. Ng Hung Sang, Chairman of the Company, and the sister of Mr. Ng Yuk Fung, Peter, an Executive Director of the Company, and Mr. Ng Yuk Yeung, Paul, an Executive Director and Chief Executive Officer of the Company.

Mr. Hui Ping, aged 58, is a Non-executive Director of the Company. He has extensive experience in the media industry. Since November 1999, Mr. Hui worked for the South China Media Group ("SCM 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, and as Editorial Director and Associate Publisher of the SCM Group on 20 March 2002. He holds a Master degree in International Studies from the Griffith University in Australia. Mr. Hui was appointed as an Executive Director of the Company on 28 January 2002 and was redesignated as a Non-executive Director on 7 January 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lo Wing Yan, William, JP, aged 48, is a Non-executive Director of the Company. He is currently the Vice Chairman, Managing Director & Chief Financial Officer of I.T Limited, a well established trend setter in fashion apparel retail market in Hong Kong with stores in the PRC, Taiwan and Malaysia, which is listed on the Main Board of the Stock Exchange. Prior to joining 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 an independent non-executive director of Nam Tai Electronics, Inc., which is listed on the New York Stock Exchange, and an independent non-executive director of Varitronix International Limited, which is listed on the Main Board of the Stock Exchange. 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 a director of the Company on 25 February 2002.

Mr. Cheng Yuk Wo, aged 48, is an Independent Non-executive Director of the Company. He 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. Mr. Cheng 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, all being listed on the Main Board of the Stock Exchange. 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 a director of the Company on 17 September 2004.

Ms. Pong Oi Lan, Scarlett, aged 49, is an Independent Non-executive Director of the Company. She is the Managing Director of Realchamp Asset Management Limited and the Chairman of Health Quotient HQ International Institute Limited. She completed her executive program at Harvard Business School in the United States of America and also obtained a graduate diploma in business administration at Monash University in Australia and a Bachelor degree in pharmaceutical sciences from the University of Saskatchewan in Canada. Ms. Pong is an elected District Councilor, the Chairman of The League of Health Professionals of Hong Kong Limited. She is the honorary adviser of the advisory board of Hong Kong Federation of Business Students and was a member of the HKSAR Election Committee (1998, 2000 & 2007). She has been the president of The Practising Pharmacists Association of Hong Kong for eight years. She is being appointed in a number of government boards and committees such as Innovation Technology Commission, SERAP Assessment Panel, Part-time Member of the Central Policy Unit, Chairman of ACAN Sub-committee on Preventive Educations and Publicity and Committee on Trust Fund for Severe Acute Respiratory Syndrome. Ms. Pong received an award of the Ten Outstanding Young Persons' Selection in 1998 and the Hundred Outstanding Women Entrepreneur in China in 2007. Ms. Pong was appointed as a director of the Company on 27 March 2008.

Directors' Report

The directors of the Company (the "Directors") present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries principally engage in property investment and development business in PRC, excluding Hong Kong and Macau, and magazine publishing business in Hong Kong. Details of the aforesaid are set out in note 16 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 23 of this Annual Report.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2008 (2007: Nil). No interim dividend was paid during the year.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 73 of this Annual Report. The summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND PROPERTIES UNDER DEVELOPMENT

Details of movements in the property, plant and equipment, and properties under development of the Group during the year are set out in notes 15 and 21 to the financial statements respectively. Further details of the Group's properties under development are set out on page 74 of this Annual Report.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTES

There were no changes in the Company's authorized share capital during the year. Details of movements in the Company's share capital, share options and convertible notes during the year are set out in notes 29, 30 and 27 to the financial statements respectively.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2008.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2008, the Company's reserves available for distribution amounted to approximately HK$98,591,000.

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. Richard Howard Gorges	(Appointed on 7 January 2009)
Ms. Cheung Choi Ngor	(Appointed on 7 January 2009)
Mr. Ng Yuk Fung, Peter	

Non-executive Directors:

Ms. Ng Yuk Mui, Jessica	
Mr. Hui Ping	(Redesignated from Executive Director to Non-executive Director on 7 January 2009)

Independent Non-executive Directors:

Dr. Lo Wing Yan, William, *JP*	
Mr. Law Cho Wa	(Retired on 6 May 2008)
Mr. Cheng Yuk Wo	
Ms. Pong Oi Lan, Scarlett	(Appointed on 27 March 2008)

In accordance with Article 116 of the Articles of Association (the "AA") of the Company, Mr. Ng Yuk Yeung, Paul, Mr. Ng Yuk Fung, Peter and Mr. Hui Ping will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. In accordance with Article 99 of the AA of the Company, Mr. Richard Howard Gorges and Ms. Cheung Choi Ngor will also retire at the forthcoming annual general meeting of the Company and be eligible for re-election. Save as disclosed, all other remaining Directors continue in office.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") from each of the Independent Non-executive Directors namely, Dr. Lo Wing Yan, William, JP, Mr. Cheng Yuk Wo and Ms. Pong Oi Lan, Scarlett for the year ended 31 December 2008 and as at the date of this report, the Company still considers the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

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

Save as disclosed above, none of the Directors or the Directors being proposed for re-election at the forthcoming annual general meeting has a 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 EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2008, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules, 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 percentage of shareholding
Ng Hung Sang ("Mr. Ng")	Interest of controlled corporations	353,914,203 (*Note b*)	69.87%

(II) *Long position in the underlying shares*

(a) Convertible Notes

Name of Director	Capacity	Number of underlying Shares	Approximate percentage of shareholding
Mr. Ng	Interest of controlled corporations	10,666,666,666 (*Note c*)	2,105.96%

(b) Share options

Name of Director	Capacity	Number of underlying Shares	Approximate percentage of shareholding
Ng Yuk Yeung, Paul	Beneficial owner	5,000,000 (*Note d*)	0.99%
Ng Yuk Fung, Peter	Beneficial owner	5,000,000 (*Note d*)	0.99%

B. Associated corporations

(I) *Long position in shares*

(a) South China Holdings Limited ("SCH")

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

(b) South China (China) Limited ("SCC")

Name of Director	Capacity	Number of shares	Approximate percentage of shareholding
Mr. Ng	Interest of controlled corporations	1,983,206,785 (*Note e*)	74.78%

(c) Prime Prospects Limited ("Prime Prospects") (*Note f*)

Name of Director	Capacity	Number of shares	Approximate percentage of shareholding
Mr. Ng	Interest of a controlled corporation	30	30%

(II) *Long position in underlying shares*

(a) SCH

Share options

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Ng Yuk Yeung, Paul	Beneficial owner	18,000,000 (*Note g*)	0.99%
Ng Yuk Fung, Peter	Beneficial owner	18,000,000 (*Note g*)	0.99%
Ng Yuk Mui, Jessica	Beneficial owner	18,000,000 (*Note g*)	0.99%

(b) SCC

Warrants

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Mr. Ng	Interest of controlled corporations	396,641,357 (*Note h*)	14.96%

Share options

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Ng Yuk Fung, Peter	Beneficial owner	26,000,000 (*Note i*)	0.98%
Ng Yuk Yeung, Paul	Beneficial owner	26,000,000 (*Note i*)	0.98%

Notes:

(a) Corporations as to 60%, 20% and 20% own by Mr. Ng, Mr. Richard Howard Gorges and Ms. Cheung Choi Ngor respectively, all of whom are considered as parties to an agreement to which Section 317 of the SFO applies, own 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. Therefore, Mr. Ng is deemed to have interest in total of 1,344,181,812 shares in SCH, representing approximately 73.72% in the issued share capital of SCH. SCH holds approximately 74.78% interest indirectly in SCC. SCC holds approximately 69.87% interest indirectly in the Company.

