COSMOPOLITAN
INTERNATIONAL HOLDINGS LTD
四海國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

(stock code : 120)

annual report 2007

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Bong Shu Yin, Daniel *(Chairman)*
Mr. Cheng Sui Sang

Non-Executive Directors:

Mr. Wang Baoning *(Vice Chairman)*
Mr. Bong Shu Ying, Francis

Independent Non-Executive Directors:

Mr. Li Ka Fai, David
Mr. Lee Choy Sang
Ms. Ka Kit

AUDIT COMMITTEE

Mr. Li Ka Fai, David *(Chairman)*
Mr. Lee Choy Sang
Ms. Ka Kit

REMUNERATION COMMITTEE

Mr. Bong Shu Yin, Daniel *(Chairman)*
Mr. Lee Choy Sang
Mr. Li Ka Fai, David

COMPANY SECRETARY

Mr. Cheng Sui Sang

AUDITORS

SHINEWING (HK) CPA Limited

REGISTERED OFFICE

P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room A, 18th Floor
211 Johnston Road
Wanchai
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

120

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
Industrial and Commercial Bank of China (Asia) Limited
Standard Chartered Bank (Hong Kong) Limited
ABN AMRO Bank N.V.

RESULTS

Cosmopolitan International Holdings Limited and its subsidiaries (the "Group") achieved a consolidated profit of HK$6,196,000 for the year ended 31 March 2007, as compared with a loss of HK$19,522,000 recorded last year. The profit for this year is attributed mainly to the following factors:

(i) Satisfactory profits realized on securities trading.

(ii) Increase in fair value of financial assets marked to market closing prices as at 31 March 2007 amounting to HK$10,949,000.

(iii) Other income increased to HK$1,500,000 as compared to HK$597,000 last year, an increase of 151%.

(iv) Excess of net assets acquired over the cost of investment relating to the acquisition of Rainbow Lodge for HK$2,190,000.

(v) Share of profit of an associate of HK$537,000 as compared with a loss of HK$4,740,000 last year.

There is included in the net increase in fair value in item (ii) above a deduction of a variance due to the change in fair value of the placement rights on 2 March 2007, the date when the HK$56 million 2 years zero-coupon convertible bonds were issued, as compared to the balance sheet date as valued by independent professional appraiser, due to fluctuation in the share price of Cosmopolitan International Holdings Limited (the "Company") between the two dates. Since the balance sheet date, the share price of the Company has increased substantially. Should the Group be successful in procuring investors for the placement of the convertible bonds before the placement rights expire, depending on the market price of the Company's shares and the carrying book value of the placement rights at the time, the Group may be able to realize a substantial profit. For details of the aforementioned convertible bonds and the relating placement rights, please refer to the Company's earlier announcement dated 9 February 2007.

DIVIDENDS

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2007(2006: Nil).

BUSINESS REVIEW

General

The principal activities of the Group during the year under review continue to be investments in properties and securities and provision of information technology services. Since the change of the controlling shareholder and the constitution of a new board in December 2006, the Company has been adopting a strategy of expanding the Company's investment portfolios in properties and other securities investments. The Management has changed the holding in China Investment Fund Company Limited ("CIF") to short term investment securities; the Management is also reviewing the business strategy in the areas of information technology services.

In December 2006, the Company completed an open offer exercise raising a net amount of approximately HK$50 million in new funds, resulting in Giant Sino Group Ltd becoming the controlling shareholder of the Company.

The cash position of the Group continues to be strong, and the Group is actively reviewing various investment opportunities. The Group considers that in the medium to long term period property investments in the People's Republic of China (the "PRC"), Hong Kong and possibly other high growth potential countries will be the main area of focus.

The turnover of the Group for the year under review was HK$17,294,000 which was 51% more than that of previous year. The increment was mainly attributed to the increase in securities trading activities during the year. Revenue generated from the information technology sector also showed significant improvement of 28% from last year.

Total expenses (before financial costs) for the period under review were HK$15,382,000 in comparison with HK$9,533,000 for last year. Administrative Expenses increased by HK$5,636,000 from last year. Due to expansion in investment and corporate activities, a large portion of the increase in administrative expenses were professional and compliance expenses. The financial costs this year were mainly the issuance costs and the effective interest expense relating to convertible bonds.

Property Investment

The sale and purchase agreement entered on 24 September, 2004 as mentioned in our last year's report was terminated and full refund of deposit of HK$19,110,000 was received during the year.

The Group entered into a development framework agreement with Shenyang Menrong Economic District (瀋陽滿融經濟區) on 22 January 2007 in relation to the development of a comprehensive urban community within Caozhong District, Shenyang City, Liaoning Province, the PRC (瀋陽曹仲區). The discussion of the detailed provisions of the definitive agreement is ongoing.

In January this year the Group acquired a company which owns 10 apartment units plus 14 carparks at Rainbow Lodge at No. 9 Ping Shan Lane, Yuen Long, New Territories, at a total consideration of HK$70 million. Part of the consideration was settled by issue of zero-coupon convertible bonds of principal sum of HK$56 million by the Group, with the remaining balance settled by cash. These bonds were issued on 2 March 2007 and will have a term of two years and be repayable to bondholders at a price of 107.19% of the principal amount at maturity. At the same time the terms of the convertible bonds carried placement rights to the Group for 12 months period to place out the bonds and the Group will share 70% of any profits derived as a result of such successful placing. For full details of description of the property, terms of the bonds and the placement rights, please refer to the Company's earlier announcement dated 9 February 2007.

Securities Investment

The Group continues to maintain an active investment portfolio of listed and unlisted assets in Hong Kong. Total financial assets at fair value stood at HK$126,534,000 as of 31 March 2007, as compared with HK$3,782,000 as at 2006 financial year end. Part of the increase was due to a change of an associate company in the accounts of last comparable year to trading securities investments in the accounts of this year. The financial assets as of 31 March 2007 also included an amount of HK$42,691,000 representing the fair value of the placement rights as mentioned above.

Information Technology

The Group's information technology service, the "IT", provides fully integrated software solution to both hotel management system and operators. Competitions are keen and the operation environment is challenging. Its performance is being monitored and reviewed by the Management.

LIQUIDITY AND FINANCING

Current assets and current liabilities of the Group as at 31 March 2007 were HK$164,565,000 and HK$18,374,000 respectively (31 March 2006: HK$40,778,000 and HK$4,924,000 respectively). Bank balances and cash stood at HK$36,349,000 as at 31 March 2007 in comparison with HK$13,144,000 as at last year end.

The Group's gearing ratio as at 31 March 2007 based on the net borrowings (represented by convertible bond borrowings net of bank balances and cash) as a percentage of the net assets after deducting goodwill and minority interests was at 9%.

CONTINGENT LIABILITIES

The contingent liabilities of the Group as at 31 March 2007 are set out in note (30) to the consolidated financial statements.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's exposure to fluctuation in exchange rate was minimal.

CAPITAL STRUCTURE

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As a result of the open offer, 1,064,200,000 new shares were issued during the year. The total number of outstanding issued and fully paid shares as at 31 March, 2007 was 1,596,300,000.

HUMAN RESOURCES

As at 31 March 2007, the Group has 2 executive directors, 2 non-executive directors and 3 independent non-executive directors.

There are 28 full time employees working in Hong Kong and China. The Group will ensure each employee is fairly compensated and their contributions are rewarded within a general framework of the Group's salary and bonus scheme.

POST BALANCE SHEET EVENTS

On 10 April 2007, the Group issued convertible bonds in a total principal amount of HK$205,000,000 with maturity on 10 April 2010. The bonds bear no coupon interest and are unsecured, and entitle the holder to convert into ordinary shares of the Company at the conversion price of HK0.205 per share (subject to adjustments). The Group will be required to redeem any outstanding bonds on the maturity date at 115.97% of the principal amount of the bonds. The bonds were issued by one of the Group's subsidiaries and its obligations are guaranteed by the Company. This was mainly a fund raising exercise to broaden the capital base of the Company.

PROSPECTS

The Hong Kong economy generally continues to perform well as structural changes are being made to cater for the globalization process and the rapid development in the PRC. The Group is actively reviewing a number of potential development projects in the PRC and other high growth countries with a view to expanding the Group's property development and investment portfolio.

The Group will continue to monitor the performance of the IT business in PRC and review the resources to be allocated thereto and to take appropriate action accordingly.

We are confident that the financial and human resources available will enable us to meet the challenges and create more value to the shareholders.

Cheng Sui Sang
Executive Director

Hong Kong, 6 July 2007

EXECUTIVE DIRECTORS

(a) Executive Directors

1. Mr. Bong Shu Yin Daniel

Mr. Bong Shu Yin Daniel, aged 68, is a qualified architect and has extensive experience in the property and hotel fields both in Hong Kong and overseas. Mr. Bong had been involved in the management of several public listed companies in Hong Kong for over 10 years including Century City International Holdings Limited and Paliburg Holdings Limited. Mr. Bong was the deputy chairman and an executive director of Regal Hotels International Holdings Limited until 1999 when he resigned to pursue his personal interests and investments.

