Heritage

ANNUAL REPORT 2007

Heritage International Holdings Limited

漢基控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 412

* For identification purposes only

CONTENTS

BOARD OF DIRECTORS

Executive Directors:
Kwong Kai Sing, Benny *(Chairman)*
Lo Ki Yan, Karen *(Vice-Chairman)*
Ong Peter *(Managing Director)*
Poon Chi Wan
Chow Chi Wah, Vincent
(appointed on 13 October 2006)

Independent Non-Executive Directors:
Chung Yuk Lun*
Chan Sze Hung*
To Shing Chuen*
Frank H. Miu*
(resigned on 2 June 2006)
Ha Kee Choy, Eugene*

* *Member of Audit Committee*

COMPANY SECRETARY

Chow Chi Wah, Vincent

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

32nd Floor, China United Centre
28 Marble Road
North Point
Hong Kong

STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

412

AUDITORS

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

LEGAL ADVISERS

Hong Kong law:
Richards Butler
20th Floor
Alexandra House
16-20 Chater Road
Hong Kong

Iu Lai & Li Solicitors
20th Floor, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

Bermuda law:
Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
No. 1 Queen's Road Central
Hong Kong

The Bank of East Asia, Limited
38th Floor, BEA Tower, Millennium City 5
418 Kwun Tong Road, Kwun Tong, Kowloon
Hong Kong

PRINCIPAL REGISTRARS IN BERMUDA

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

BRANCH REGISTRARS IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

CLOSURE OF REGISTER OF MEMBER

The register of members will be temporarily closed from 20 August 2007 to 22 August 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for voting in the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-16, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on 17 August 2007.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Heritage International Holdings Limited (the "Company") will be held at 30/F., China United Centre, 28 Marble Road, North Point, Hong Kong on 22 August 2007 at 9:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the financial year ended 31 March 2007.

2. To re-elect retiring directors and to authorize the board of directors to fix remuneration of directors.

3. To re-appoint auditors and to authorize the board of directors to fix their remuneration.

As special business, to consider and, if thought fit, pass (with or without modification) the following resolutions:

ORDINARY RESOLUTIONS

4. "**THAT**:

   (a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company during the Relevant Period (defined below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) of this resolution shall authorise the directors of the Company during the Relevant Period to make and grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to a Rights Issue (defined below) or the exercise of subscription rights under any share option scheme or an issue of shares upon the exercise of the subscription rights attached to any existing warrants, bonds, debentures, notes, deeds or other securities which are convertible into shares of the Company or an issue of shares in lieu of the whole or part of a dividend on shares or any scrip dividend scheme or similar arrangement in accordance with the Bye-laws of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held;

(iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares of the Company or issue of options, warrants or other securities giving the right to subscribe for shares of the Company open for a period fixed by the directors of the Company to holders of shares whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares of the Company or, where appropriate, such other securities (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory)."

5. "**THAT**:

(a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company during the Relevant Period (defined below) of all the powers of the Company to purchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as may be amended from time to time, be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors of the Company during the Relevant Period to procure the Company to purchase its shares at a price determined by the directors of the Company;

(c) the aggregate nominal amount of the shares of the Company which the Company is authorised to purchase pursuant to the approval in paragraph (a) of this resolution shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the time of passing this resolution, and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

"Relevant Period" means the period from the time of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; and

(iii) the revocation or variation of this resolution by any ordinary resolution of the shareholders of the Company in general meeting."

6. "**THAT** conditional upon the passing of the ordinary resolutions numbered 4 and 5 set out in the notice of meeting of which this resolution forms part, the aggregate nominal amount of the shares in the capital of the Company which are repurchased by the Company pursuant to and in accordance with the said ordinary resolution numbered 5 shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to and in accordance with ordinary resolution numbered 4."

By order of the Board
Chow Chi Wah, Vincent
Company Secretary

Hong Kong
30 July 2007

Notes:

(1) A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, no less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

(2) In case of joint holders of a share of the Company, any one of such holders may vote at the meeting either personally or by proxy in respect of such share as if he was solely entitled thereto. However, if more than one of such joint holders are present at the meeting personally or by proxy, that one of such holders whose name stands first in the register of members of the Company shall alone be entitled to vote in respect of that share.

To Shareholders,

On behalf of the Board of Directors, I hereby present the annual report of the Group for the year ended 31 March 2007.

FINANCIAL RESULTS

The Group's audited consolidated loss for the year ended 31 March 2007 was HK$228,445,000 compared with last year's attributable loss of HK$24,176,000. The net assets value of the Group decreased from HK$821,035,000 as at 31 March 2006 to HK$817,486,000 as at 31 March 2007.

Revenue for the year amounted to HK$531,600,000 whilst last year's figure was HK$242,287,000. Details of the breakdown of the revenue can be seen on note 5 to the financial statements.

On the expenses side, the level of total expenses increased in this year mainly due to the provision for impairment of interests in joinly-controlled entities amounted to HK$15,972,000 and the loss on disposal of a available-or-sale investments amounted to HK$24,411,000. General and administrative expenses increased from last year's figure of HK$21,448,000 to HK$28,482,000 in this year being in line with the increase in the size of our operation. Finance costs increased from last year's figure of HK$4,760,000 to HK$27,445,000 this year.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group made an after tax loss of HK$228 million mainly caused by loss from securities transactions and certain expenses and notional adjustments of around HK$33.9 million in relation to convertible notes as well as share option issuance during the year and the impairment of assets of approximately HK$72 million.