(b) By virtue of note (a) above, Mr. Ng is deemed to have interest in the Shares of the Company held by a wholly-owned subsidiary of SCC.

(c) The two convertible notes were issued to a wholly-owned subsidiary of SCC with the rights to convert into 5,440,000,000 and 5,226,666,666 underlying Shares respectively at a conversion price of HK$0.075 per Share. By virtue of note (a) above, Mr. Ng is deemed to have interest in those underlying Shares.

(d) 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.

(e) By virtue of note (a) above, Mr. Ng is deemed to have interest in those shares of SCC held by wholly-owned subsidiaries of SCH.

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

(g) 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.

(h) 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). By virtue of note (a) above, Mr. Ng is deemed to have interest in those underlying shares held by wholly-owned subsidiaries of SCH.

(i) 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.

Save as disclosed above, as at 31 December 2008, none of the Directors or chief executives of the Company had registered 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) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules.

SHARE OPTION SCHEME

The Directors and employees of the Company and its subsidiaries are entitled to participate in the share option scheme of the Company. Particulars of the share option scheme of the Company together with the details of the options of the Company granted are set out in note 30 to the financial statements. Certain Directors are entitled to participate in the share option schemes of the Company's holding companies. Details of the options granted by the Company and its holding companies to the Directors were set out under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" of this Annual Report.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Scheme", at no time during the year was the Company, or any of its holding companies or subsidiaries, a party to any arrangement to enable the Directors 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 executives, 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 or any other body corporate nor had exercised any such right.

PENSION SCHEME

Details of the pension scheme of the Group are set out in note 3.16 to the financial statements.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of transactions during the year between the Group and other companies in which Mr. Ng, a Director and controlling shareholder of the Company, has beneficial interest are set out in note 35 to the financial statements and the section headed "Connected Transactions" of this Annual Report.

Save as disclosed above, no contracts of significance in relation to the business of the Group to which the Company, or any of its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, nor there was any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries for the year ended 31 December 2008.

MANAGEMENT CONTRACTS

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

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

As at 31 December 2008, the following persons, other than the Directors and chief executives of the Company, had interests and short positions in the Shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of Part XV of SFO:

(i) Long position in the Shares

Name of shareholder	Capacity	Number of Shares held	Approximate percentage of shareholding
SCC	Interest of controlled corporations	353,914,203 (*Note a*)	69.87%
SCH	Interest of controlled corporations	353,914,203 (*Note a*)	69.87%

(ii) Long position in the underlying shares

Convertible Notes

Name	Capacity	Number of underlying shares	Approximate percentage of shareholding
SCC	Interest of controlled corporations	10,666,666,666 (*Note b*)	2,105.96%
SCH	Interest of controlled corporations	10,666,666,666 (*Note b*)	2,105.96%

Notes:

(a) SCH is deemed to be interested in those Shares held by a wholly-owned subsidiary of SCC by virtue of the fact that SCC is a subsidiary of SCH.

(b) The two convertible notes with the right to convert into 5,440,000,000 and 5,226,666,666 underlying shares respectively at a conversion price of HK$0.075 each were issued to a wholly-owned subsidiary of SCC. As SCC is a subsidiary of SCH, SCH is deemed to be interested in those underlying shares.

Save as disclosed above, as at 31 December 2008, no person, other than the Directors or chief executives of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above, had registered an interest or short position in the Shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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. Mr. Ng, personally and through controlled corporations, had controlling interest in the Company, SCH and SCC, 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 of the Company or Any Associated Corporation" are held by Mr. Ng jointly with Ms. Cheung Choi Ngor ("Ms. Cheung"), an Executive Director of the Company appointed on 7 January 2009 (who is also an executive director of SCC and SCH) and Mr. Richard Howard Gorges ("Mr. Gorges"), an Executive Director of the Company appointed on 7 January 2009 (who is also an executive director of SCC and SCH). Mr. Ng Yuk Fung, Peter ("Mr. Peter Ng"), an Executive Director of the Company, is also an executive director of SCH and SCC. Ms. Ng Yuk Mui, Jessica ("Ms. Jessica Ng"), a Non-Executive Director of the Company, is also a non-executive director of SCH and SCC. Since certain subsidiaries of SCH and SCC are principally engaged in property development and investment business, each of Mr. Ng, Ms. Cheung, Mr. Gorges, Mr. Peter Ng and Ms. Jessica Ng are regarded as interested in such competing businesses of the Group.

Mr. Ng is the controlling shareholder of South China Media Limited ("SC Media") and Jessica Publications (BVI) Limited ("Jessica") and a director of SC Media and each of Ms. Jessica Ng and Mr. Peter Ng is a director of SC Media and Jessica. Both SC Media and Jessica are principally engaged in the publication business which are considered as competing businesses of the Group. Accordingly, each of Mr. Ng, Ms. Jessica Ng and Mr. Peter Ng is regarded as interested in such competing businesses of the Group.

The Directors are of the view that the Company can carry on its business independently of and at arm's length from the business of SC Media and Jessica as the Group's relevant publication business has its own target reader market and contents which are different from those of SC Media and Jessica.

Save as disclosed above, as at 31 December 2008, none of the Directors or any of their respective associates had any interest in any business which causes or may cause any competition with the business of the Group or any conflicts with the interests of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the amount of public float as required under the GEM Listing Rules as at the date of this Annual Report.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Details of the compliance by the Company with the Code on Corporate Governance Practices are set out on pages 18 to 21 of this Annual Report.

REQUIRED STANDARD FOR SECURITIES TRANSACTIONS BY DIRECTORS

Details of the compliance by the Company with the required standard of dealings for securities transactions by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules are set out on page 19 of this Annual Report.

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.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Cheng Yuk Wo (Chairman of the Audit Committee), Dr. Lo Wing Yan, William, JP and Ms. Pong Oi Lan, Scarlett.

The Audit Committee is satisfied with its review of the audit fee, the independence of the Auditors and recommended to the Board the re-appointment of the Auditors in 2009 at the forthcoming annual general meeting.

The Group's annual results for the year ended 31 December 2008 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2008, the sales to the Group's five largest customers accounted for 26% and sales to the largest customer included therein accounted for 10% of the total sales. Purchases from the Group's five largest suppliers accounted for 52% and purchases from the largest supplier included therein accounted for 37% of the total purchases for the year.

None of the Directors or any of their associates or any shareholders (which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital) had an interest in the Group's five largest customers or suppliers of the Group noted above.

AUDITORS

Messrs. Grant Thornton will retire and, being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ng Hung Sang
Chairman
Hong Kong, 17 March 2009

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 to the shareholders. Periodic review will be made to the corporate governance practices to comply with the regulatory requirements.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2008.

BOARD COMPOSITION AND BOARD PRACTICES

As at 31 December 2008, the board of directors of the Company (the "Board") composed of 8 directors, including the Chairman and the Chief Executive Officer who are Executive Directors, 2 additional Executive Directors, 1 Non-executive Director and three Independent Non-executive Directors. One Independent Non-executive Director resigned and one Independent Non-executive Director was appointed during the year. One-third of the Board is Independent Non-executive Directors. Their biographies and relevant relationships amongst them are set out in the 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 relevant provision of 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 as 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, their skills, experience, expertise, devotion of time and conflicts of interests are the key factors for consideration. No Nomination Committee has been set up, and hence, the nomination and selection process are performed by the Board. The Board meets at least once in a year in discussing whether the composition, size, structure of the Board is adequate. The Board met once in 2008 for the said purpose with a majority of Directors present.

All Directors of the Company are subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association.

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

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 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.