2. Mr. Cheng Sui Sang

Mr. Cheng Sui Sang, aged 63, has extensive experience in banking and finance field and has held senior management positions in overseas companies, as well as several Hong Kong listed companies. He holds a Bachelor's degree in Economics and a Master's degree in Business Administration, and is also an associate member of the Hong Kong Institute of Certified Public Accountants. Immediately before joining the Company, Mr. Cheng was involved in private consulting work to a number of clients in PRC and Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

(b) Non-Executive Directors

1. Mr. Wang Baoning

Mr. Wang Baoning, aged 53, has extensive experience in the property development and electronics and software industries in the People's Republic of China. Mr. Wang is the directors of a number of companies in the People's Republic of China, including 北京中軟恒通科技有限公司 (Beijing Zhongruan Hengtong Keji Co., Ltd), 湖南淺水灣湘雅溫泉花園有限公司 (Hunan Qianshuiwan Xiangya Wenquan Huayuan Co., Ltd), 珠海鋒盛拍賣有限公司 (Zhuhai Fengsheng Paimai Co., Ltd) and 珠海怡華通發展有限公司 (Zhuhai Yihuatong Fazhan Co. Ltd), which are engaged respectively in the businesses of software technology, property development, auction and investments.

2. Mr. Bong Shu Ying, Francis

Mr. Bong Shu Ying, Francis, OBE, JP, aged 65, is the brother of Mr. Bong Shu Yin, Daniel. Mr. Bong Shu Ying, Francis is the director and vice-chairman of Aecom Technology Corporation, (a company incorporated in the United States of America listed at the main board of the New York Stock Exchange, Stock code: ACM) and is the chairman of Maunsell Consultants Asia Limited, which was founded in 1970, engaged in a wide variety of civil engineering works in Hong Kong. Mr. Bong holds a Bachelor's degree of Science in Engineering from the University of Hong Kong and is the former president of the Hong Kong Institution of Engineers and a fellow member of the Institution of Civil Engineers and The Institution of Structural Engineers in the United Kingdom.

(c) Independent Non-Executive Directors

1. Mr. Li Ka Fai David

Mr. LI Ka Fai, David, aged 52, is currently the deputy managing partner of Li Tang, Chen & Co., a part-time instructor of School of Continuing Studies, The Chinese University of Hong Kong and appointed member of Advisory Board on Accountancy Lingnan University. He is also a fellow of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, UK as well as the Institute of Chartered Secretaries & Administrators, UK and an associate of The Institute of Chartered Accountants in England and Wales. He is an independent director and convenor of audit committee of China Vanke Company Limited (a company listed on the Shenzhen Stock Exchange in the PRC), an independent non-executive director and chairman of audit committee of China-Hongkong Photo Products Holdings Limited (a company listed on the main board of the Stock Exchange, stock code 1123) and an independent non-executive director and member of audit committee of China Merchants Holdings (International) Company Limited (a company listed on the main board of the Stock Exchange, stock code 0144). He was also an independent non-executive director and chairman of audit committee of Nubrands Group Holdings Limited (formerly known as Wanji Pharmaceutical Holdings Limited, a company listed on the main board of the Stock Exchange, stock code : 835) in 2002-2005. He was awarded the Medal of Honour (MH) from The Government of the Hong Kong Special Administrative Region in July 2004 for valuable contribution to the development of the accounting profession.

2. Mr. Lee Choy Sang

Mr. Lee Choy Sang, aged 70, has been involved in the construction industry for almost 40 years. Mr. Lee obtained his degree of Bachelor of Architecture in the University of Hong Kong in 1965. Mr. Lee was a member of the Royal Institute of British Architects, the Royal Australian Institute of Architects and the Hong Kong Institute of Architects. He was also a registered architect in Hong Kong. He has been appointed as a member of the Hong Kong Housing Society. Mr. Lee is currently a director of Silver Force (Consultants) Limited and Brilliant Force International China Heating Supply Holdings Company Limited, and is in charge of various projects in respect of the provision of services relating to energy supply and management in different regions, including Hong Kong and the People's Republic of China.

3. Ms. Ka Kit

Ms. Ka Kit, aged 55, has extensive experience in the telecommunication industry. Ms. Ka is a director of Sharp Wind Development Limited, Southcom Internet Technology Limited and Southcom Limited, which are principally engaged in telecommunication services.

The directors of the Company (the "Directors") are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company are property development, investment in listed and unlisted securities and provision of information technology services. Details of the principal activities of the subsidiaries are set out in note (32) to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2007 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 27 to 67.

The board of directors does not recommend the payment of a final dividend for the year ended 31 March 2007 (2006: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities for the last five financial years is set out on page 68.

PROPERTY AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note (27) to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 29.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 March 2007, the Company's reserves available for distribution amounted to approximately HK$124,884,000 (2006: HK$81,981,000), calculated in accordance with the laws of the Cayman Islands.

SHARE OPTIONS

The details of the share option scheme adopted by the Company on 20 August 2003 are set out in note (27) to the consolidated financial statements.

No share option has been granted.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2007, the five largest customers of the Group accounted for approximately 65.24% of the Group's turnover of the information technology segment, with the largest customer accounted for approximately 15.28%.

For the year ended 31 March 2007, the five largest suppliers of the Group accounted for approximately 100% of the Group's purchases of the information technology segment, with the largest supplier accounted for approximately 58.84%.

The Group's remaining turnover was derived from the securities trading segment and thus the disclosure of customers and suppliers information regarding this segment would not be meaningful.

At no time during the year were the directors, their associates, or any shareholder of the Company which to the knowledge of the directors owned more than 5% of the Company's share capital had any interest in these major customers and suppliers.

DIRECTORS

The directors of the Company who held office during the year and up to the date of this report were:

Executive Directors:

Bong Shu Yin, Daniel *(Chairman)*	(appointed on 8 December 2006)
Cheng Sui Sang	(appointed on 31 August 2006)
Leung Man Kit	(appointed on 2 June 2006 and resigned on 27 December 2006)
Yu Tat Chi, Michael	(resigned on 27 December 2006)
Williamson Lam	(resigned on 2 June 2006)

Non-Executive Directors:

Wang Baoning *(Vice-Chairman)*	(appointed on 20 December 2006)
Bong Shu Ying, Francis	(appointed on 8 December 2006)

Independent Non-Executive Directors:

Li Ka Fai, David	(appointed on 8 December 2006)
Lee Choy Sang	(appointed on 8 December 2006)
Ka Kit	(appointed on 20 December 2006)
Tang Ping Sum	(resigned on 27 December 2006)
Chan Cheong Yee	(resigned on 27 December 2006)
Lo Kwok Chee, Johnny	(resigned on 27 December 2006)

In accordance with the existing Company's articles of association, all directors appointed during the year to fill the casual vacancy will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The independent non-executive directors are not appointed for a specific term because all directors are subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

BIOGRAPHIES OF DIRECTORS

Biographical details of the directors of the Company are set out on page 9 to 11 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting as at 31 March 2007 or at any time during the year ended 31 March 2007.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the Company subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES

According to the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), as at 31 March 2007 none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SFO.

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

As at 31 March 2007, so far as being known to the directors, the following parties were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interests in 5% or more the issued share capital of the Company:

Name	**Number of shares held**	**Percentage of the Company's share capital**
Giant Sino Group Limited *(Note 1)*	858,215,218	53.76%
Space Capital Investments Limited *(Note 1)*	858,215,218	53.76%
Prosperity Investment Holdings Limited *(Note 2)*	158,331,078	9.92%
Wan Chuen Chung, Joseph	92,800,000	5.81%

Notes:

1. *Under the SFO, Space Capital Investments Limited is deemed to be interested in 858,215,218 Shares held by Giant Sino Group Limited, which is wholly-owned by Space Capital Investments Limited.*

2. *Prosperity Investment Holdings Limited is a company whose shares are listed on the main board of the stock exchange (stock code: 310).*

Other than as disclosed above, the Company has not been notified of any other interests representing 5% or more of the Company's shares and underlying shares as at 31 March 2007.

CORPORATE GOVERNANCE

Details of the Group's corporate governance practices can be found in the Corporate Governance Report contained on pages 18 to 24 of this annual report.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted "The Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to the Listing Rules.

All directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code throughout the review period. The Company has received, from each of the independent non-executive directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that all independent non-executive directors are independent.

PUBLIC FLOAT

As at the date of this report, based on the information publicly available to the Company and within the knowledge of the Directors, over 25% of the issued share capital of the Company was held by the public as required under the Listing Rules.

AUDIT COMMITTEE

The Company has an audit committee ("Audit Committee") which was established in compliance with Rule 3.21 of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive directors of the Company. The audit results of the Group for the year ended 31 March 2007 have been reviewed by the Audit Committee.