The Group has the following major lines of business:

a) Real Estate Investment: the Group owned three stories of an office building in North Point. While retaining a small portion for self use, the remaining office spaces are all leased out which generates a stable recurrent income for the Group. To capture the rise in the luxury residential property market, the Group has sold one high class residential apartment subsequent to year end for a profit.

b) Investments in Listed/Unlisted Securities: the loss on disposal of available-for-sale investments amount to HK$24.4 million this year as certain investments that was acquired at a relatively high cost was disposed of during the year and realized a loss. However, the local stock market has been rather buoyant as of late and the Group's securities portfolio has recorded in the income statement an unrealized gain of over HK$18 million for the current year.

c) Money Lending Business: the money lending business continues to be profitable with a profit of around HK$20.3 million net of provision. This line of business serves to provide reasonable return for the Group's surplus cash with manageable risk. As at 31 March 2007, the Group's loan portfolio was HK$297.9 million and it is expected a similar level of exposure would be maintained for the coming year.

d) Investment in Advertising and Lottery related business in the People's Republic of China ("PRC"): the Group has a 20% interest in a company engaging in advertising and lottery related business in the PRC (the "Joint Venture"). Other than the advertising rights outside those lottery tickets selling booths provided to China Welfare Lottery Issuance Centre by the Joint Venture, it has recently signed a management contract to manage two stores in Shanghai which selling lottery tickets and provide lottery games through video lottery terminals. In addition, the Joint Venture also manage four shops in Hangzhou which are primarily involved in selling lottery tickets and acting as distributing center of lottery tickets within its respective district. More shops are expected to be under management of the Joint Venture to increase its market share in the region.

e) Investment in Gaming Related Business in Macau: Subsequent to the fiscal year end, the Group entered into a hotel casino management agreement with a Las Vegas style hotel casino to provide certain management services to the casino which is due to open in 2009. However as the structure of the agreement has to be modified due to certain regulatory requirements, the parties to the agreement have decided to cancel the agreement for the time being with a view of coming up with a new structure that is agreeable by all parties concerned. It is hopeful that a definitive agreement can be reached as soon as practicable.

Prospect

The Group's outstanding convertibles have all been converted into ordinary shares subsequent to the balance sheet date and hence the Group's capital base has been enhanced substantially. As at fiscal year end, the Group's cash resources stood at HK$127.7 million. The Group therefore is in a very advantageous position to take on new business opportunities as and when they arise.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2007, the Group's total assets and bank borrowings were HK$1,002,232,000 and HK$109,382,000 respectively. A majority of the bank borrowings of the Group carried floating interest rates with reference to the Hong Kong dollar prime rate/HIBOR and were denominated in Hong Kong dollar, and thus, there is no exposure to fluctuations in exchange rate. The gearing ratio (total bank borrowings/total assets) was 10.91%. As at 31 March 2007, investment properties and leasehold properties amounted to HK$168,600,000 and HK$19,269,000, respectively, were pledged to banks to secure certain loan facilities granted to the Group and investments in securities with carrying amount of HK$288,806,000 were pledged to certain financial institutes to secure certain margin financing facilities provided to the Group.

EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

The Group selects and promotes staff based on their qualification, experience and suitability for the position offered. The Group's remuneration policy aims to retain and motivate staff. Performance of staff is appraised annually to provide a base for the review of the remuneration package. The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all its employees.

CONTINGENT LIABILITIES

The Company has major contingent liabilities relating to guarantees given to banks in connection with facilities granted to subsidiaries of approximately HK$91,260,000 (2006: HK$38,260,000).

Finally, I would like to take this opportunity to thank all of my fellow directors and members of staff for their dedicated services, support and contribution during the year. Looking forward to their continual support and excellent services in the coming years.

Kwong Kai Sing, Benny
Chairman

Hong Kong
20 July 2007

EXECUTIVE DIRECTORS

Kwong Kai Sing, Benny, aged 48, is the Chairman and an Executive Director of the Company. Mr. Kwong graduated from Simon Fraser University in British Columbia, Canada with a bachelor degree in arts. He held senior positions with major international banks in Hong Kong in respective lending departments and China department for many years. For the past several years, he has served as executive director of over 10 publicly listed companies both in Hong Kong, Canada and the UK. Mr. Kwong has extensive knowledge in corporate finance and banking. He was an appointed member of the China People's Political Consultative Committee of the Hubei Province in 1995-1996.

Lo Ki Yan, Karen, aged 35, is the Vice Chairman and an Executive Director of the Company. Ms. Lo graduated from the University of Pennsylvania with a bachelor degree of Arts with major in communication in 1993. She has over 5 years' management experience.

Ong Peter, aged 37, is the Managing Director and an Executive Director of the Company. Mr. Ong holds a bachelor degree from California State University, Los Angeles, the United States of America. He has extensive experience in the press and the insurance industries.

Poon Chi Wan, aged 51, is an Executive Director of the Company. Ms. Poon has over 10 years' experience in administrative management including management experience in another listed company. Ms. Poon graduated from the Royal School of Music.

Chow Chi Wah, Vincent, aged 38, is the Financial Controller as well as Company Secretary of the Company. Mr. Chow holds a Honours Diploma of Accounting from the Lingnan College. Mr. Chow is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. Mr. Chow has over 10 years' experience in the finance and accounting field in Hong Kong.

NON EXECUTIVE DIRECTORS

Chan Sze Hung, aged 55, is an Independent Non-Executive Director of the Company. Mr. Chan graduated from the University of Hong Kong with a degree in law. He is now a consultant of Chan, Lau and Wai, a firm of solicitors in Hong Kong. He has over 20 years' experience in the legal profession.