The Board held five meetings in 2008:

	Attendance
Executive Directors	
Ng Hung Sang (*Chairman*)	5/5
Ng Yuk Yeung, Paul (*Chief Executive Officer*)	4/5
Hui Ping*	5/5
Ng Yuk Fung, Peter	4/5
Non-executive Director	
Ng Yuk Mui, Jessica	5/5
Independent Non-executive Directors	
Law Cho Wa (Retired on 6 May 2008)	0/1
Lo Wing Yan, William, *JP*	3/5
Cheng Yuk Wo	5/5
Pong Oi Lan, Scarlett (Appointed on 27 March 2008)	4/4

* redesignated as Non-executive director on 7 January 2009.

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. With respect to other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. 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 complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any 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. Memos are issued to Directors from time to time to update them with legal and regulatory changes and matters of relevance to Directors in the discharge of their duties.

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 securities transactions by Directors throughout the year ended 31 December 2008.

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 (the "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 of key operating subsidiaries 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, human resources cycle, editorial cost cycle, magazine circulation cycle and construction expenditure cycle of the Group were reviewed by the IA Team. 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 the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on page 22 of this Annual Report.

AUDITORS' REMUNERATION

For the year ended 31 December 2008, the Auditors of the Company will receive approximately HK$450,000 for audit service. No non-audit service was provided by the Auditors in 2008.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 16 March 2005 and comprises all the Independent Non-executive Directors, namely Dr. Lo Wing Yan, William, JP (Chairman of the Remuneration Committee), Mr. Law Cho Wa (ceased to be a member of the Remuneration Committee since his retirement on 6 May 2008), Mr. Cheng Yuk Wo and Ms. Pong Oi Lan, Scarlett (appointed as a member of the Remuneration Committee on 27 March 2008).

The Remuneration Committee met once in November 2008 and was attended by all Committee members. The policies on the remuneration of Executive Directors were reviewed by the Remuneration Committee. Remuneration, including basic salaries, discretionary performance bonus and other emolument of the Executive Directors is based on skills, knowledge, involvement and performance of the individuals with 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 incentive to and for retaining staff.

The directors' fees for all Directors are subject to shareholders' approval at general meeting. Remuneration packages of the Executive Directors are reviewed by the Remuneration Committee. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

AUDIT COMMITTEE

The Audit Committee comprises all Independent Non-executive Directors, namely Mr. Law Cho Wa (ceased to be the Chairman of the Audit Committee since his retirement on 6 May 2008), Mr. Cheng Yuk Wo (newly appointed Chairman of the Audit Committee on 6 May 2008), Dr. Lo Wing Yan, William, JP and Ms. Pong Oi Lan, Scarlett (appointed as a member of the Audit Committee on 27 March 2008). The principal duties of the Audit Committee, in accordance with its terms of reference are substantially the same as the CG Code which include the review of the Group's financial reporting system and internal control procedures, review of financial information of the Group and review of the relationship with the Auditor of the Group. The Audit Committee members meet regularly and held four meetings in 2008 in which representatives of the management were present to review the quarterly, interim and final results, the quarterly, interim and annual reports, and other financial and internal control matters. The Group's Auditors were present in one of the meetings.

	Attendance
Law Cho Wa	0/1
Cheng Yuk Wo	4/4
Lo Wing Yan, William, *JP*	3/4
Pong Oi Lan, Scarlett	3/3

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 the Auditors in 2009 at the forthcoming annual general meeting.

The Group's annual results for the year ended 31 December 2008 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
(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 23 to 72, which comprise the consolidated and company balance sheets as at 31 December 2008, 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 2008 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

17 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	5	**31,994**	30,741
Direct operating expenses		**(15,017)**	(16,228)
Other operating income	6	**649**	1,829
Selling and distribution costs		**(13,417)**	(9,290)
Administrative and other operating expenses		**(16,480)**	(11,458)
Operating loss	8	**(12,271)**	(4,406)
Finance costs	9	**(28,089)**	(17,791)
Loss before income tax		**(40,360)**	(22,197)
Income tax expense	10	**–**	–
Loss for the year		**(40,360)**	(22,197)
Attributable to:			
Equity holders of the Company	11	**(38,862)**	(20,881)
Minority interest		**(1,498)**	(1,316)
Loss for the year		**(40,360)**	(22,197)
Loss per share for loss attributable to the equity holders of the Company during the year	12		
– Basic		**HK (7.67) cents**	HK (4.12) cents
– Diluted		**N/A**	N/A

Consolidated Balance Sheet

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**1,529**	710,031
Goodwill	17	**355,326**	355,271
Recoverable from an intermediate holding company and a fellow subsidiary	18	**88,777**	88,777
Prepayments	20	**4,883**	6,564
		450,515	1,160,643
Current assets			
Trade receivables	19	**4,288**	4,780
Properties under development	21	**946,243**	–
Amount due from a minority shareholder of a subsidiary	22	**25,845**	12,561
Prepayments and other receivables	20	**6,298**	8,563
Cash and bank balances	23	**34,757**	19,702
		1,017,431	45,606
Current liabilities			
Trade payables	24	**8,176**	4,590
Other payables, accrued expenses and receipts in advance	25	**14,846**	4,866
Amount due to an intermediate holding company	22	**144,301**	46,553
Amounts due to related parties	22	**–**	14,060
Bank borrowings	26	**31,802**	24,000
		199,125	94,069
Net current assets/(liabilities)		**818,306**	(48,463)
Total assets less current liabilities		**1,268,821**	1,112,180
Non-current liabilities			
Bank borrowings	26	**180,209**	56,000
Convertible notes	27	**697,648**	669,559
Deferred tax liabilities	28	**110,971**	110,971
		988,828	836,530
Net assets		**279,993**	275,650
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	29	**5,065**	5,065
Reserves		**156,035**	158,094
		161,100	163,159
Minority interest		**118,893**	112,491
Total equity		**279,993**	275,650

Ng Yuk Yeung, Paul
Director

Ng Yuk Fung, Peter
Director

Balance Sheet

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interest in subsidiaries	16	**1,108**	1,108
Current assets			
Amounts due from subsidiaries	16	**800,180**	800,029
Prepayments	20	**4**	26
Cash and bank balances		**167**	167
		800,351	800,222
Current liabilities			
Other payables		**155**	184
Net current assets		**800,196**	800,038
Total assets less current liabilities		**801,304**	801,146
Non-current liabilities			
Convertible notes	27	**697,648**	669,559
Net assets		**103,656**	131,587
EQUITY			
Share capital	29	**5,065**	5,065
Reserves	31(b)	**98,591**	126,522
Total equity		**103,656**	131,587

Ng Yuk Yeung, Paul
Director

Ng Yuk Fung, Peter
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Loss before income tax		**(40,360)**	(22,197)
Adjustments for:			
Interest income	6	**(243)**	(60)
Write back of impairment of trade receivables	6	**(404)**	–
Bad debts written off	8	**180**	–
Depreciation	8	**520**	375
Equity settled share-based payment expenses	13	**1,314**	1,951
Interest expense	9	**28,089**	17,791
Operating loss before working capital changes		**(10,904)**	(2,140)
Decrease in trade receivables		**716**	721
Payments for properties under development		**(182,164)**	–
(Increase)/Decrease in amount due from a minority shareholder of a subsidiary		**(13,284)**	4,820
Decrease/(Increase) in prepayments and other receivables		**2,265**	(5,389)
Increase in trade payables		**3,586**	399
Increase in other payables, accrued expenses and receipts in advance		**9,980**	427
Decrease in amounts due to related parties		**–**	(1,278)
Net cash used in operating activities		**(189,805)**	(2,440)
Cash flows from investing activities			
Interest received		**243**	60
Payments for construction in progress		**(1,947)**	(19,336)
Purchases of other property, plant and equipment		**(1,342)**	(123)
Acquisition of subsidiaries	36	**–**	4,759
Net cash used in investing activities		**(3,046)**	(14,640)
Cash flows from financing activities			
Increase in amount due to an intermediate holding company		**83,633**	46,553
Payments for transaction costs in obtaining bank loans		**(481)**	(6,564)
New bank loans		**132,011**	–
Interest paid		**(5,348)**	(3,639)
Net cash generated from financing activities		**209,815**	36,350
Net increase in cash and cash equivalents		**16,964**	19,270
Cash and cash equivalents at 1 January		**19,702**	1,388
Effect of foreign exchange rate changes		**(1,909)**	(956)
Cash and cash equivalents at 31 December		**34,757**	19,702
Analysis of the cash and cash equivalents			
– Cash at bank and in hand		**34,757**	19,702