AUDITORS

The Company's auditors, SHINEWING (HK) CPA Limited ("SHINEWING"), will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment.

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

On behalf of the Board

Cheng Sui Sang
Executive Director

Hong Kong, 6 July 2007

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") of the Company has from time to time reviewed and considered its corporate governance practices as to commit the maintenance of high standards of corporate governance practices and to comply with the regulatory requirements.

Throughout the financial year ended 31 March 2007, the Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practice (the "Code") set out in Appendix 14 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the requirement of (i) Code Provision A.2.1 of the Code that the role of chairman and chief executive officer should be separate and should not be performed by the same individual and (ii) Code Provision A.4.1 of the Code that the independent non-executive directors should be appointed for specific terms, the Company has complied with all code provisions on the Code. The Company continues to improve its corporate governance and believes that good corporate governance will bring long-term benefits to its shareholders.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Upon enquiry by the Company, all directors of the Company (the "Directors") have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 March 2007.

BOARD OF DIRECTORS

Composition and role

As at 31 March 2007, the Board comprised two executive directors, two non-executive directors and three independent non-executive directors and the Board members were as follows:

Bong Shu Yin, Daniel	(Executive Director and Chairman)
Cheng Sui Sang	(Executive Director)
Wang Baoning	(Non-executive Director and Vice Chairman)
Bong Shu Ying, Francis	(Non-executive Director)
Lee Choy Sang	(Independent non-executive Director)
Li Ka Fai, David	(Independent non-executive Director)
Ka Kit	(Independent non-executive Director)

(Mr. Bong Shu Yin, Daniel is the brother of Mr. Bong Shu Ying, Francis.)

The biographical details of the directors are presented on page 9 to 11 of this annual report.

During the year under review, the appointment and resignation of the directors are as follows:

Executive Directors:

Bong Shu Yin, Daniel (Chairman) (appointed on 8 December 2006)
Cheng Sui Sang (appointed on 31 August 2006)
Leung Man Kit (appointed on 2 June 2006 and resigned on 27 December 2006)
Yu Tat Chi Michael (resigned on 27 December 2006)
Williamson Lam (resigned on 2 June 2006)

Non-Executive Directors:

Wang Baoning (Vice Chairman) (appointed on 20 December 2006)
Bong Shu Ying, Francis (appointed on 8 December 2006)

Independent Non-Executive Directors:

Lee Choy Sang (appointed on 8 December 2006)
Li Ka Fai, David (appointed on 8 December 2006)
Ka Kit (appointed on 20 December 2006)
Tang Ping Sum (resigned on 27 December 2006)
Chan Cheong Yee (resigned on 27 December 2006)
Lo Kwok Chee, Johnny (resigned on 27 December 2006)

Under the Code Provision A.4.1 of the Code, non-executive directors should be appointed for specific terms, subject to re-election. Currently, all the non-executive directors and the independent non-executive directors are appointed without a specific term. However, under the articles of association of the Company, every director is subject to retirement by rotation at least once every three years. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than that in the Code.

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three independent non-executive directors, together with the requirements of Rule 3.10(2) of the Listing Rules stipulating that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting related financial management expertise.

The Board has confirmed with each of the independent non-executive directors as to his independence with reference to the factors as set out in Rule 3.13 of the Listing Rules. The Company has received from each of the independent non-executive directors an annual confirmation pursuant to Rule 3.13 of the Listing Rules and the Company considers them to be independent.

Roles and Functions

The Board is responsible to promote the success of the Company by directing and supervising its affairs in a responsible and effective manner. The key responsibilities of the Board include formulating of the Group's overall strategies, setting performance targets, regulating and maintaining internal controls, monitoring financial reporting process and managing day-to-day business operations.

Through positive contributions to the Board and committee works, the independent non-executive directors provide independent directives and views on important decisions in respect of strategic developments, corporate governance practices, financial reporting framework, internal controls and risk management.

For the year ended 31 March 2007, the Board:

1. reviewed the performance of the Group and formulated business strategy, plans and objectives of the Group;
2. reviewed and approved the annual results of the Group for the year ended 31 March 2006 and the interim results of the Group for the six months ended 30 September 2006;
3. approved the re-appointment of the auditors of the Group;
4. reviewed and approved the change of company secretary of the Company;
5. reviewed and approved the appointment and resignation of executive, non-executive and independent non-executive Directors;
6. reviewed and approved the general mandates to issue and repurchase shares of the Company;
7. reviewed and approved the major transaction in respect of the acquisition of the Kola Glory Group, the issue of the Convertible Bonds due 2009 and the Convertible Bonds due 2010;
8. reviewed the internal control system of the Group through the Audit Committee; and
9. reviewed the remuneration policy of the Company and the remuneration of the Directors and senior management of Company through the Remuneration Committee.

The Board meets regularly at least once a quarter and additional meetings are convened as and when the Board considers necessary. Details of directors' attendance of the board meetings and committee meetings held during the year under review are set out in the following table:

Meetings Attended/Held

Directors	Board	Audit Committee	Remuneration Committee
Executive Directors			
Bong Shu Yin, Daniel (Chairman) (appointed on 8 December 2006)	21/24	N/A	1/1
Cheng Sui Sang (appointed on 31 August 2006)	39/40	N/A	N/A
Leung Man Kit (appointed on 2 June 2006 and resigned on 27 December 2006)	30/35	N/A	3/3
Yu Tat Chi, Michael (resigned on 27 December 2006)	27/35	N/A	N/A
Williamson Lam (resigned on 2 June 2006)	1/1	N/A	N/A
Non- Executive Directors			
Wang Baoning (Vice Chairman) (appointed on 20 December 2006)	8/18	N/A	N/A
Bong Shu Ying, Francis (appointed on 8 December 2006)	5/18	N/A	N/A
Independent Non-Executive Directors			
Li Ka Fai, David (appointed on 8 December 2006)	11/18	1/1	1/1
Lee Choy Sang (appointed on 8 December 2006)	11/18	0/1	1/1
Ka Kit (appointed on 20 December 2006)	9/18	0/1	N/A
Tang Ping Sum (resigned on 27 December 2006)	8/35	2/2	3/3
Chan Cheong Yee (resigned on 27 December 2006)	8/35	1/2	3/3
Lo Kwok Chee, Johnny (resigned on 27 December 2006)	7/35	2/2	N/A

- *Total board meetings held throughout the review year: 52 times.*
- *Total audit committee meetings held throughout the review year: 2 times.*
- *Total remuneration committee meetings held throughout the review year: 4 times.*

Chairman and Chief Executive Officer

Under the Code Provision A.2.1 of the Code, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "CEO" at present. In view of the existing structure of the Board and the operation of the Group, the directors believe that this board structure can ensure efficient flow of information and a strong leadership for the Group to promptly implement decisions and the business strategies, which is for the benefits of the Group. Moreover, the day-to-day management of the Group's businesses is shared among the executive directors and the management team of the Company.

The directors intend to maintain this structure for the time being as it believes that the existing structure enables the Board to carry out its responsibilities in an economical, efficient and effective manner.

The Board currently has two principal board committees, namely the audit committee and the remuneration committee. The audit committee of the Company (the "Audit Committee") comprises solely the three independent non-executive directors. The remuneration committee comprises the chairman and two independent non-executive directors. The independent non-executive directors bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work.

Audit Committee

The Audit Committee of the Company was established in 1999 and is currently composed solely of the independent non-executive directors, namely, Mr. Li Ka Fai, David, Mr. Lee Choy Sang and Ms. Ka Kit. Mr. Li Ka Fai, David is the chairman of the Audit Committee. All members of the Audit Committee have number of years of accounting, finance or commercial management experience and expertise. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discuss internal controls and financial reporting matters with management including a review of the interim report for the period ended 30 September 2006 and the consolidated financial statements and the reports from auditors for the year ended 31 March 2007.

On 27 June 2007, the members of the Audit Committee met with the auditors of the Company, who presented the implications of those new accounting standards enforceable in this and subsequent financial years. The non-audit services rendered by the auditors to the Group were approximately HK$295,600 and the audit fees payable to the auditors of the Company were approximately HK$336,000 for the year ended 31 March 2007.

Pursuant to the articles of association of the Company, the terms of appointment of the auditors of the Company will expire at the end of the forthcoming annual general meeting of the Company. The Audit Committee has recommended to the Board that the auditors of the Company be nominated for re-appointment at the forthcoming annual general meeting of the Company.

Remuneration Committee

The Company established the Remuneration Committee on 20 December 2005 and is composed of the chairman and two independent non-executive directors, being Mr. Bong Shu Yin, Daniel, Mr. Li Ka Fai, David and Mr. Lee Choy Sang respectively. Mr. Bong Shu Yin, Daniel is also the chairman of the Remuneration Committee.