To Shing Chuen, aged 56, is an Independent Non-Executive Director of the Company. Mr. To has a Bachelor's degree in Arts and has over 19 years' experience in trading, garment and leather field. He enjoys excellent relationship with Mainland China companies.

Mr. Ha Kee Choy, Eugene, aged 50, is an Independent Non-Executive Director of the Company. He was appointed as Independent Non-Executive Director on 1 October 2005. Mr. Ha is a fellow member of the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. Mr. Ha has a master degree in business administration and has over 15 years of experience in finance and banking industry.

Chung Yuk Lun, aged 46, is an Independent Non-Executive Director of the Company. Mr. Chung has over 20 years' experience in the finance and accounting field. Mr. Chung is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

The directors herein present their report together with the audited financial statements of the Company and of the Group for the financial year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the financial year.

RESULTS AND DIVIDENDS

The Group's loss for the financial year ended 31 March 2007 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 28 to 111.

The directors do not recommend the payment of any dividend in respect of the financial year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years ended 31 March 2007, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on pages 112 to 113. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the financial year are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's investment properties are set out on pages 76 to 77.

SHARE CAPITAL, CONVERTIBLE SECURITIES AND SHARE OPTIONS

Details of movements in the share capital, convertible securities and share options of the Company during the financial year, together with the reasons therefor, are set out in notes 25, 22 and 26, respectively, to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the financial year are set out in note 27 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Under the Bermuda Companies Act 1981, the Company's contributed surplus of HK$319,113,000 may be distributed under certain circumstances and accordingly, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981, amounted to HK$193,194,000 as at 31 March 2007. In addition, the Company's share premium account and capital redemption reserve, totalling HK$462,394,000 as at 31 March 2007, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 March 2007, the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 30% of the Group's revenue and total purchases, respectively.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$158,000.

DIRECTORS

The directors of the Company during the financial year ended 31 March 2007 were:

Kwong Kai Sing, Benny *(Chairman)*
Lo Ki Yan, Karen *(Vice Chairman)*
Ong Peter *(Managing Director)*
Poon Chi Wan
Chow Chi Wah, Vincent *(appointed on 13 October 2006)*
Chung Yuk Lun*
Chan Sze Hung*
To Shing Chuen*
Ha Kee Choy, Eugene*
Frank H. Miu* *(resigned on 2 June 2006)*

* *Independent non-executive directors*

In accordance with Bye-law 91 of the Company, Mr. Chow Chi Wah, Vincent, a director appointed by the Board since the last annual general meeting of the Company will retire from office at the AGM. In addition, Messrs. Kwong Kai Sing, Benny, Ong Peter and To Shing Chuen will retire from office by rotation at the AGM in accordance with Bye-law 99 of the Company. Messrs Kwong Kai Sing, Benny, Ong Peter, Chow Chi Wah, Vincent and To Shing Chuen all being eligible, will offer themselves for re-election as directors at the AGM.

DIRECTORS' SERVICE CONTRACTS

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the financial year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the financial year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2007, the interests of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of

Listed Issuers (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in the ordinary shares of the Company:

	Number of shares held, capacity and nature of interest			
Name of director	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Percentage of the Company's issued share capital**
Kwong Kai Sing, Benny	214,500,000	–	214,500,000	1.23
Lo Ki Yan, Karen	60,000,000	–	60,000,000	0.35
Ong, Peter	119,380,000	–	119,380,000	0.69
Poon Chi Wan	16,500,000	–	16,500,000	0.09

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

The interests of the directors in the share options of the Company are separately disclosed in note 26 to the financial statements.

Save as disclosed above, as at 31 March 2007, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme disclosures in note 26 to the financial statements, at no time during the financial year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

At 31 March 2007, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Chuang Eugene Yue-Chien *(note)*	Through a controlled corporation	4,242,000,000	24.36
Sunderland Properties Limited *(note)*	Directly Beneficially owned	4,242,000,000	24.36

Note: These shares represent the same parcel of shares and were held by Sunderland Properties Limited ("Sunderland Properties"). Sunderland Properties is a company wholly-owned by Mr. Chuang Eugene Yue-Chien.

Save as disclosed above, as at 31 March 2007, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' interests and short positions in shares and underlying shares" above, had registered an interest in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

As disclosed in the Report of the Directors of the Company's 2005 Annual Report, on 22 January 2005, Rightmind Developments Limited ("Rightmind"), a direct wholly-owned subsidiary of the Company, entered into a conditional verbal agreement (the "Verbal Agreement"), whereby Rightmind agreed, amongst other things, (i) to acquire a 20% equity interest in Found Investments International Limited (formerly Found Macau Investments International Limited) ("Found Investments") at a consideration of US$20; (ii) to become a party to a shareholders agreement relating to Found Investments (the "Shareholders Agreement"); and (iii) to make a shareholders loan of HK$100 million to Found Investments (the "Found Investments Loan") (collectively the "Transactions"). Found Investments is an investment holding company incorporated in the British Virgin Islands and it currently intends to directly or indirectly invest in gaming, entertainment and related businesses in Macau through its subsidiaries to be incorporated. As Mr. Lao Hin Chun, the stepfather of Mr. Ong Peter (the managing director of the Company), is one of the founders and shareholders of Found Investments at the date of the Verbal Agreement, the Transactions constituted major and connected transactions under Rule 14.06 and Rule 14A.13 of the Listing Rules and were subject to the approval of independent shareholders at a special general meeting of the Company (the "SGM").