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Equity attributable to the equity holders of the Company								Minority interest	Total equity
	Share capital	Share premium	Capital reserve	Employee compensation reserve	Convertible notes equity reserve	Exchange reserve	Accumulated losses	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 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 and 1 January 2008	5,065	11,483	6,044	1,951	148,232	32,861	(42,477)	163,159	112,491	275,650
Exchange realignment	–	–	–	–	–	35,489	–	35,489	7,900	43,389
Loss for the year	–	–	–	–	–	–	(38,862)	(38,862)	(1,498)	(40,360)
Total recognised income and expense for the year	–	–	–	–	–	35,489	(38,862)	(3,373)	6,402	3,029
Recognition of equity settled share-based compensation	–	–	–	1,314	–	–	–	1,314	–	1,314
At 31 December 2008	**5,065**	**11,483**	**6,044**	**3,265**	**148,232**	**68,350**	**(81,339)**	**161,100**	**118,893**	**279,993**

Notes to the Financial Statements

For the year ended 31 December 2008

1. GENERAL INFORMATION

South China Land Limited (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 28th Floor, Bank of China Tower, 1 Garden Road, Central, 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 in Hong Kong and property development in the People's Republic of China, excluding Hong Kong and Macau (the "PRC").

In the opinion of directors, the ultimate holding company of the Company is South China Holdings Limited, which is incorporated in the Cayman Islands, and its shares are listed on the Main Board of the Stock Exchange.

The financial statements on pages 23 to 72 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

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 2008 were approved by the board of directors on 17 March 2009.

2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements during the year:

HK (IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HKAS 39(Amendments)	Reclassification of Financial Assets

The new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented. Accordingly, no prior period adjustment is required.

In last year, the Group early adopted HKAS 23 (Revised) "Borrowing Costs", of which early adoption is permitted.

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

At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32, HKAS 39 & HKFRS 7 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Eligible Hedged Items[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate[1]
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellation[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[2]
Various	Annual Improvements to HKFRS 2008[5]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Generally effective for annual periods beginning on or after 1 January 2009 unless otherwise stated in the specific HKFRS

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

Among these new standards and interpretations, HKAS 1 (Revised) "Presentation of Financial Statements" is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduce a statement of comprehensive income. The Group will have the option of presenting items of income and expenses 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 comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 "Operating Segments" may result in new or amended disclosures. The directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The directors are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the directors have preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

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 or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.2 Basis of consolidation

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

3.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. 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 estimation of 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.

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

3.3 Subsidiaries *(Continued)*

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.

3.4 Revenue 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 net of returns or 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.

3.5 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 HK$. Assets and liabilities have been translated into HK$ at the closing rates at the balance sheet date. Income and expenses have been converted into the HK$ 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 HK$ 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.

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

3.5 Foreign currency translation *(Continued)*

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.

3.6 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 when incurred.

3.7 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 assumed, 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 3.9).

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.

3.8 Property, plant and equipment

Property, plant and equipment, other than construction in progress, 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 costs, such as 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 residual 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, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

3.8 Property, plant and equipment *(Continued)*

Construction in progress, which represents buildings under construction, and plant and machinery pending installation, is stated at cost less any impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. No depreciation is provided on construction in progress.

3.9 Impairment of non-financial assets

Goodwill arising on an acquisition of subsidiary, property, plant and equipment and interest in subsidiaries 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.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy. 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.

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.

Impairment losses recognised for cash generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.10 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 right to 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.

3.11 Financial assets

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

The Group's financial assets are classified as loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognised initially, at fair value, plus, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

3.11 Financial assets *(Continued)*

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are 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.

Financial assets other than trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3.12 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, including existing taxable temporary difference, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Properties under development

Properties under development for future sale in the ordinary course of business are included in current assets and stated at the lower of cost and net realisable value. Cost comprises the acquisition cost of land, aggregate cost of development, materials and suppliers, wages and other direct expenses, an appropriate proportion of overheads and borrowing cost capitalised (note 3.6).

Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and estimated selling expenses.

No depreciation is provided on properties under development.

On completion, the properties are transferred to properties held for sale.

3.14 Cash and cash equivalents

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

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.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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 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.

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

3.16 Pension obligations and employee benefits *(Continued)*

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 unless it qualifies for recognition as assets, 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 vested.

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 and other payables, amounts due to an intermediate holding company, related parties, 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.

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

3.18 Financial liabilities *(Continued)*

Borrowings (Continued)

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.

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 note 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 of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

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

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisaton, if appropriate.

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

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 Group or their 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.

3.21 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 and other expenses that cannot be allocated on a reasonable basis to the reportable segments. 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 at the balance sheet date.

(ii) 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 available for 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.

(iii) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.9. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(iv) Impairment of properties under development

The Group assesses the carrying amounts of properties under development according to their estimated net realisable value based on assessment of past experiences and prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

5. REVENUE

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

6. OTHER OPERATING INCOME

	2008	2007
	HK$'000	HK$'000
Bank and other interest income	**243**	60
Exchange gain, net	**–**	1,759
Write back of impairment of trade receivables	**404**	–
Sundry income	**2**	10
	649	1,829

7. SEGMENT INFORMATION

Business segments

The business activity of the Group is the basis on which the Group reports its primary segment information. The following table presents revenue, assets, liabilities and expenditure information for the Group's business segments.

	Magazine publications		Property development		Total	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue						
Sales to external customers	**31,994**	30,741	**–**	–	**31,994**	30,741
Segment results	**(992)**	2,332	**(8,569)**	(5,638)	**(9,561)**	(3,306)
Unallocated income					**243**	60
Unallocated expenses					**(2,953)**	(1,160)
Operating loss					**(12,271)**	(4,406)
Finance costs					**(28,089)**	(17,791)
Loss before income tax					**(40,360)**	(22,197)
Income tax expense					**–**	–
Loss for the year					**(40,360)**	(22,197)
Segment assets	**5,435**	5,985	**1,427,422**	1,127,418	**1,432,857**	1,133,403
Unallocated assets					**35,089**	72,846
Total assets					**1,467,946**	1,206,249
Segment liabilities	**4,951**	9,391	**482,707**	251,316	**487,658**	260,707
Unallocated liabilities					**700,295**	669,892
Total liabilities					**1,187,953**	930,599
Other segment information:						
Capital expenditure	**900**	92	**2,835**	23,006	**3,735**	23,098
Depreciation	**418**	333	**102**	42	**520**	375
Impairment of trade receivables	**–**	258	**–**	–	**–**	258
Bad debts written off	**180**	–	**–**	–	**180**	–

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 location of customers, irrespective of the origin of the goods and services.