The Remuneration Committee is responsible for formulating the remuneration policy, reviewing and recommending to the Board the annual remuneration policy, and determination of the remuneration of the executive director and members of the senior management. Remuneration and the employment contracts of the newly appointed directors have to be reviewed and approved by the Remuneration Committee. Compensation payable to executive directors relating to removal or dismissal of directors has to be reviewed and approved by the Remuneration Committee in accordance with relevant contractual terms and any compensation payment is otherwise reasonable and appropriate.

The Remuneration Committee had met four times during the year under review. The last remuneration committee meeting was held on 27 June 2007 for reviewing the remuneration policy of the Group and remuneration of the Directors and senior management of the Company.

INTERNAL CONTROLS

The Board has the responsibility to maintain an effective internal control system in order to safeguard the Group's assets and protect the Shareholders' interests. The Board assesses the effectiveness of the internal control system and procedures derived from discussions with the management of the Company and reviews conducted by the Audit Committee. The Board believes that the existing internal control system is adequate and effective.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors acknowledge their responsibility for preparing the Group's consolidated financial statements in accordance with statutory requirements and applicable accounting standards. The responsibilities of the directors are to prepare the consolidated financial accounts for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The directors also acknowledge that the publication of the consolidated financial statements should be distributed to the Shareholders of the Company in a timely manner. In preparing the consolidated accounts for the year ended 31 March 2007, the directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent, fair and reasonable and prepared accounts on a going concern basis. The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

INVESTOR RELATIONS

The Company is committed to ensure shareholders' interest. To this end, the Company communicates with its shareholders through various channels, including annual general meetings, extraordinary general meetings, annual and half-yearly reports, notices of general meetings and circulars sent to shareholders by post, announcements on the website of the Stock Exchange, and press releases. Registered shareholders are notified by post of the shareholders' meetings. Any registered shareholders is entitled to attend and vote at the annual and extraordinary general meetings, provided that his/her/its shares have been fully paid up and recorded in the register of members of the Company.

Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number:	2834-2833
Fax number:	2893-1312
By post:	Room A, 18th Floor, 211 Johnston Road, Wanchai, Hong Kong
Attention:	Corporate Secretarial Department
By email:	info@cosmoholdings.com

信永中和
ShineWing

TO THE SHAREHOLDERS OF

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

四海國際集團有限公司

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Cosmopolitan International Holdings Limited (the "Company") and its subsidiaries (collectively referred as the "Group") set out on pages 27 to 67, which comprise the consolidated balance sheet as at 31st March 2007, 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 consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated 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 consolidated 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated 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 consolidated 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 Group as at 31st March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Tam Kwok Ming Banny
Practising certificate number: P03289

Hong Kong
29 June 2007

Consolidated Income Statment

For the year ended 31st March 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	(6)	**17,294**	11,468
Direct cost		**(9,875)**	(17,077)
Gross profit/(loss)		**7,419**	(5,609)
Other income	(7)	**1,500**	597
Excess of net assets acquired over cost of investment		**2,190**	—
Distribution expenses		**(238)**	(238)
Administration expenses		**(14,906)**	(9,270)
Other operating expenses		**—**	(25)
Impairment loss recognised in respect of goodwill		**(238)**	—
Increase in fair value of financial assets at fair value through profit or loss		**10,949**	145
Share of result of an associate		**537**	(4,740)
Finance costs	(9)	**(1,017)**	(412)
Profit/(loss) before taxation	(10)	**6,196**	(19,552)
Income tax expense	(12)	**—**	—
Profit/(loss) for the year		**6,196**	(19,552)
Attributable to:			
Equity holders of the Company		**7,108**	(20,703)
Minority interests		**(912)**	1,151
		6,196	(19,552)
Earnings/(loss) per share	(13)		
– Basic		**0.94 HK cents**	(3.89) HKcents
– Diluted		**0.48 HK cents**	N/A

Consolidated Balance Sheet

At 31st March 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property and equipment	(15)	**1,030**	1,154
Investment properties	(16)	**72,000**	—
Goodwill	(17)	**11,608**	8,803
Available-for-sale investments	(18)	**14,360**	14,360
Interest in an associate	(19)	**—**	15,938
		98,998	40,255
Current assets			
Accounts receivable	(20)	**1,040**	511
Prepayments, deposits and other receivables		**642**	4,231
Deposit paid for acquisition of a subsidiary	(21)	**—**	19,110
Financial assets at fair value through profit or loss	(22)	**126,534**	3,782
Bank balances and cash		**36,349**	13,144
		164,565	40,778
Current liabilities			
Accounts payable	(23)	**681**	—
Accrued liabilities and other payables	(24)	**14,377**	1,736
Amounts due to minority shareholders		**3,316**	3,188
		18,374	4,924
Net current assets		**146,191**	35,854
Total assets less current liabilities		**245,189**	76,109
Non-current liabilities			
Convertible bond borrowings	(26)	**52,035**	—
Government lease regrant premium		**—**	38
		52,035	38
		193,154	76,071
Capital and reserves			
Share capital	(27)	**1,596**	532
Reserves		**190,496**	73,606
Equity attributable to equity holders of the Company		**192,092**	74,138
Minority interests		**1,062**	1,933
		193,154	76,071

The consolidated financial statements on pages 27 to 67 were approved and authorised for issue by the Board of Directors on 29 June 2007 and are signed on its behalf by :

Bong Shu Yin, Daniel	**Cheng Sui Sang**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31st March 2007

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital redemption reserve	Capital reserve	Exchange fluctuation reserve	Contributed surplus (Note)	Convertible bonds reserve	Retained profits/ (accumulated losses)	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April 2005	532	—	209	28,309	384	26,801	—	38,581	94,816	781	95,597
Exchange difference arising on translation of overseas operation	—	—	—	—	25	—	—	—	25	1	26
Loss for the year	—	—	—	—	—	—	—	(20,703)	(20,703)	1,151	(19,552)
At 31st March 2006 and 1st April 2006	532	—	209	28,309	409	26,801	—	17,878	74,138	1,933	76,071
Exchange difference arising on translation of overseas operation	—	—	—	—	(47)	—	—	—	(47)	(2)	(49)
Acquisition of additional interest in subsidiaries	—	—	—	—	—	—	—	—	—	43	43
Issue of new shares upon an open offer	1,064	52,146	—	—	—	—	—	—	53,210	—	53,210
Shares issuance costs	—	(4,229)	—	—	—	—	—	—	(4,229)	—	(4,229)
Recognition of equity component of the convertible bonds	—	—	—	—	—	—	61,912	—	61,912	—	61,912
Profit for the year	—	—	—	—	—	—	—	7,108	7,108	(912)	6,196
At 31st March 2007	**1,596**	**47,917**	**209**	**28,309**	**362**	**26,801**	**61,912**	**24,986**	**192,092**	**1,062**	**193,154**

Note: The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Group reorganisation in 1991, net of subsequent distributions therefore. Under the Companies Law of the Cayman Islands, the contributed surplus is distributable under certain specific circumstances.

Consolidated Cash Flow Statement

For the year ended 31st March 2007

	2007	2006
	HK$'000	*HK$'000*
Operating activities		
Profit / (loss) before taxation	**6,196**	(19,552)
Adjustments for :		
Share of result of an associate	**(537)**	4,740
Interest income	**(1,257)**	(391)
Depreciation of property and equipment	**477**	389
Write off of accounts and other receivables	**—**	1,001
Write off of government lease regrant premium	**(38)**	—
Impairment loss recognised in respect of goodwill	**238**	—
Increase in fair value of financial assets at fair value through profit or loss	**(10,949)**	(145)
Excess of net assets acquired over cost of investment	**(2,190)**	—
Finance costs	**1,017**	412
Loss on disposal of property and equipment	**—**	21
Goodwill eliminated on deregistration of a subsidiary	**—**	4
Waiver of accrued liabilities and other payables	**—**	(25)
Operating cashflows before movements in working capital	**(7,043)**	(13,546)
(Increase) / decrease in accounts receivable	**(529)**	379
Decrease / (increase) in prepayments, deposits and other receivables	**3,779**	(3,747)
(Increase) / decrease in financial assets at fair value through profit or loss	**(37,715)**	12,300
Increase in accounts payable	**681**	—
Increase in accrued liabilities and other payables	**12,641**	530
Increase in amounts due to minority shareholders	**128**	82
Net cash used in operating activities	**(28,058)**	(4,002)

	2007 HK$'000	2006 HK$'000
Investing activities		
Interest received	**1,257**	391
Refund of deposit paid for acquisition of a subsidiary	**19,110**	—
Acquisition of additional interests in subsidiaries	**(3,000)**	—
Net cash outflow from acquisition of subsidiaries	**(70,000)**	—
Purchase of property and equipment	**(439)**	(299)
Proceeds on disposal of property and equipment	**—**	3
Acquisition of additional interest in an associate	**—**	(729)
Net cash used in investing activities	**(53,072)**	(634)
Financing activities		
Interest paid	**—**	(412)
Convertible bonds issuance costs	**(683)**	—
Proceeds from issue of convertible bonds	**56,000**	—
Shares issuance costs	**(4,229)**	—
Proceeds from issue of ordinary shares	**53,210**	—
Net cash generated from / (used in) financing activities	**104,298**	(412)
Net increase / (decrease) in cash and cash equivalents	**23,168**	(5,048)
Cash and cash equivalents at beginning of year	**13,144**	18,166
Effect of foreign exchange rate changes	**37**	26
Cash and cash equivalents at end of year, representing bank balances and cash	**36,349**	13,144

1. GENERAL

The Company is an exempted limited company incorporated in Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "corporate information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The principal activities of the Company and its subsidiaries (the "Group") are securities trading, and property investment and development, and provision of information technology services. The principal activities of its principal subsidiaries are set out in note (32).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are either effective for accounting periods beginning on or after 1st December 2005, 1st January 2006 or 1st March 2006. The adoption of the new HKFRSs has not resulted in changes to the Group's results for the current and/or prior accounting years are prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early applied the following new standards, interpretations and amendments that have been issued but are not yet effective at 31st March 2007. The directors of the Group anticipate that the application of these new standards, interpretations and amendments will have no material impact on the results and the financial position of the Group.