On 14 March 2005, the necessary independent shareholders' approval was obtained in the SGM and as at 31 March 2005, Rightmind had advanced HK$50 million to Found Investments, which constituted part of the Found Investments Loan. The remaining balance of the Found Investments Loan of HK$50 million was satisfied in April 2005 by the issue of certain new convertible notes of the Company with a principal amount of HK$50 million as further detailed in note 22 to the financial statements. The Found Investments Loan is unsecured, interest-free and is repayable after 8 years from the date of drawdown. On the same date, pursuant to the Verbal Agreement, the 20% equity interest in Found Investments was transferred to Rightmind and Rightmind has effectively become a party to the Shareholder Agreement dated 22 January 2005, via a deed of adherence entered into by Rightmind.

Further details of the above, including the Transactions and the underlying agreements, were also set out in a circular of the Company dated 25 February 2005.

DISCLOSURES PURSUANT TO RULE 13.13 OF THE LISTING RULES

In accordance with the requirements of Rule 13.13 of the Listing Rules, the directors of the Company reported below an advance given to the following entity as at 31 March 2007 which represents more than 8% of the assets ratios (as defined in Rule 14.07(1) of the Listing Rules).

The Group has provided a shareholder loan with a principal amount of HK$100 million to Found Investments International Limited during the year. The loan is unsecured, bears an effective interest rate of approximately 10.2% per annum, and is repayable after 8 years from the date of drawdown on 21 March 2005.

SUFFICIENCY OF PUBLIC FLOAT

Based on the public available information and to the best knowledge of the directors of the Company, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 35 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Kwong Kai Sing, Benny
Chairman

Hong Kong
20 July 2007

CORPORATE GOVERNANCE PRACTICES

The Company has recognised the importance of transparency and accountability, and believes that shareholders can benefit from good corporate governance. The Company aims to achieve good standard of corporate governance, and thus during the year the Company has compiled with most of the code provisions ("Code Provisions") as set out in Appendix 14 of the Listing Rules on the Stock Exchange. Any deviation from the Code Provisions are explained in this report. The Company aims to comply with all the Code Provisions. The Company will review and update the current practices of the corporate governance regularly in order to achieve the aims.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding director's securities transactions. Having made specific enquiry of all directors, all directors confirmed that they had compiled with the required standard set out in the Model Code during the year ended 31 March 2007.

BOARD OF DIRECTORS

As at 31 March 2007, the board comprised nine Directors, of which five are Executive Directors namely Kwong Kai Sing, Benny (Chairman), Lo Ki Yan, Karen (Vice Chairman), Ong, Peter (Managing Director), Poon Chi Wan and Chow Chi Wah, Vincent, and four are Independent Non-Executive Directors namely Chan Sze Hung, To Shing Chuen, Ha Kee Choy, Eugene and Chung Yuk Lun. The four Independent Non-Executive Directors are professionals with strong experience. Two of the Independent Non-Executive Directors have professional accounting qualification, which is in compliance with the requirement of the Listing Rules. One of the Independent Non-Executive Director is a practicing solicitor. Biographical details of all Directors are disclosed on pages 12 to 13 of this Annual Report.

The attendance of Directors of 40 board meetings held during the year ended 31 March 2007 is as follows:

Name	**Attended**
Executive Directors	
Kwong Kai Sing, Benny *(Chairman)*	38/40
Lo Ki Yan, Karen *(Vice Chairman)*	11/40
Ong, Peter *(Managing Director)*	18/40
Poon Chi Wan	37/40
Chow Chi Wah, Vincent *(appointed on 13 October 2006)*	4/40
Independent Non-Executive Directors	
Chan Sze Hung	1/40
To Shing Chuen	1/40
Ha Kee Choy, Eugene	1/40
Chung Yuk Lun	1/40

The Board is responsible for the leadership and control of the Company and oversees the Group's strategic decision, business and performances. The Management was delegated the authority and responsibility by the Board for the management and administration of the Group.

Each of our Independent Non-Executive Directors has presented an annual confirmation of independence to the Company in accordance with the requirement of the Listing Rules. The Company considered that all of the Independent Non-Executive Directors are independent.

None of the Directors has any financial, business, family or other material/relevant relationship(s) with each other.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and chief executive officer of the Company is Mr. Kwong Kai Sing, Benny. This deviates from Code Provision A.2.1 which stipulates that the roles of the Chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Kwong Kai Sing, Benny is primarily responsible for the leadership of the Board and overall management of the Company. The Company considers that currently vesting the roles of both Chairman and chief executive officer in the same person provided the Group with strong and consistent leadership and allows for more effective planning and execution of business strategies. However, the Company understands the importance to comply with the Code Provisions and it is also the Company's aim to comply with all the Code Provisions. Therefore, the Company will continue to consider the feasibility to comply with Code Provision A.2.1. If compliance is determined, appropriate persons will be nominated to the different roles of Chairman and chief executive officer.

NON-EXECUTIVE DIRECTORS

Although not less than one-third of the Directors of the Company (both executive and non-executive) are subject to retirement by rotation at the Company's annual general meeting (Code Provision A.4.2 requires every director should be subject to retirement by rotation at least once every three years (the "Rotation Period Restriction")) as specified by the Company's bye-laws, they are not appointed for a specific term. Thus the Company has deviated from Code Provision A.4.1. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those provided in the Code.