	2008	2007
	HK$'000	HK$'000
Hong Kong	**31,994**	30,741
The PRC	**–**	–
	31,994	30,741

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**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**7,452**	12,013	**900**	92
The PRC	**1,460,494**	1,194,236	**2,835**	23,006
	1,467,946	1,206,249	**3,735**	23,098

8. OPERATING LOSS

	2008	2007
	HK$'000	HK$'000
Operating loss is arrived at after charging/(crediting):		
Auditors' remuneration	**450**	450
Bad debts written off	**180**	–
Exchange loss, net	**696**	–
Depreciation	**531**	375
Less: Depreciation capitalised in properties under development	**(11)**	–
Depreciation charged to income statement	**520**	375
Minimum lease payments paid under operating leases in respect of rented premises	**1,089**	420
Impairment loss of trade receivables	**–**	258

9. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest charged on bank borrowings repayable within five years	**5,348**	3,639
Non-cash imputed interest on convertible notes	**28,089**	17,791
Total interest	**33,437**	21,430
Less: Interest capitalised in properties under development/ construction in progress	**(5,348)**	(3,639)
	28,089	17,791

10. INCOME TAX EXPENSE

For the year ended 31 December 2007 and 2008, no provision for Hong Kong profits tax has been provided in the financial statements as the Group has no estimated assessable profit arising in 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.

Reconciliation between tax expense and accounting loss at applicable tax rates:

	2008 HK$'000	2007 HK$'000
Loss before income tax	**(40,360)**	(22,197)
Tax at the applicable tax rates	**(7,477)**	(4,624)
Tax effect of non-deductible expenses	**5,070**	3,984
Tax effect of non-taxable revenue	**(13)**	(348)
Tax effect of utilisation of previously unrecognised tax losses	**(152)**	(492)
Tax effect of tax losses not recognised	**2,503**	1,440
Tax effect on temporary differences not recognised	**69**	40
Income tax expense	**–**	–

11. LOSS FOR THE YEAR

Of the consolidated loss for the year attributable to equity holders of the Company of HK$38,862,000 (2007: HK$20,881,000), a loss of HK$29,245,000 (2007: HK$19,709,000) has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to equity holders of the Company of HK$38,862,000 (2007: HK$20,881,000) and on the number of 506,498,344 (2007: 506,498,344) shares in issue.

Diluted loss per share for both years was 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)

	2008 HK$'000	2007 HK$'000
Wages and salaries	**20,169**	14,551
Less: Wages and salaries capitalised in properties under development/construction in progress	**(1,179)**	(342)
Wages and salaries charged to income statement	**18,990**	14,209
Equity settled share-based payment expenses	**1,314**	1,951
Pension costs – defined contribution plans	**1,254**	407
	21,558	16,567

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

	2008 HK$'000	2007 HK$'000
Salaries, allowances and benefits in kind	**4,849**	3,218
Equity settled share-based payment expenses	**667**	1,084
Pension costs – defined contribution plans	**57**	60
	5,573	4,362

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT

(a) Directors' emoluments

Directors' emoluments for the year, disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

Group

	2008	2007
	HK$'000	HK$'000
Fees	**165**	160
Other emoluments:		
Salaries, allowances and benefits in kind	**597**	570
Equity settled share-based payment expenses	**667**	1,084
Pension costs – defined contribution plans	**12**	12
	1,276	1,666
	1,441	1,826

During the year ended 31 December 2007, 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 30(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.

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

Year ended 31 December 2008

	Fees	**Salaries and allowances**	**Equity settled share-based payment expenses**	**Pension costs-defined contribution plans**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Executive directors				
NG Hung Sang	–	–	–	–
HUI Ping	–	**597**	–	**12**
NG Yuk Fung, Peter	–	–	**333**	–
NG Yuk Yeung, Paul	–	–	**334**	–
Non-executive director				
NG Yuk Mui, Jessica	**10**	–	–	–
Independent non-executive directors				
LAW Cho Wa (*note i*)	**17**	–	–	–
LO Wing Yan, William	**50**	–	–	–
CHENG Yuk Wo	**50**	–	–	–
PONG Oi Lan, Scarlett (*note ii*)	**38**	–	–	–
	165	**597**	**667**	**12**

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

(a) Directors' emoluments *(Continued)*

Year ended 31 December 2007

	Fees HK$'000	Salaries and allowances HK$'000	Equity settled share-based payment expenses HK$'000	Pension costs-defined contribution plans HK$'000
Executive directors				
NG Hung Sang	–	–	–	–
HUI Ping	–	570	–	12
NG Yuk Fung, Peter	–	–	542	–
NG Yuk Yeung, Paul	–	–	542	–
TANG Kam Sun (*note iii*)	–	–	–	–
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	1,084	12

Note:

(i) Mr. Law Cho Wa resigned as independent non-executive director on 6 May 2008.

(ii) Ms. Pong Oi Lan, Scarlett was appointed as an independent non-executive director on 27 March 2008.

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

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

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one director (2007: one) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four individuals during the year are as follows:

	2008	2007
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,086**	2,488
Pension costs – defined contribution plans	**45**	48
	4,131	2,536

The emoluments fell within the following band:

	Number of individuals	
	2008	2007
Emolument band		
Nil to HK$1,000,000	**3**	4
HK$1,000,001 to HK$1,500,000	**1**	–
	4	4

During the year, no amount was paid by the Group to the directors or the four (2007: 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	Motor vehicle HK$'000	Construction in progress* HK$'000	Total HK$'000
At 1 January 2007					
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 and 1 January 2008					
Cost	720	1,890	–	709,334	711,944
Accumulated depreciation	(704)	(1,209)	–	–	(1,913)
Net book amount	16	681	–	709,334	710,031
Year ended 31 December 2008					
Opening net book amount	16	681	–	709,334	710,031
Additions	–	1,142	200	2,393	3,735
Transfer to properties under development	–	–	–	(711,727)	(711,727)
Depreciation	(4)	(499)	(28)	–	(531)
Exchange realignment	1	16	4	–	21
Closing net book amount	**13**	**1,340**	**176**	**–**	**1,529**
At 31 December 2008					
Cost	730	3,056	204	–	3,990
Accumulated depreciation	(717)	(1,716)	(28)	–	(2,461)
Net book amount	**13**	**1,340**	**176**	**–**	**1,529**

* During the year ended 31 December 2008, the properties are intended to be held for development in the ordinary course of business. Accordingly, all of the carrying value of construction cost incurred was transferred from construction in progress to properties under development during the year.

16. INTEREST IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES

COMPANY

	2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	1,108	1,108
Amounts due from subsidiaries	816,583	816,959
Less: Impairment losses recognised	(16,403)	(16,930)
	800,180	800,029

The movement in the impairment losses recognised for amounts due from subsidiaries is as follows:

	2008 HK$'000	2007 HK$'000
Balance at 1 January	16,930	17,593
Impairment loss reversed	(527)	(663)
Balance at 31 December	16,403	16,930

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand, except an amount due from a subsidiary which is interest bearing at 2% as at 31 December 2007 and 2008.