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Cost[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Interpretation ("Int") 8	Scope of HKFRS 2[3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactons[6]
HK(IFRIC)-Int 12	Service Concession Arrangements[7]

[1] Effective for annual periods beginning on or after 1st January 2007.
[2] Effective for annual periods beginning on or after 1st January 2009.
[3] Effective for annual periods beginning on or after 1st May 2006.
[4] Effective for annual periods beginning on or after 1st June 2006.
[5] Effective for annual periods beginning on or after 1st November 2006.
[6] Effective for annual periods beginning on or after 1st March 2007.
[7] Effective for annual periods beginning on or after 1st January 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition 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 in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of an associate or subsidiaries for which the agreement date is before 1st January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant associate or subsidiaries at the date of acquisition.

For previously capitalised goodwill, the Group has discontinued amortisation from 1st April 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Goodwill arising on an acquisition of an associate or subsidiaries for which the agreement date is on or after 1st January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant associate or subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of subsidiaries is presented separately in the consolidated balance sheet. Capitalised goodwill arising on an acquisition of an associate (which is accounted for using the equity method) is included in the cost of the investment of the relevant associate.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. Impairment loss for goodwill is not reversed in subsequent years.

On subsequent disposal of an associate or subsidiaries, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interest in an associate

The results, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Property and equipment

Property and equipment are stated at cost less subsequent accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of items of property and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in the profit or loss for the year in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits is expected from its disposals. Any gain or loss arising on derecognition of the assets (calculating as the difference between the net disposals proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Service income is recognised when services are provided to customers.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

Income from securities trading is recognised when the related bought and sold notes are executed.

Leasing

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of the relevant leases. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease terms on a straight-line basis.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bill receivables, deposits and other receivables) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are mainly other financial liabilities. The accounting policies adopted in respect of other financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities including accounts payable, accrued liabilities, other payables and amounts due to minority shareholders are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Convertible bonds

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan into equity, is included in equity (convertible bonds reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the conversion option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible bonds using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Retirement benefits costs

Payments to state-managed retirement benefits scheme and defined contribution retirement benefit schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the year in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange fluctuation reserve). Such exchange differences are recognised in profit or loss in the year in which the foreign operation is disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1st January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the exchange fluctuation reserve.

Borrowing costs

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes consolidated income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment (other than goodwill – see the accounting policies in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note (3) above, management has made the following judgments that have significant effect on the amounts recognised in the consolidated financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

Allowances for bad and doubtful debts

The policy for allowances of bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in impairment of their ability to make payments, additional allowances may be required.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include accounts receivable, deposits and other receivables, accrued liabilities, other payables, and amounts due to minority shareholders. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(a) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Besides, certain receivables of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

(b) Price risk

The Group's available-for-sale investments and financial assets at fair value through profit or loss are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity and debt securities price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st March 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual account receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

6. TURNOVER

	2007 HK$'000	2006 HK$'000
Securities trading	**13,951**	8,862
Service income for providing information technology	**3,343**	2,606
	17,294	11,468

7. OTHER INCOME

	2007 HK$'000	2006 HK$'000
Interest income	**1,257**	391
Waiver of accrued liabilities and other payables	**—**	25
Exchange gain, net	**—**	83
Sundry income	**243**	98
	1,500	597

8. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

(a) Securities trading – invest in securities listed on global stock markets;

(b) Property investment and development – invest in residential units and office space for their rental income potential and property development; and

(c) Information technology – provide information technology service and wireless internet access.

8. SEGMENT INFORMATION

Business segments *(continued)*

Segment information about these businesses is presented below.

For the year ended 31 March

	Securities trading		Property investment and development		Information technology		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment turnover	**13,951**	8,862	**—**	—	**3,343**	2,606	**17,294**	11,468
Segment results	**30,356**	(7,221)	**—**	—	**(1,789)**	(2,562)	**28,567**	(9,783)
Interest income							**1,257**	391
Sundry income							**243**	206
Excess of net assets acquired over cost of investment	**—**	—	**2,190**	—	**—**	—	**2,190**	—
Unallocated corporate expenses							**(10,421)**	(5,214)
Decrease in fair value of financial assets at fair value through profit or loss - derivative							**(14,922)**	—
Impairment loss recognised in respect of goodwill	**—**	—	**—**	—	**(238)**	—	**(238)**	—
Finance costs							**(1,017)**	(412)
Share of result of an associate	**537**	(4,740)	**—**	—	**—**	—	**537**	(4,740)
Profit/(loss) for the year							**6,196**	(19,552)

8. SEGMENT INFORMATION *(continued)*

Consolidated balance sheet

As at 31st March

	Securities trading		Property investment and development		Information technology		Unallocated		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	**125,192**	18,142	**72,000**	19,110	**2,351**	3,259	**—**	—	**199,543**	40,511
Interest in an associate	**—**	15,938	**—**	—	**—**	—	**—**	—	**—**	15,938
Goodwill	**—**	—	**—**	—	**11,608**	8,803	**—**	—	**11,608**	8,803
Unallocated corporate assets	**—**	—	**—**	—	**—**	—	**52,412**	15,781	**52,412**	15,781
Total assets									**263,563**	81,033
Segment liabilities	**12,573**	—	**—**	—	**1,649**	971	**—**	—	**14,222**	971
Unallocated corporate liabilities	**—**	—	**—**	—	**—**	—	**56,187**	3,991	**56,187**	3,991
Total liabilities									**70,409**	4,962
Other segment information:										
For the year ended 31, March										
Depreciation	**—**	—	**—**	—	**460**	389	**17**	—	**477**	389
Capital expenditure	**211**	—	**—**	—	**228**	299	**—**	—	**439**	299
Write off of accounts and other receivables	**—**	—	**—**	—	**—**	992	**—**	9	**—**	1,001
Impairment loss recognised in respect of goodwill	**—**	—	**—**	—	**238**	—	**—**	—	**238**	—
Goodwill eliminated on deregistration of a subsidiary	**—**	—	**—**	—	**—**	—	**—**	4	**—**	4
Loss on disposal of property and equipment	**—**	—	**—**	—	**—**	21	**—**	—	**—**	21
Excess of net assets acquired over cost of investment	**—**	—	**2,190**	—	**—**	—	**—**	—	**2,190**	—

8. SEGMENT INFORMATION *(continued)*

Geographical Segments

In determining the Group's geographical segments, turnover is attributed to the segments based on the location of the stock exchange and customers, and assets are attributed to the segments based on the location of the assets.

The following table presents certain turnover, assets and expenditure information for the geographical segments of the Group.