REMUNERATION OF DIRECTORS

The remuneration committee of the Company (the "Remuneration Committee") was established in March 2006. As at the date of this report, the Remuneration Committee comprises two Independent Non-Executive Directors and one Executive Director:

Mr. To Shing Chuen *(Independent Non-Executive Director)*
Mr. Ha Kee Choy, Eugene *(Independent Non-Executive Director)*
Ms. Poon Chi Wan *(Executive Director)*

The adopted terms of reference of the Remuneration Committee is in compliance with the Code Provision B.1.3.

The Remuneration Committee held one meeting during the financial year of 2007. Details of the attendance of the Remuneration Committee meeting were as follows:

Committee members	Attendance	Title
Mr. To Shing Chuen	1/1	Independent Non-Executive Director
Mr. Ha Kee Choy, Eugene	1/1	Chairman, Independent Non-Executive Director
Ms. Poon Chi Wan	1/1	Executive Director

The Directors are remunerated with reference to their responsibility with the Company, their qualifications, experiences and past remuneration, the Company's performance and current market situation. During the year, the Remuneration Committee has reviewed and approved the remuneration package of all staff and newly appointed Directors.

NOMINATION OF DIRECTORS

Nomination committee of the Company is not considered necessary after the assessment of the current situation of the Company. The Board will review the profile of current Directors and nominated directors (if any) on a regular basis in order to ensure that the composition of the Board is capable to fulfill its obligation and be responsible for the Company.

AUDITORS' REMUNERATION

During the year ended 31 March 2007, fees paid to the Company's external auditors for non-audit activities amounted to approximately HK$373,000.

Audit fees for the current fiscal year 2007 is approximately HK$1,550,000.

AUDIT COMMITTEE

The Audit Committee is composed of four Independent Non-Executive Directors namely Chan Sze Hung (Chairman of the Committee), To Shing Chuen, Ha Kee Choy, Eugene and Chung Yuk Lun. Two of the members possess appropriate professional accounting professional accounting qualification; the other one member is a practicing solicitor. Code Provision C.3.3 requires the terms of reference of the audit committee should include certain minimum duties. The terms of reference of the audit committee were revised to include all the duties set out in the Code Provision C.3.3 of which among other things include reviewing financial statements of the Company. Any findings and recommendations of the Audit Committee are to be submitted to the Board for consideration.

The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee. It is also authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

The members and attendance of the audit committee meetings for the year ended 31 March 2007 are as follows:

Name	**Attended**
Chan Sze Hung	2/2
To Shing Chuen	2/2
Ha Kee Choy, Eugene	2/2
Chung Yuk Lun	2/2

During the meetings, the Audit Committee reviewed with external auditors regarding their audit on the Group's annual financial statements and reviewed the Group's interim financial results.

OTHERS

The Directors are responsible for the preparation of financial statements. The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements. Also, the internal control system of the Group has also been reviewed during the year.

The statement of the auditors of the Company regarding their reporting responsibilities is set out in the Independent Auditors Report on pages 26 to 27 of this Annual Report.

ERNST & YOUNG
安永會計師事務所

To the shareholders of
Heritage International Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Heritage International Holdings Limited set out on pages 28 to 111, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

20 July 2007

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	5	**531,600**	242,287
Cost of sales and carrying amount of equity investments sold		**(612,011)**	(272,176)
Gross loss		**(80,411)**	(29,889)
Other income and gains	5	**2,945**	6,327
Gains/(losses) arising from changes in fair value of investment properties	14	**(2,976)**	13,183
Fair value gains on investments at fair value through profit or loss, net		**18,035**	77,406
Loss on disposal of available-for-sale investments, net		**(24,411)**	–
Gain/(loss) on disposal of a subsidiary		**(410)**	118
General and administrative expenses		**(28,482)**	(21,448)
Other expenses, net		**(62,737)**	(62,206)
Finance costs	7	**(27,445)**	(4,760)
Impairment of interests in jointly-controlled entities		**(15,972)**	–
Share of losses of jointly-controlled entities		**(4,028)**	–
LOSS BEFORE TAX	6	**(225,892)**	(21,269)
Tax	10	**(2,553)**	(2,907)
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	11	**(228,445)**	(24,176)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic		**HK(2.10) cents**	HK(0.45) cent
Diluted		**N/A**	N/A

31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	30,742	31,417
Investment properties	14	168,600	122,900
Interests in jointly-controlled entities	16	–	–
Available-for-sale investments	17	8,719	121,985
Loan to an investee company	18	–	49,838
Loan receivable	19	1,000	2,000
Deposit for purchase of an investment property		–	4,900
Other deposits		–	2,450
Total non-current assets		209,061	335,490
CURRENT ASSETS			
Investments at fair value through profit or loss	20	352,195	307,808
Loans receivable	19	296,850	200,450
Prepayments, deposits and other receivables		16,431	13,196
Cash and bank balances		127,695	37,095
		793,171	558,549
Non-current asset held for sale	14	–	10,900
Total current assets		793,171	569,449
CURRENT LIABILITIES			
Other payables and accruals		37,374	17,096
Interest-bearing bank borrowings	21	9,274	11,237
Derivative financial instrument	23	557	752
Tax payable		1,270	674
Total current liabilities		48,475	29,759
NET CURRENT ASSETS		744,696	539,690
TOTAL ASSETS LESS CURRENT LIABILITIES		953,757	875,180

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	21	**100,108**	47,838
Convertible notes	22	**27,810**	–
Deferred tax liabilities	24	**8,353**	6,307
Total non-current liabilities		**136,271**	54,145
Net assets		**817,486**	821,035
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	25	**348,270**	142,682
Equity component of convertible notes		**4,419**	–
Reserves	27(a)	**464,797**	678,353
Total equity		**817,486**	821,035