Particulars of the Company's principal subsidiaries at 31 December 2008 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		Principal activities and place of operation
			Directly	Indirectly	
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, Hong Kong
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, Hong Kong
Capital Publishing Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Publication of "資本雜誌 Capital" magazine, Hong Kong
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, Hong Kong
Crystal Hub Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%	–	Investment holding, Hong Kong
Ever Talent Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	–	100%	Investment holding, Hong Kong
Grandbase Universal Limited ("Grandbase")	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Investment holding, Hong Kong
Media Bonus Limited	British Virgin Islands, limited liability company	2 ordinary shares of US$1 each	100%	–	Investment holding, Hong Kong

16. INTEREST IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES *(Continued)*

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 and place of operation
Praise Rich Limited ("Praise Rich")	British Virgin Islands, limited liability company	100 ordinary shares of US$1 each	–	100%	Investment holding, Hong Kong
遼寧大發房地產有限責任公司	The PRC, limited liability company	RMB202,000,000	–	80%	Property development, The PRC
滄州南華房地產開發有限公司	The PRC, limited liability company	RMB10,387,000	–	100%	Property development, The PRC

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

GROUP

The main changes in the carrying amounts of goodwill as at 31 December 2008 result from the acquisition of Polygain Development Limited ("Polygain"). The net carrying amount of goodwill can be analysed as follow:

	2008 HK$'000	2007 HK$'000
At 1 January		
Gross carrying amount	**355,271**	–
Accumulated impairment	**–**	–
Net carrying amount	**355,271**	–
Year ended 31 December		
Acquisition of subsidiaries		
100% interest in Polygain (*Note 36(a)*)	**55**	–
51% interest in Praise Rich (*Note 36(b)*)	**–**	181,491
100% interest in Grandbase (*Note 36(c)*)	**–**	373
Remaining interest in Praise Rich (*Note 36(b)*)	**–**	173,407
Impairment losses	**–**	–
	55	355,271
At 31 December		
Gross carrying amount	**355,326**	355,271
Accumulated impairment	**–**	–
Net carrying amount	**355,326**	355,271

The carrying amount of goodwill, net of any impairment loss, is allocated to the cash generating units of property development.

17. GOODWILL *(Continued)*

The recoverable amounts for the cash generating units given above were determined based on the estimated gross profit margin after taking into account the expectations for market forecast and research, the value-in-use calculations, covering a detailed seven-year budget plan which represents the business cycle and strategy plan of the Group's property development segment, 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 rate of 5% (2007: 6%) and discount rate of 9% (2007: 15%) per annum. The key assumptions have been determined based on past performance and its expectations for the market development after taking into consideration published market forecast and research. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rate used is pre-tax rate and reflects 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. However, the key estimates are particularly sensitive to the market development.

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

GROUP

According to the acquisition agreements entered into during the year ended 31 December 2007, 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

	2008	2007
	HK$'000	HK$'000
Trade receivables – gross	**4,767**	5,663
Less: Impairment of trade receivables	**(479)**	(883)
Trade receivables – net	**4,288**	4,780

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:

	2008	2007
	HK$'000	HK$'000
Within 30 days	**1,276**	1,778
31 – 60 days	**1,295**	1,638
61 – 90 days	**472**	411
91 to 180 days	**636**	731
Over 180 days	**609**	222
	4,288	4,780

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.

19. TRADE RECEIVABLES *(Continued)*

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 movement in the provision for impairment of trade receivables is as follows:

	2008 **HK$'000**	2007 HK$'000
Balance at 1 January	**883**	703
Impairment loss (reversed)/ recognised	**(404)**	258
Amount written off during the year	**–**	(78)
Balance at 31 December	**479**	883

Trade receivables that were neither past due nor impaired related to a number of customers for whom there was no recent history of default.

The ageing analysis of the Group's trade receivables that were not impaired as at the balance sheet date, based on due date is as follows:

	2008 **HK$'000**	2007 HK$'000
Neither past due nor impaired	**1,672**	1,117
Not more than one month past due	**1,263**	1,285
One to three months past due	**715**	1,682
Over three months past due	**638**	696
	4,288	4,780

20. PREPAYMENTS AND OTHER RECEIVABLES

GROUP

	2008 HK$'000	2007 HK$'000
Prepayments	**7,427**	8,638
Other receivables	**3,754**	6,489
	11,181	15,127
Prepayments classified as non-current	**(4,883)**	(6,564)
Current portion	**6,298**	8,563

COMPANY

	2008 HK$'000	2007 HK$'000
Prepayments	**4**	26

Other receivables of the Group were neither past due nor impaired, and their carrying amount approximates their fair value.

21. PROPERTIES UNDER DEVELOPMENT

GROUP

	2008 HK$'000	2007 HK$'000
Leasehold interests in land located in the PRC at cost	**157,766**	–
Development costs and other direct attributable expenses capitalised	**788,477**	–
	946,243	–

At 31 December 2008, leasehold interests in land located in the PRC with net carrying amount of approximately HK$154,632,000 have lease terms from years 2007 to 2046 and were pledged to secure bank loans of the Group (note 26) as at 31 December 2008 (2007: Nil).

At 31 December 2008, leasehold interests in land located in the PRC with net carrying amount of approximately HK$3,134,000 (2007: Nil) is in process of applying for the land use rights certificate up to the approval date of these financial statements. The directors, based on the opinion from a PRC lawyer, do not expect any legal obstacles for the Group in obtaining the relevant title certificate.

22. BALANCES WITH A MINORITY SHAREHOLDER OF A SUBSIDIARY, AN INTERMEDIATE HOLDING COMPANY AND RELATED PARTIES

GROUP

Balances with a minority shareholder of a subsidiary, an intermediate holding company and related parties are unsecured, interest free and repayable on demand.

Balances with related parties include the amounts due to a fellow subsidiary, a related party, which is a director and beneficial shareholder of the ultimate holding company of the Company, and a director.

The balances with related parties at the balance date are as follows :

	2008 **HK$'000**	2007 HK$'000
Amount due to a fellow subsidiary	–	962
Amount due to a related party	–	10,200
Amount due to a director	–	2,898
	–	14,060

The Company's intermediate holding company has provided financial support to the Group and has undertaken not to demand repayment of debts due from the Group until such time when repayment will not affect the Group's ability to repay other creditors in the normal course of business.

23. CASH AND BANK BALANCES

GROUP

As at 31 December 2008, the Group had cash and bank balances denominated in Renminbi ("RMB") of approximately HK$33,013,000 (2007: HK$13,701,000) 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.

As at 31 December 2008, the Group had cash and bank balances with amounts denominated in HK$ and RMB of approximately HK$24,258,000 and HK$25,000 (2007: Nil) respectively were restricted only for the purpose of construction related payment by a bank as the bank provided mortgage loan to the Group.

24. TRADE PAYABLES

GROUP

The followings are the ageing analysis of trade payables at the balance sheet date:

	2008 **HK$'000**	2007 HK$'000
Within 30 days	**491**	1,080
31 – 60 days	**4,999**	1,457
61 – 90 days	**512**	777
91 – 180 days	**698**	863
Over 180 days	**1,476**	413
	8,176	4,590

25. OTHER PAYABLES, ACCRUED EXPENSES AND RECEIPTS IN ADVANCE

GROUP

	2008 HK$'000	2007 HK$'000
Other payables	**10,973**	1,530
Accrued expenses	**3,702**	3,191
Receipts in advance	**171**	145
	14,846	4,866

26. BANK BORROWINGS

GROUP

	2008 HK$'000	2007 HK$'000
Bank loans – secured		
Bank loans repayable:		
Within one year	**31,802**	24,000
In the second to fifth years, inclusive	**180,209**	56,000
	212,011	80,000
Less: Portion classified as current liabilities	**(31,802)**	(24,000)
Non-current portion	**180,209**	56,000

All bank borrowings are denominated in HK$, repayable in full no later than June 2011 and bear interest at floating rates with reference to Hong Kong Interbank Offering Rate, ranging from 1.3% to 4.5% (2007: 6.8%) per annum as at 31 December 2008.

As at 31 December 2008, the bank borrowings were secured by the pledge of the Group's certain properties under development (note 21), entire issued shares in a subsidiary and corporate guarantee executed by South China (China) Limited, an intermediate holding company of the Company.

As at 31 December 2007, 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.