	Hong Kong ("HK")		The People's Republic of China ("PRC") (excluding HK)		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment turnover	**13,951**	8,862	**3,343**	2,606	**17,294**	11,468
Carrying amount of segment assets	**261,212**	77,810	**2,351**	3,223	**263,563**	81,033
Other segment information:						
Capital expenditure	**211**	—	**228**	299	**439**	299

9. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest on other borrowings	**—**	412
Convertible bond issuance costs	**683**	—
Effective interest expense on convertible bonds	**334**	—
	1,017	412

10. PROFIT/(LOSS) BEFORE TAXATION

	2007	2006
	HK$'000	*HK$'000*
Profit/(loss) before taxation has been arrived at after charging:		
Staff costs (excluding directors' emoluments, *note (11a)*)		
Wages and salaries	**1,164**	1,029
Retirement benefits scheme contributions	**40**	125
	1,204	1,154
Auditors' remuneration		
– current year	**358**	293
– over-provision in previous years	**—**	(31)
Goodwill eliminated on deregistration of a subsidiary *(note (17))*	**—**	4
Depreciation on property and equipment	**477**	389
Operating lease charges on rented premises	**501**	349
Loss on disposal of property and equipment	**—**	21
Write off of accounts and other receivables	**—**	1,001
Exchange loss, net	**48**	—
Decrease in financial assets at fair value through profit or loss		
- derivative	**14,922**	—
And after crediting:–		
Write off of government lease regrant premium	**38**	—
Increase in financial assets at fair value through profit or loss		
- held for trading securities	**25,871**	145

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the thirteen (2006: seven) directors were as follows:

	Directors' fees	Basic salaries, allowance and benefits in kind	Other emoluments Performance related incentive payments	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Yu Tat Chi, Michael[1]	—	70	—	4	74
Tang Ping Sum[1]	70	—	—	—	70
Chan Cheong Yee[1]	70	—	—	—	70
Lo Kwok Chee, Johnny[1]	70	—	—	—	70
Lam Williamson[2]	—	78	—	3	81
Leung Man Kit[3]	—	244	—	7	251
Cheng Sui Sang[4]	28	467	—	7	502
Bong Shu Yin, Daniel[5]	28	500	—	4	532
Bong Shu Ying, Francis[5]	28	—	—	—	28
Li Ka Fai, David[5]	34	—	—	—	34
Lee Choy Sang[5]	28	—	—	—	28
Wang Boaning[6]	28	—	—	—	28
Ka Kit[6]	28	—	—	—	28
Total for 2007	412	1,359	—	25	1,796
Yu Tat Chi, Michael	—	60	—	3	63
Tang Ping Sum	60	—	—	—	60
Chan Cheong Yee	60	—	—	—	60
Lo Kwok Chee, Johnny	57	—	—	—	57
Mak Wai Fong	—	38	—	2	40
Lam Williamson	—	359	43	10	412
Lok Shing Kwan, Sunny	3	—	—	—	3
Total for 2006	180	457	43	15	695

1 Resigned on 27th December 2006
2 Resigned on 2nd June 2006
3 Appointed on 2nd June 2006 and resigned on 27th December 2006
4 Appointed on 31st August 2006
5 Appointed on 8th December 2006
6 Appointed on 20th December 2006

There was no arrangement under which a director waived or agreed to waive any remuneration in both years.

During the years ended 31st March 2007 and 2006, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(b) Employees' emoluments

Of the five highest emoluments paid individuals in the Group, three (2006: one) was a director whose emoluments are set out in note (11a) above. Details of the emoluments of the remaining two (2006: four) highest paid, non-director employees are as follows:

	2007	2006
	HK$'000	*HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**200**	312
Retirement benefit scheme contributions	**31**	60
	231	372

Their emoluments were within the following band:

	No. of employee	
	2007	2006
Nil – HK$1,000,000	**2**	4

During the years ended 31st March 2007 and 2006, no emoluments were paid by the Group to the highest paid, non-director employees as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 17.5% on estimated assessable profits, however, Hong Kong profits tax has not been provided for in the consolidated financial statements as all group entities did not derive any assessable profits for the two years ended 31st March 2007 and 2006.

Income tax expense arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. No tax is payable for other jurisdictions as the subsidiaries did not derive any assessable profits for both years.

12. INCOME TAX EXPENSE *(continued)*

The income tax expense for the years can be reconciled to the profit/(loss) before income tax expense per the consolidated income statement as follows:

	2007	2006
	HK$'000	*HK$'000*
Profit/(loss) before income tax expense	**6,196**	(19,552)
Tax at the Hong Kong profits tax rate of 17.5%	**1,084**	(3,422)
Tax effect of expenses not deductible for tax purpose	**69**	1,316
Tax effect of income not taxable for tax purpose	**(5,332)**	(45)
Deferred tax asset in respect of tax losses not recognised	**4,179**	2,151
Income tax expense for the year	**—**	—

Details of the potential deferred tax asset not recognised in the year are set out in note (25).

13. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

	2007	2006
	HK$'000	*HK$'000*
Earnings/(loss)		
Earning/(loss) for the purpose of basic earnings/(loss) per share (profit/(loss) for the year attributable to equity holders of the Company)	**7,108**	(20,703)
Effect of dilutive potential ordinary shares: Interest on convertible bonds (net of tax)	**334**	—
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	**7,442**	(20,703)

13. EARNINGS/(LOSS) PER SHARE *(continued)*

	2007	2006
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**756,142**	532,100
Effect of dilutive potential ordinary shares:		
Convertible bonds	**800,000**	—
Weighted average number of ordinary shares for the purpose of dilutive earnings/(loss) per share	**1,556,142**	532,100

No diluted loss per share has been presented for the year ended 31st March 2006 as there was no dilutive shares outstanding.

14. DIVIDENDS

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

15. PROPERTY AND EQUIPMENT

	Leasehold improvement	Furniture, equipment, and computer software	Total
	HK$'000	*HK$'000*	*HK$'000*
COST			
At 1st April 2005	—	1,592	1,592
Additions	—	299	299
Disposals	—	(32)	(32)
Exchange adjustment	—	3	3
At 31st March 2006 and 1st April 2006	—	1,862	1,862
Additions	130	309	439
Exchange adjustment	—	258	258
At 31st March 2007	**130**	**2,429**	**2,559**
ACCCUMULATED DEPRECIATION			
At 1st April 2005	—	324	324
Charge for the year	—	389	389
Written back on disposals	—	(8)	(8)
Exchange adjustment	—	3	3
At 31st March 2006 and 1st April 2006	—	708	708
Charge for the year	9	468	477
Exchange adjustment	—	344	344
At 31st March 2007	**9**	**1,520**	**1,529**
NET BOOK VALUES			
At 31st March 2007	**121**	**909**	**1,030**
At 31st March 2006	—	1,154	1,154

The above item of property and equipment is depreciated on a straight-line basis at 20% - 30% per annum.

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st April 2005 and 31st March 2006	—
Acquired through acquisition of subsidiaries	72,000
At 31st March 2007	**72,000**

The investment properties were located in Hong Kong and held under medium lease terms.

At the balance sheet date, the directors conducted a review on the fair value of the investment properties by reference to market evidence of transaction prices for similar properties. The directors considered the fair value of the properties approximate to their carrying amount.

No rental income was generated from the investment properties for the year.

17. GOODWILL

	HK$'000
COST	
At 1st April 2005	14,134
Eliminated on deregistration of a subsidiary *(note (10))*	(4)
Elimination of accumulated amortisation upon the application of HKFRS 3	(2,827)
At 31st March 2006	11,303
Acquisition of additional interests in subsidiaries	3,043
At 31st March 2007	**14,346**
AMORTISATION	
At 1st April 2005	2,827
Elimination of accumulated amortisation upon the application of HKFRS 3	(2,827)
At 31st March 2006 and 31st March 2007	—
IMPAIRMENT	
At 1st April 2005	2,500
Impairment loss recognised for the year	—
At 31st March 2006 and 1st April 2006	2,500
Impairment loss recognised for the year	238
At 31st March 2007	**2,738**
CARRYING VALUES	
At 31st March 2007	**11,608**
At 31st March 2006	8,803

17. GOODWILL *(continued)*

The goodwill was arised from the acquisition of subsidiaries operating information technology business. For the purpose of impairment test, goodwill is allotted to the relevant cash generating units of business segment as follows:

	2007	2006
	HK$'000	*HK$'000*
IT business in Beijing *(a)*	**11,608**	8,565
IT business in Shanghai *(b)*	**—**	238
	11,608	8,803

a) The directors are of the opinion that no impairment loss on the goodwill attributable to the IT business in Beijing is required because there is a potential buyer offering to acquire the business at a premium.

b) The director by reference to the past performance and future expectation of the IT business in Shanghai, an impairment loss of HK$238,000 (2006: Nil) was identified and recognised in the consolidated income statement for the year.

18. AVAILABLE-FOR-SALE INVESTMENTS

	2007	2006
	HK$'000	*HK$'000*
Unlisted investments:		
– equity securities	**14,000**	14,000
– club membership *(note 24)*	**360**	360
Total	**14,360**	14,360
Analysed for reporting purposes as:		
Non-current assets	**14,360**	14,360

The above unlisted equity securities were issued by private entities incorporated in British Virgin Islands ("BVI"). They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

In the opinion of directors, the carrying value of club membership approximates to its fair value at the balance sheet date.

19. INTEREST IN AN ASSOCIATE

	2007	2006
	HK$'000	*HK$'000*
Cost of investment in an associate listed in HK	**—**	21,510
Share of post-acquisition losses and reserves, net of dividends received	**—**	(5,572)
	—	15,938

The investment represents 27.27% equity interests in China Investment Fund Company Limited ("CIF"). CIF is a company incorporated in Hong Kong and is listed on the Stock Exchange. CIF is engaged in business of investing in listed and unlisted securities.