Poon Chi Wan
Director

Kwong Kai Sing, Benny
Director

		Attributable to equity holders of the Company									
	Notes	Issued capital HK$'000	Share premium account HK$'000	Equity component of convertible notes HK$'000	Capital redemption reserve HK$'000	Asset revaluation reserve HK$'000	Contributed surplus HK$'000	Available-for-sale investment revaluation reserve HK$'000	Share option reserve HK$'000	Accumu-lated losses HK$'000	Total equity HK$'000
At 1 April 2005		96,090	114,486	1,654	1,038	–	186,548	–	–	(60,866)	338,950
Changes in fair value of available-for-sale investments	17	–	–	–	–	–	–	51,500	–	–	51,500
Revaluation of property, plant and equipment		–	–	–	–	3,692	–	–	–	–	3,692
Deferred tax on revaluation of property, plant and equipment	24	–	–	–	–	(646)	–	–	–	–	(646)
Total income and expense recognised directly in equity		–	–	–	–	3,046	–	51,500	–	–	54,546
Loss for the year		–	–	–	–	–	–	–	–	(24,176)	(24,176)
Total income and expense for the year		–	–	–	–	3,046	–	51,500	–	(24,176)	30,370
Issue of convertible notes	22	–	–	63,154	–	–	–	–	–	–	63,154
Redemption of convertible notes		–	–	(16,811)	–	–	1,283	–	–	–	(15,528)
Conversion of convertible notes	25(a)	22,800	91,322	(47,997)	–	–	–	–	–	–	66,125
Warrants exercised	25(b)	–	1	–	–	–	–	–	–	–	1
Share options exercised	25(c)	3,720	540	–	–	–	–	–	–	–	4,260
Capital reorganisation	25(e)	(131,282)	–	–	–	–	131,282	–	–	–	–
Rights issue	25(f)	93,902	140,852	–	–	–	–	–	–	–	234,754
Repurchases of shares	25(g)	(4,788)	–	–	139	–	–	–	–	–	(4,649)
Placement of new shares	25(h), (i)	62,240	50,835	–	–	–	–	–	–	–	113,075
Share issue expenses		–	(10,151)	–	–	–	–	–	–	–	(10,151)
Equity-settled share option arrangements		–	–	–	–	–	–	–	674	–	674
At 31 March 2006		142,682	387,885*	–	1,177*	3,046*	319,113*	51,500*	674*	(85,042)*	821,035
At 1 April 2006		142,682	387,885	–	1,177	3,046	319,113	51,500	674	(85,042)	821,035
Changes in fair value of available-for-sale investments and total expense recognised directly in equity		–	–	–	–	–	–	(4,345)	–	–	(4,345)
Loss for the year		–	–	–	–	–	–	–	–	(228,445)	(228,445)
Total income and expense for the year		–	–	–	–	–	–	(4,345)	–	(228,445)	(232,790)
Disposal of available-for-sale investments		–	–	–	–	–	–	(53,424)	–	–	(53,424)
Issue of convertible notes		–	–	44,192	–	–	–	–	–	–	44,192
Redemption of convertible notes		–	–	(6,629)	–	–	–	–	–	–	(6,629)
Conversion of convertible notes	25(j)	180,000	61,043	(33,144)	–	–	–	–	–	–	207,899
Equity-settled share option arrangements		–	–	–	–	–	–	–	6,645	–	6,645
Share options exercised	25(k)	25,588	12,289	–	–	–	–	–	(7,319)	–	30,558
At 31 March 2007		348,270	461,217*	4,419	1,177*	3,046*	319,113*	(6,269)*	–*	(313,487)*	817,486

* *These reserve accounts comprise the consolidated reserves of HK$464,797,000 (2006: HK$678,353,000) in the consolidated balance sheet.*

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES #			
Loss before tax		**(225,892)**	(21,269)
Adjustments for:			
Finance costs	7	**27,445**	4,760
Share of losses of jointly-controlled entities		**4,028**	–
Other interest income not included in revenue	5	**(255)**	(4,735)
Depreciation	6	**4,277**	2,438
Fair value gains on investments at fair value through profit or loss, net		**(18,035)**	(77,406)
Impairment of interests in jointly-controlled entities	16	**15,972**	–
Loss/(gain) on disposal of items of property, plant and equipment	6	**(510)**	16
Loss/(gain) on disposal of a subsidiary	6	**410**	(118)
Loss on disposal of an investment property	6	**620**	–
Changes in fair value of investment properties	14	**2,976**	(13,183)
Impairment of loans receivable	6	**6,250**	4,040
Impairment of loan interest receivables		**435**	704
Write-back of bad debt provision		**–**	625
Impairment of available-for-sale investments		**–**	57,572
Provision for investments at fair value through profit or loss		**–**	279
Losses/(gains) on redemption of convertible notes	6	**5,569**	(1,030)
Equity-settled share option expenses	26	**6,645**	674
Fair value loss/(gain) on a derivative financial instrument	6	**(195)**	210
Loss on disposal of available-for-sale investments, net	6	**24,411**	–
Impairment of a loan to an investee company	18	**49,838**	–
Write-down of an available-for-sale investment		**25**	–
		(95,986)	(46,423)
Increase in investments at fair value through profit or loss		**(18,102)**	(146,506)
Increase in loans receivable		**(101,650)**	(114,950)
Increase in prepayments, deposits and other receivables		**(2,887)**	(8,505)
Increase in other payables and accruals		**19,703**	12,305
Decrease in other deposits		**2,450**	–
Cash used in operations		**(196,472)**	(304,079)

Included in "Cash Flows From Operating Activities" above are interest and dividends received from the Group's principal activities amounting to HK$26,907,000 (2006: HK$16,861,000) and HK$4,653,000 (2006: HK$439,000), respectively.