27. CONVERTIBLE NOTES

GROUP AND COMPANY

	2008 HK$'000	2007 HK$'000
Convertible notes	**697,648**	669,559

27. CONVERTIBLE NOTES *(Continued)*

The convertible notes with principal amounts of HK$408,000,000 and HK$392,000,000 were issued on 12 March 2007 and 6 July 2007 respectively. The convertible notes are convertible into ordinary shares of the Company at any time between the date of issue of the convertible notes and their settlement dates. The notes carry a right to subscribe for the ordinary share of the Company at HK$0.075 per ordinary share of the Company.

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 amortised cost 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.

The carrying amount of the convertible notes is denominated in HK$.

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

	Equity component HK$'000	**Liability component** HK$'000
Additions arising from acquisition of subsidiaries	148,232	651,768
Imputed interest expenses (*note* 9)	–	17,791
At 31 December 2007 and 1 January 2008	148,232	669,559
Imputed interest expenses (*note* 9)	–	28,089
At 31 December 2008	148,232	697,648

The fair value of the liability component of the convertible notes at 31 December 2008 amounted to HK$697,648,000 (2007: HK$669,559,000). The fair value is calculated using future cash flows discounted at a rate based on the estimated discount rate of 7.07% (2007: 7.07%).

Interest expense of HK$28,089,000 (2007: HK$17,791,000) has been recognised in the income statement in respect of the convertible notes for the year ended 31 December 2008, using the effective interest method by applying effective interest rate of 4.18% (2007: 4.18%) to the liability component.

28. DEFERRED TAX LIABILITIES

GROUP

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% and 25.0% (2007: 17.5% and 25.0%).

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 HK$'000	**Accelerated tax depreciation** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
At 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 and 1 January 2008	110,971	45	(45)	110,971
Charge/(credit) to income statement	–	70	(70)	–
At 31 December 2008	**110,971**	**115**	**(115)**	**110,971**

28. DEFERRED TAX LIABILITIES *(Continued)*

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 2008, the Group has estimated unused tax losses of HK$37,473,000 (2007: HK$23,374,000) which were available for offset against future profits. A deferred tax asset has been recognised in respect of tax losses of HK$697,000 (2007: HK$257,000) of such losses. No deferred tax asset has been recognised in respect of the remaining estimated tax losses of HK$36,776,000 (2007: HK$23,117,000) due to the unpredictability of future profit streams. The amount of estimated tax losses that have no expiry date is approximately HK$26,123,000 (2007: HK$14,434,000) and the remaining tax losses of approximately HK$10,693,000 (2007: HK$8,683,000) are subject to expiry period of five years ending in 2011.

29. SHARE CAPITAL

GROUP AND COMPANY

	2008 **HK$'000**	2007 HK$'000
Authorised:		
100,000,000,000 (2007: 100,000,000,000) ordinary shares of HK$0.01 each	**1,000,000**	1,000,000
Issued and fully paid:		
506,498,344 (2007: 506,498,344) ordinary shares of HK$0.01 each	**5,065**	5,065

30. 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.

30. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

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

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

   The total number of Shares available for issue under the share 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 (as defined under the Scheme).

   During the year ended 31 December 2008, no share option was granted (2007: 16,000,000 share options) 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.

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.

30. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

(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 2008 were as follows:

2008

	Number of share options									Price of shares	
Name and category of participant	Outstanding as at 1.1.2008	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31.12.2008	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 to 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 to 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	14.3.2007	14.3.2008 to 13.3.2012	0.2166	0.20	N/A
	3,000,000	–	–	–	–	3,000,000	02.04.2007	2.4.2008 to 1.4.2012	0.3150	0.29	N/A
	2,000,000	–	–	–	–	2,000,000	10.05.2007	10.5.2008 to 9.5.2012	0.3100	0.29	N/A
Sub-total	6,000,000	–	–	–	–	6,000,000					
Total	**16,000,000**	–	–	–	–	**16,000,000**					

30. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

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

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**	**Immediately preceding the grant date of share option** *(Note b)*	**Immediately preceding the exercise date of share option** *(Note c)*
									HK$	HK$	HK$
Directors											
Ng Yuk Yeung, Paul	–	5,000,000	–	–	–	5,000,000	14.3.2007	14.3.2008 to 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 to 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	14.3.2007	14.3.2008 to 13.3.2012	0.2166	0.20	N/A
	–	3,000,000	–	–	–	3,000,000	02.04.2007	2.4.2008 to 1.4.2012	0.3150	0.29	N/A
	–	2,000,000	–	–	–	2,000,000	10.05.2007	10.5.2008 to 9.5.2012	0.3100	0.29	N/A
Sub-total	–	6,000,000	–	–	–	6,000,000					
Total	–	16,000,000	–	–	–	16,000,000					

30. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

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

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.

(e) For the year ended 31 December 2008, employee compensation expense of HK$1,314,000 has been included in the consolidated income statement (2007: HK$1,951,000) 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:

	2008		2007	
	Number	**Weighted average exercise price HK$**	Number	Weighted average exercise price HK$
Outstanding at 1 January	**16,000,000**	**0.247**	–	–
Granted	**–**	**–**	16,000,000	0.247
Outstanding at 31 December	**16,000,000**	**0.247**	16,000,000	0.247

The options outstanding at 31 December 2008 had an exercise prices of HK$0.2166 to HK$0.3150 (2007: HK$0.2166 to HK$0.3150) and a weighted average remaining contractual life of 4 years (2007: 5 years).

31. 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 27.

(b) Company

	Share premium HK$'000	Employee compensation reserve HK$'000	Capital reserve HK$'000	Convertible notes equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 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 and 1 January 2008	11,483	1,951	652	148,232	(35,796)	126,522
Recognition of equity settled share-based compensation	–	1,314	–	–	–	1,314
Loss for the year	–	–	–	–	(29,245)	(29,245)
At 31 December 2008	**11,483**	**3,265**	**652**	**148,232**	**(65,041)**	**98,591**

The Company's reserves available for distribution represent the share premium, employee compensation reserve, capital reserve, convertible notes equity reserve and accumulated losses. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. Accordingly, the Company's reserves available for distribution to shareholders as at 31 December 2008 amounted to approximately HK$98,591,000 (2007: HK$126,522,000).

32. OPERATING LEASE COMMITMENTS

GROUP

At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	2008 HK$'000	2007 HK$'000
Within one year	**1,272**	755
In the second to fifth year inclusive	**–**	82
	1,272	837

COMPANY

At 31 December 2008, the Company does not have any significant operating lease commitments (2007: Nil).

33. CAPITAL COMMITMENTS

GROUP

	2008 HK$'000	2007 HK$'000
Contracted but not provided for:		
– Expenditure in respect of properties under development/construction in progress	**155,004**	18,191
– Investment in equity interest	**11,124**	15,977
	166,128	34,168

COMPANY

As at 31 December 2008, the Company does not have any significant capital commitments (2007: Nil).

34. CONTINGENT LIABILITIES

GROUP AND COMPANY

As at 31 December 2008, the Group and the Company do not have any significant contingent liabilities (2007: Nil).

35. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, during the year, the Group had significant related party transactions.

(a) Details of these transactions are as follows:

	2008 HK$'000	2007 HK$'000
(i) Purchase of services		
– Colour separation and photo processing fees	**193**	138
(ii) Operating lease expenses	**277**	261

(b) Details of the balances with related parties at the balance sheet date are included in note 22 to the financial statements.

(c) The Group entered into a mutual agreement with the related companies that they had a right to use the logo "資本Capital" on publication of various magazines at a nominal value.

(d) During the year ended 31 December 2008, the Company acquired the equity interest in Polygain and certain subsidiaries from certain fellow subsidiaries of the Company. During the year ended 31 December 2007, the Company acquired the equity interest in Praise Rich, Grandbase and certain subsidiaries from certain related companies of the Company. Details of the above acquisitions had been disclosed in note 36 to the financial statements.