The fair value of the associate as at 31st March 2006 was HK$19,634,000.

According to the resolution passed on directors' meetings on 1st October 2006, the Group resolved the holding of investment in CIF be changed from long term purposes to trading purposes. The directors of the Company and any of the staff have no representation in the management body of CIF and have no participation in policy-making process, operating and financial activities of CIF. In the opinion of directors, the Group has no significant influence over CIF. Accordingly, the carrying amount approximately of HK$16,475,000 of investment in CIF as at 1st October 2006 was accounted for as financial assets at fair value through profit or loss. Up to 31st March 2007 and date of approval of these financial statements, the Group had disposed of 3.74% and 19.44% equity interest in CIF.

The summarised financial information in respect of the Group's associate is set out below:

	At 1/10/2006	At 31/3/2006
	HK$'000	*HK$'000*
Total assets	**58,738**	54,149
Total liabilities	**(258)**	(188)
Net assets	**58,480**	53,961
Group's share of net assets of an associate	**15,948**	15,411

19. INTEREST IN AN ASSOCIATE *(continued)*

	1/4/2006 to 1/10/2006 HK$'000	Year ended 31/3/2006 HK$'000
Turnover	**26,833**	28,208
Profit/(loss) for the period/year	**1,969**	(17,839)
Group's share of result of an associate for the period/year	**537**	(4,740)

20. ACCOUNTS RECEIVABLE

The Group normally allows an average credit period of 30 to 60 days to its trade customers. The Group extends the normal credit term to 120 days to certain major and reputable customers.

The following is an aged analysis of the Group's accounts receivable at the balance sheet date:

	2007 HK$'000	2006 HK$'000
0 to 30 days	**118**	283
31 to 60 days	**61**	32
61 to 120 days	**42**	—
Over 120 days	**819**	196
	1,040	511

The fair values of the Group's accounts receivable at 31st March 2007 approximate to the corresponding carrying amounts.

21. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

At 24th September 2004, the Group entered into an agreement with a third party to acquire the entire issued share capital of Faithouse Company Limited ("transaction"), a limited company incorporated in HK, whose sole business is the investment holding of the entire interest in the Land – Lot No. 1198 in D.D. 217 located at Tai Chung Hau, Sai Kung, New Territories, Hong Kong. By 31st March 2005, the Group had paid a deposit of US$2,450,000 (equivalent to approximately HK$19,110,000) for the transaction.

Pursuant to the rescission agreement dated 23rd March 2006, the transaction was terminated. The deposit paid was fully refunded during the year ended 31st March 2007.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss as at 31st March 2007 and 2006 comprise:

	2007	2006
	HK$'000	*HK$'000*
Held for trading:		
– Equity securities listed in HK	**83,843**	3,782
Derivative - placement rights in respect of convertible bonds *(note 26)*	**42,691**	—
	126,534	3,782

The fair values of the listed equity securities are determined based on the quoted market bid prices available on the relevant exchange.

The fair value of the placement rights in respect of convertible bonds was valued by BMI Appraisals Limited, an independent qualified professional valuer not connected with the Group. The valuation was made by using Black-Scholas-Mergon Option Pricing Model.

23. ACCOUNTS PAYABLE

The following is an aging analysis of the Group's accounts payable at the balance sheet date:

	2007	2006
	HK$'000	*HK$'000*
0 to 30 days	**257**	—
31 to 60 days	**83**	—
61 to 120 days	**150**	—
Over 120 days	**191**	—
	681	—

The fair values of the Group's accounts payable at 31st March 2007 approximated to the corresponding carrying amounts.

24. ACCRUED LIABILITIES AND OTHER PAYABLES

Included in accrued liabilities and other payables is an amount of HK$360,000 received from an agreement entered into between the Group and a minority shareholder of the Group for the disposal of a wholly owned subsidiary ("Disposing Subsidiary"). Pursuant to a supplemental agreement dated 31st March 2005, the sole asset of the Disposing Subsidiary at the completion date of the transaction should only be a club membership. Further refer to a Supplemental Agreement dated 30th December 2005, the completion date of the transaction was extended to 31st December 2007 or shall be fixed on a later date to be mutually agreed by both parties.

As at the balance sheet date, the Disposing Subsidiary had assets and liabilities other than the club membership. The Group planned to reorganise these assets and liabilities to other subsidiaries The club membership was included as available-for-sale investments in the consolidated balance sheet at the balance sheet date. The carrying value of the club membership was HK$360,000 (2006: HK$360,000) (note 18).

The directors consider that the carrying amounts of accrued liabilities and other payables approximate their fair values.

25. DEFERRED TAXATION

At the balance sheet date, the Group has estimated unrecognised tax losses of approximately HK$101,415,765 (2006: HK$77,531,657) available to set off against future taxable income. No deferred tax asset has been recognised for such tax losses due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

26. CONVERTIBLE BONDS BORROWINGS

On 2nd March 2007, the Group issued convertible bonds denominated in Hong Kong Dollars of 56,000,000 (the "Bonds") with maturity date on 2nd March 2009. The Bonds bear no coupon interest and are unsecured.

The principal terms of the Bonds are as follows:

– Conversion rights are exercisable at any time between 17th March 2007 to 16th February 2009.

– The holders of the Bonds are entitled to convert the Bonds into ordinary shares of the Company at a conversion price of HK$0.07 per each ordinary share.

– If any of the Bonds have not been converted, they will be redeemed on the maturity date at 107.19% of the outstanding principal amount of the Bonds.

– The first subscriber of the Bonds undertook with the Company that it would not exercise the conversion rights attached to the Bond during the period from 2nd March 2007 to 2nd March 2008 (the "Lock-up Period") and would not sell or transfer to another parties during the Lock-up Period.

– The Company has a placing rights (the "Placing Rights") under which at any time during the Lock-up Period, the Company has rights to procure potential investors to purchase all or part of the Bonds held by the aforesaid subscriber (the "Sold Bonds").

26. CONVERTIBLE BONDS BORROWINGS *(continued)*

– If the subscriber sells the Sold Bonds to the new buyer, he is obliged to pay 70% of the profit arising from the sales of the Sold bonds. The profit is determined as the difference of the proposed purchase price of the Sold Bonds and the redemption amount of the Sold Bonds on the maturity date (the "Profit").

– If the subscriber confirms not to sell the Sold Bonds, he is obliged to pay the 70% of the Profit to the Company.

The Bonds contain three components: liability component, equity component and placing rights derivative component.

The equity component is presented in equity heading "Convertible bonds reserve". The placing rights derivative component is presented as financial assets at fair value through profit or loss and is measured at fair value with changes in fair value recognised in profit or loss.

The effective interest rate of the liability component is 7.75%. The movement of the liability component of the bonds for the year is set out below:

	HK$'000
Proceeds of isssue	56,000
Equity component	(61,912)
Placing rights derivative component	57,613
Liability component at date of issuance	51,701
Effective interest expense	334
Liability component at 31st March 2007	52,035

27. SHARE CAPITAL

	Number of shares	**Amount**
	'000	*HK$'000*
Ordinary shares of HK$0.001 each		
Authorised:		
At 1st April 2005 and 31st March 2006 and 2007	250,000,000	250,000
Issued and fully paid:		
At 1st April 2005 and 31st March 2006	532,100	532
Allotted during the year	1,064,200	1,064
At 31st March 2007	1,596,300	1,596

27. SHARE CAPITAL *(continued)*

On 10th November 2006, the Company made an open offer to issue 1,064,200,000 ordinary shares of HK$0.001 each (the "Open Offer Shares") on the basis of two new shares for each of the outstanding share held by the shareholders. The subscription price was HK$0.05 per each Open Offer Shares. On 30th November 2006, the Open Offer Shares were fully subscribed and duly issued.

Share options

On 20th August 2003, at the annual general meeting, the Company adopted share option scheme (the "Scheme") under which the board of directors may, at their discretion, invite any full time and part time employees, directors, suppliers, customers, consultants, advisors or shareholders of any of the companies within the Group to take up options to subscribe for ordinary shares of the Company at any time during ten years from the date of adoption of the Scheme.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and other schemes of the Group must not in aggregate exceed 10% of the shares in issue as at the date of approval of the Scheme (the "10% Limit"). The Company may obtain approval from the shareholders of the Company to refresh the 10% Limit, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and other schemes of the Group under the limit as refreshed must not exceed 10% of the number of shares in issue at the date of approval of the refresher mandate.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time.

The total number of shares issued and may be issued upon exercise of the options granted to each eligible person under the Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in the 12-month period up to and including the proposed date of grant for such options must not exceed 1% of the then number of issued shares of the Company, without prior approval from the Company's shareholders.

Option granted under the Scheme must be accepted within 6 months from the date of grant and in any event no later than the last date of the period of ten years from the date of adoption of the Scheme. Upon acceptance, the grantee shall pay HK$10.00 to the Company as consideration for the grant.