	Notes	**2007** **HK$'000**	2006 HK$'000
Cash used in operations		**(196,472)**	(304,079)
Interest received		**255**	17
Interest paid		**(5,619)**	(2,629)
Hong Kong profits tax refunded/(paid)		**50**	(30)
Net cash outflow from operating activities		**(201,786)**	(306,721)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(4,695)**	(13,586)
Proceeds from disposal of items of property, plant and equipment		**754**	2,846
Purchases of available-for-sale investments		**–**	(13,816)
Disposal of a subsidiary	28(a)	**478**	292
Acquisition of a subsidiary	28(b)	**(44,100)**	–
Purchases of investment properties	14	**–**	(66,117)
Proceeds from disposal of an investment property		**10,280**	–
Repayment of a loan to an investee company		**–**	40,000
Deposit paid for purchase of an investment property		**–**	(39,900)
Deposit for purchase of an investment property refunded		**–**	35,000
Other deposits paid		**–**	(2,450)
Acquisition of jointly-controlled entities	16	**(20,000)**	–
Proceeds from disposal of available-for-sale investments		**22,811**	–
Net cash outflow from investing activities		**(34,472)**	(57,731)

	Notes	**2007**	2006
		HK$'000	HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from rights issue of shares		**–**	234,754
Proceeds from placement/allotment of new shares		**–**	113,075
Proceeds from warrants/options exercised	25	**30,558**	4,261
Share issue expenses		**–**	(10,151)
Drawdown of bank borrowings		**105,000**	32,760
Repayment of bank borrowings		**(54,693)**	(3,265)
Redemption of convertible notes		**(45,000)**	(38,247)
Issue of convertible notes		**290,993**	64,000
Repurchase of shares		**–**	(4,649)
Net cash inflow from financing activities		**326,858**	392,538
NET INCREASE IN CASH AND CASH EQUIVALENTS		**90,600**	28,086
Cash and cash equivalents at beginning of year		**37,095**	9,009
CASH AND CASH EQUIVALENTS AT END OF YEAR		**127,695**	37,095
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**127,695**	37,095

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	15	**729,364**	702,487
CURRENT ASSETS			
Other receivables		**780**	591
Cash and bank balances		**127,441**	35,222
Total current assets		**128,221**	35,813
CURRENT LIABILITIES			
Other payables and accruals		**2,593**	3,839
Interest-bearing bank borrowings	21	**3,325**	991
Total current liabilities		**5,918**	4,830
NET CURRENT ASSETS		**122,303**	30,983
TOTAL ASSETS LESS CURRENT LIABILITIES		**851,667**	733,470
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	21	**16,634**	7,858
Convertible notes	22	**27,810**	–
Total non-current liabilities		**44,444**	7,858
Net assets		**807,223**	725,612
EQUITY			
Issued capital	25	**348,270**	142,682
Equity component of convertible notes	27(b)	**4,419**	–
Reserves	27(b)	**454,534**	582,930
Total equity		**807,223**	725,612

Poon Chi Wan
Director

Kwong Kai Sing, Benny
Director

1. CORPORATE INFORMATION

Heritage International Holdings Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 32nd Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

During the year, the Group was primarily involved in property investment, investments in securities, money lending and investment holding.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, a non-current asset held for sale, a derivative financial instrument and certain investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 27 Amendment	Consolidated and Separate Financial Statements: Amendments as a consequence of the Companies (Amendment) Ordinance 2005
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 *Financial Reporting in Hyperinflationary Economies*

The principal changes in accounting policies are as follows:

HKAS 39 *Financial Instruments: Recognition and Measurement*

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendment	Capital Disclosures
HKAS 23 (Revised)	Borrowing Costs
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objectives, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32 "Financial Instruments: Disclosure and Presentation".

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 *Segment Reporting*.

HK(IFRIC) – Int 11 shall be applied for annual periods beginning on or after 1 March 2007. This new interpretation prescribes that when the parent grants rights to equity instruments to the employees of the subsidiary, the subsidiary should account for such a scheme as an equity-settled scheme and as an equity contribution by the parent.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKAS 23 (Revised), HK(IFRIC) – Int 8, HK(IFRIC) – Int 9, HK(IFRIC) – 10 and HK(IFRIC) – Int 12 shall be applied for annual periods beginning on or after 1 January 2009, 1 May 2006, 1 June 2006, 1 November 2006 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures (continued)

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively.

The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's interests in jointly-controlled entities. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Goodwill

Goodwill arising on the acquisition of subsidiaries and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005 (continued)

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, investment properties, goodwill and a non-current assets classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to consolidated reserves as a movement in reserves.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the lease terms
Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	25% – 30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the supply of services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

For a transfer from investment properties to owner-occupied properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets (other than investment properties) classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

In relation to loans receivable, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including other payables and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities at fair value through profit or loss (continued)

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Derivative financial instruments

Derivative financial instruments are classified as held for trading unless they are designated as effective hedging instruments. They are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax, Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and jointly-controlled entities, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and jointly-controlled entities, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) rental income, on a time proportion basis over the lease terms;

(b) income from the sale of equity securities, on a trade-date basis;

(c) dividend income, when the shareholders' right to receive payment has been established;

(d) investment management income, in the period in which such services have been rendered; and

(e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and/or rewards to eligible participants (including the Company's directors and other employees of the Group and of the investee entities and any consultant, advisor or agent engaged by any member of the Group or any investee entity) who render services and/or contribute to the success of the Group's operations. Employees (including directors) and advisors of the Group receive remuneration in the form of share-based payment transactions, whereby employees/advisors render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes Option Pricing Model, further details of which are given in note 26 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees/investment advisor become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employees/investment advisor as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 April 2005 and to those granted on or after 1 April 2005.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations as further explained in the accounting policy for "Share-based payment transactions" above.