35. RELATED PARTY TRANSACTIONS *(Continued)*

(e) As at 31 December 2007 and 2008, an intermediate holding company of the Company provided guarantee in respect of a loan facility of HK$80,000,000.

(f) During the year ended 31 December 2007, an intermediate holding company of the Company had agreed to provide another guarantee to the Company 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. During the year, a loan facility of HK$330,000,000 has been granted by the bank, for a period of 36 months from 15 February 2008, which is supported by such guarantee.

The above transactions were conducted in accordance with the terms mutually agreed between the Group and the related companies controlled by the directors.

36. ACQUISITION OF SUBSIDIARIES

(a) On 14 November 2008, the Group acquired 100% equity interest in Polygain from a fellow subsidiary. Polygain is a dormant company. The consideration from the acquisition was HK$1. Particulars of the acquisitions are as follows:

	Fair value HK$'000	**Carrying amount** HK$'000
Amount due to a fellow subsidiary	(55)	(55)
Net liabilities acquired	(55)	
Satisfied by:		
Bank balances and cash	–	
Goodwill	55	

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of the subsidiary is as follows:

	HK$'000
Bank balances and cash acquired	–
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	–

Since the acquisition of the controlling stake in November 2008, Polygain did not contribute any gain or loss to the Group's consolidated loss for the year ended 31 December 2008. Had the combination taken place at the beginning of the year, the revenue and the loss of the Group for the year would remain unchanged.

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) 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 had been 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 HK$'000	**Carrying amount** HK$'000
Property, plant and equipment	642,932	202,860
Prepayments 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 payables	(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 acquisition 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

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) *(Continued)*

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).

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.

(c) 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)
Satisfied by:		
Bank balances and cash	–	
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

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

(c) *(Continued)*

Since the acquisition of the controlling stake in April 2007, Grandbase Group contributed 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 ended 31 December 2007, the Group acquired certain subsidiaries by the issuance of convertible notes to a related company with an aggregate face value of HK$800,000,000.

During the year ended 31 December 2008, the amounts due to related parties as set out in note 22 were assigned to an intermediate holding company of the Company.

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 meets periodically to analyse and formulate strategies to manage the Group's exposure to market risk, credit risk and liquidity risk. The Group's exposure to these risks 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 bank balances, trade receivables, other receivables, amounts due from a minority shareholder of a subsidiary, recoverable from an intermediate holding company and a fellow subsidiary. The Group's financial liabilities include trade payables, other payables, bank borrowings, convertible notes and amounts due to an intermediate holding company and related parties.

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 RMB. The management monitors foreign exchange exposure and will hedge significant foreign currently exposure should the need arises.

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.

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

38.1 Foreign currency risk *(Continued)*

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).

Group

	Change in foreign currency rate	Change in profit before income tax and retained earnings
	%	HK$'000
2008		
RMB	**1%**	**265**
2007		
RMB	1%	234

38.2 Interest rate risk

As the Group has no significant interest-bearing assets other than cash and bank balances, 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 Group's objective is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements.

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$'000
2008		
HK$	**50**	**(886)**
2007		
HK$	50	(400)

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

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:

	2008 **HK$'000**	2007 HK$'000
Classes of financial assets – carrying amounts		
Recoverable from an intermediate holding company and a fellow subsidiary	**88,777**	88,777
Trade receivables	**4,288**	4,780
Other receivables	**3,754**	6,489
Amount due from a minority shareholder of a subsidiary	**25,845**	12,561
Cash and bank balances	**34,757**	19,702
	157,421	132,309

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.

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. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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 2008, the Group's financial liabilities have contractual maturities based on contractual undiscounted cash flows and are summarised below:

	On demand	**Within 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Total un-discounted cash flow**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2008						
Trade payables	**–**	**1,936**	**6,192**	**48**	**–**	**8,176**
Other payables	**9,942**	**–**	**1,031**	**–**	**–**	**10,973**
Amount due to an intermediate holding company	**–**	**–**	**144,301**	**–**	**–**	**144,301**
Bank borrowings	**–**	**–**	**–**	**31,802**	**180,209**	**212,011**
Convertible notes	**–**	**–**	**–**	**–**	**697,648**	**697,648**
	9,942	**1,936**	**151,524**	**31,850**	**877,857**	**1,073,109**
At 31 December 2007						
Trade payables	–	3,473	1,117	–	–	4,590
Other payables	–	–	1,530	–	–	1,530
Amount due to an intermediate holding company	–	–	46,553	–	–	46,553
Amounts due to related parties	–	–	14,060	–	–	14,060
Bank borrowings	–	–	–	24,000	56,000	80,000
Convertible notes	–	–	–	–	669,559	669,559
	–	3,473	63,260	24,000	725,559	816,292

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 2008 may be categorised as follows. See notes 3.11 and 3.18 for explanations about how the category of financial instruments affects their subsequent measurement.

(i) *Financial assets*

	2008 HK$'000	2007 HK$'000
Cash and bank balances	**34,757**	19,702
Recoverable from an intermediate holding company and a fellow subsidiary	**88,777**	88,777
Loans and receivables:		
Trade receivables	**4,288**	4,780
Other receivables	**3,754**	6,489
Amount due from a minority shareholder of a subsidiary	**25,845**	12,561
	157,421	132,309

(ii) *Financial liabilities*

Financial liabilities at amortised cost:

	2008 HK$'000	2007 HK$'000
Trade payables	**8,176**	4,590
Other payables	**10,973**	1,530
Amount due to an intermediate holding company	**144,301**	46,553
Amounts due to related parties	**–**	14,060
Bank borrowings	**212,011**	80,000
Convertible notes	**697,648**	669,559
	1,073,109	816,292

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:

	2008 **HK$'000**	2007 HK$'000
Capital		
Total equity	**279,993**	275,650
Convertible notes – equity components	**(148,232)**	(148,232)
	131,761	127,418
Overall financing		
Convertible notes – equity and liability components	**697,648**	669,559
Bank borrowings	**212,011**	80,000
	909,659	749,559
Capital-to-overall financing ratio	**14.5%**	17.0%

Financial summary

FINANCIAL RESULTS

	Year ended 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	15,711	25,140	23,912	30,741	**31,994**
Direct operating expenses	(11,204)	(17,255)	(14,708)	(16,228)	**(15,017)**
Other operating income	15	15	184	1,829	**649**
Selling and distribution costs	(5,390)	(7,111)	(7,234)	(9,290)	**(13,417)**
Administrative and other operating expenses	(2,693)	(2,739)	(2,001)	(11,458)	**(16,480)**
Finance costs	–	–	–	(17,791)	**(28,089)**
(Loss)/profit before income tax	(3,561)	(1,950)	153	(22,197)	**(40,360)**
Income tax expense	–	–	–	–	**–**
(Loss)/profit for the year	(3,561)	(1,950)	153	(22,197)	**(40,360)**

ASSETS AND LIABILITIES

	As at 31 December				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	9,547	9,132	8,311	1,206,249	**1,467,946**
Total liabilities	(6,807)	(8,289)	(7,315)	(930,599)	**(1,187,953)**
Shareholders' funds	2,740	843	996	275,650	**279,993**

Details of Property

PROPERTIES UNDER DEVELOPMENT

Location	Type	Stage of completion	Anticipated completion date	Group's attributable interest	Approximate gross floor area	Approximate site area
Fortuna Plaza (Formerly known as "South China Landmark 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.
Relocation project in Zhongjie	Residential	Main body of building	2009	70%	9,956 sq.m.	6,147 sq.m.