The subscription price for the shares under the Scheme shall be a price determined by the board of directors of the Company and notified to an eligible participant and shall be at least the higher of: (i) the nominal value of a share; (ii) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant, which shall be a business day; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

No share option has been granted since the date when the Scheme becomes effective.

28. ACQUISITION OF SUBSIDIARIES

On 2nd March 2007, the Group acquired 100% of the issue a share capital of Kola Glory Limited and its subsidiary (the "Kola Group") for considerations of HK$70,000,000.

The net assets acquired in the transaction are as follows:

	Kola Group's carrying amount before acquisition	Fair value adjustment	Fair value
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Investment properties	34,549	37,451	72,000
Deposit paid	190	—	190
	34,739	37,451	72,190
Consideration			70,000
Excess of the net assets acquired over cost of acquisition			2,190
Total consideration satisfied by:			
Cash			70,000

	HK$'000
Net cash outflow arising on acquisition:	
Cash consideration paid	70,000

The fair value of the investment properties had been revalued by Landscope Surveyors Limited, an independent professional surveyors not connected with the Group, on an open-market basis.

The excess of net assets acquired over the cost of acquisition of approximately HK$2,190,000 was recognised in the consolidated income statement for the year ended 31st March 2007.

If the acquisition had been completed on 1st April 2006, there would have no significant impact on the Group's revenue and profit for the year. The pro forma information is for illustrative purposes only and is not necessarily an indication of the Group that actually would have been achieved had the acquisition been completed on 1st April 2006, nor as is it intended to be a projection of future results.

29. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000, for those 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 consolidated 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.

The employees of the Group's subsidiaries operating in the PRC are required to participate in a central pension scheme (the "Central Scheme") operated by the local municipal government in the PRC. The respective local municipal government in the PRC, undertakes to assume the retirement benefits obligations of all existing and future retired staff of theses subsidiaries. The only obligation of these subsidiaries with respect to the Central Scheme is to meet the required contributions under the Central Scheme. The contributions, which are calculated based on 23% of the monthly salaries of the current employees, are charged to the consolidated income statement as they become payable in accordance with the rules of the Central Scheme. The total contribution of the retirement benefits scheme charged to the consolidated income statement for the year was HK$65,000 (2006: HK$140,000).

30. CONTINGENT LIABILITIES

A letter dated 9th January 2003 has been sent to Eric Edward Hotung, C.B.E., a previous director and a substantial shareholder of the Company, from a former legal adviser (the "Previous Lawyer") alleging that there was an unpaid bill amounting to approximately HK$1.1 million in relation to professional services rendered more than 5 years ago and which were extended to Cosmopolitan Properties and Securities Limited, a wholly-owned subsidiary of the Company. According to the records of Eric Edward Hotung, C.B.E., all professional fees claimed by the Previous Lawyer has been settled and the alledged claim is unsubstantiated. Save as disclosed above, no member of the Group is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the directors to be pending or threatened by or against the Company or any of its subsidiaries.

31. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**766**	176
In the second to fifth year inclusive	**337**	—
	1,103	176

31. OPERATING LEASE COMMITMENTS *(continued)*

Operating lease payments represent rentals payable by the Group for certain of its office premises. The leases were negotiated for a term of one year and with fixed rentals.

32. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries held by the Company as at 31st March 2007 are as follows:

Name of company	Place of incorporation / operation	Nominal value of issued ordinary share capital/paid up registered capital	Effective percentage of ownership interest		Principal activities
			Directly %	Indirectly %	
Cosmopolitan Properties and Securities Limited	HK	HK$1,000	100	—	Securities trading and property investment
Core Success Limited	Samoa	US$1	100	—	Securities trading
Groupsource Investments Limited	BVI	US$1	100	—	Investment holdings
Century Shenyang Investments Limited	BVI	US$1	—	100	Investment holdings
Sinofair Investments Limited	HK	HK$1	—	100	Investment holdings
Village Properties Limited	HK	HK$20	—	100	Investment holdings
Cyberlogistic International Holdings Limited (previously known as "Power Wish Global Technology Limited") *(Note a)*	BVI	US$400	—	53	Investment holdings

32. PRINCIPAL SUBSIDIARIES *(continued)*

Name of company	Place of incorporation / operation	Nominal value of issued ordinary share capital/paid up registered capital	Effective percentage of ownership interest		Principal activities
			Directly %	Indirectly %	
Cyberlogistic Technologies Limited	BVI	US$500	—	39.22	Information technology
Power2Roam Company Limited *(Note b)*	HK	HK$1,000	—	33.92	Provision of wireless internet access technology
Wish Technologies Limited *(Note c)*	HK	HK$100	—	38.82	Investment holdings
WISH Technologies China Limited（衍科軟件科技（上海）有限公司）*(Note d)*	PRC	US$140,000	—	38.82	Provision of property management system solutions
Supernational Limited	HK	HK$6,815,230	—	100	Dormant
Readyway Holdings Limited	BVI	US$1	100	—	Investment holdings
Power2Roam Technologies (Beijing) Co. Ltd.	PRC	US$150,000	—	33.92	Provision of wireless internet access technology
Cosmopolitan International Management Services Limited	HK	HK$1	100	—	Dormant
Kola Glory Limited	BVI	US$1	100	—	Investment holdings
Lead Fortune Development Limited	HK	HK$1	—	100	Investment in properties

32. PRINCIPAL SUBSIDIARIES *(continued)*

Note a: During the year ended 31st March 2007, the Group increased the shareholding in Cyberlogistic International Holdings Limited ("Cyberlogistic") from 49% to 53% by acquiring additional interests in Cyberlogistic. Cyberlogistic was accounted for as a subsidiary of the Company for the year ended 31st March 2006 by virtue of control as the Company gained majority representation in the board of directors of Cyberlogistic by an agreement among all shareholders of Cyberlogistic.

Note b: Cyberlogistic owns 64% of the equity shares in Power2Roam Company Limited ("P2R"). The Group therefore has control over P2R. The Group also holds 19% of the equity shares of P2R through Village Properties Limited.

Note c: This company is a 99% held subsidiary of a 74% held subsidiary of Cyberlogistic and is accordingly accounted for as a subsidiary of the Company by virtue of control.

Note d: This company is a 100% held subsidiary of Wish Technologies Limited.

The above table lists the subsidiaries of the Group 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.

None of the subsidiaries had issued any debt securities subsisting at the end of the year or at any time during the year.

33. POST BALANCE SHEET EVENT

On 10th April 2007, the Group issued convertible bonds totalling of HK$205,000,000 with maturity date on 10th April 2010. The bonds bear no coupon rate and are unsecured. The bonds entitles the holders to convert the ordinary shares of the Company at the conversion price of HK$0.205 per share. If there is no conversion, the Group will redeem the bonds on the maturity date at 115.97% of the outstanding principal amount of the bonds. The repayment of the principal amount of the bonds is secured by the guarantee given by the Company.

34. RELATED PARTY TRANSACTION

The remuneration of directors and other members of key management during the year were as follows:–

Compensation of key management personnel

	2007	2006
	HK$'000	*HK$'000*
Short-term benefits	**1,771**	680
Retirement benefits	**25**	15
	1,796	695

The remuneration of directors and key executives is determined by the remuneration committee having regarded to the performance of individuals and market prices.

Summary Financial Information

A summary of the published results, and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below.

RESULTS

	Year ended 31st March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(restated)	*(restated)*	
Turnover	**17,294**	11,468	2,763	2,158	6,517
Administrative expenses	**(14,906)**	(9,270)	(9,362)	(7,449)	(19,826)
Other operating expenses	**—**	(25)	(7,610)	(1,816)	(1,046)
Profit/(Loss)before taxation	**6,196**	(19,552)	15,477	56,332	(546)
Income tax expense	**—**	—	—	—	—
Profit/(Loss) before minority interests	**6,196**	(19,552)	15,477	56,332	(546)
Minority interests	**(912)**	(1,151)	(586)	—	—
Net profit/(loss) attributable to shareholders	**7,108**	(20,703)	14,891	56,332	(546)
Earnings/(Loss) per share (in HK cents)	**0.94**	(3.89)	2.80	12.59	(0.42)

ASSETS AND LIABILITIES

	As at 31st March				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(restated)	*(restated)*	
Non-current assets	**98,998**	40,255	44,384	63,588	124,264
Current assets	**164,565**	40,778	55,588	55,238	6,926
Current liabilities	**(18,374)**	(4,924)	(4,337)	(12,915)	(6,084)
Net current assets/(liabilities)	**146,191**	35,854	51,251	42,323	842
Total assets less current liabilities	**245,189**	76,109	95,635	105,911	125,106
Non-current liabilities	**(52,035)**	(38)	(38)	(38)	(55,137)
Net assets	**193,154**	76,071	95,597	105,873	69,969
Minority interests	**(1,062)**	(1,933)	(781)	(195)	—