Retirement benefits scheme

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

Borrowing costs

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain overseas jointly-controlled entities are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences (if any) are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes.

Estimation uncertainty

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 discussed below.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(a) *Impairment of loans receivable*

The Group maintains an allowance for estimated loss arising from the inability of its borrowers to make the required payments. The Group makes its estimates based on the ageing of its loan receivable balances, borrowers' creditworthiness, and historical write-off experience. If the financial condition of its borrowers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

(b) *Impairment of available-for-sale financial assets*

For available-for-sale financial assets, a significant or prolonged decline in fair value below cost is considered to be an objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account. The Company also considers other factors, such as industry and sector performance and financial information regarding the issuer.

(c) *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. More details are given in note 16.

(d) *Estimation of fair value of investment properties*

The fair value of the Group's investment properties are assessed by management based on the property valuation performed by independent qualified valuers on an open market, existing use basis. The assumptions adopted in the property valuation are based on market conditions existing at each balance sheet date, with reference to comparable sales transactions and where appropriate, on the basis of capitalisation of the net income after allowances for outgoings and in some cases provisions for reversionary income potential.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(i) the property investment segment engages primarily in the investments in commercial and residential properties for rental income potential and/or appreciation in values;

(ii) the investments in securities segment engages in the purchase and sale of securities and the holding of equity investments primarily for interest income, dividend income and capital appreciation;

(iii) the money lending segment engages in money lending operations in Hong Kong; and

(iv) the investment holding segment engages in holding investments for a continuing strategic or long term purpose, primarily for dividend income and capital appreciation.

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

4. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2007 and 2006.

Group

	Property investment		Investments in securities		Money lending		Investment holding		Eliminations		Consolidated	
	2007	2006	**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	**HK$'000**	HK$'000
Segment revenue:												
Revenue from external customers	**7,961**	4,467	**496,732**	220,959	**26,907**	16,861	**–**	–	**–**	–	**531,600**	242,287
Other revenue	**331**	–	**1,626**	–	**4**	117	**956**	5,748	**–**	–	**2,917**	5,865
Total	**8,292**	4,467	**498,358**	220,959	**26,911**	16,978	**956**	5,748	**–**	–	**534,517**	248,152
Segment results	**5,350**	14,875	**(126,734)**	26,477	**20,317**	11,823	**(71,086)**	(64,367)	**–**	–	**(172,153)**	(11,192)
Unallocated interest income, other income and gains											**28**	462
Unallocated expenses											**(6,322)**	(5,779)
Finance costs											**(27,445)**	(4,760)
Impairment of interests in jointly-controlled entities											**(15,972)**	–
Share of loss of jointly-controlled entities											**(4,028)**	–
Loss before tax											**(225,892)**	(21,269)
Tax											**(2,553)**	(2,907)
Loss for the year											**(228,445)**	(24,176)

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Property investment		Investments in securities		Money lending		Investment holding		Eliminations		Consolidated	
	2007	2006	**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	**HK$'000**	HK$'000
Assets and liabilities												
Segment assets	**170,153**	163,665	**352,201**	308,138	**311,870**	212,852	**165,341**	211,584	**-**	–	**999,565**	896,239
Unallocated assets											**2,667**	8,700
Total assets											**1,002,232**	904,939
Segment liabilities	**91,783**	54,633	**33,394**	11,818	**-**	–	**58,930**	12,991	**-**	–	**184,107**	79,442
Unallocated liabilities											**639**	4,462
Total liabilities											**184,746**	83,904

	Property investment		Investments in securities		Money lending		Investment holding		Eliminations		Consolidated	
	2007	2006	**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	**HK$'000**	HK$'000
Other segment information:												
Depreciation – allocated	**-**	(1,141)	**-**	–	–	–	**(3,559)**	(764)	**-**	–	**(3,559)**	(1,905)
Depreciation – unallocated											**(718)**	(533)
											(4,277)	(2,438)
Write-back of bad debt provision	**-**	–	**-**	–	**-**	–	**-**	625	**-**	–	**-**	625
Gain/(loss) on disposal of available-for-sale investments, net	**-**	–	**(27,765)**	–	**-**	–	**3,354**	–	**-**	–	**(24,411)**	–
Gain/(loss) on disposal of items of property, plant and equipment	**-**	–	**-**	–	**-**	–	**510**	(181)	**-**	–	**510**	(181)
Gain/(loss) on disposal of a subsidiary	**-**	–	**-**	–	**-**	–	**(410)**	118	**-**	–	**(410)**	118
Impairment of available-for-sale investments recognised in the income statement	**-**	–	**-**	–	**-**	–	**-**	(57,572)	**-**	–	**-**	(57,572)
Loss on disposal of an investment property	**(620)**	–	**-**	–	**-**	–	**-**	–	**-**	–	**(620)**	–

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Property investment		Investments in securities		Money lending		Investment holding		Eliminations		Consolidated	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Other segment information:												
Changes in fair value of investment properties	(2,976)	13,183	-	–	-	–	-	–	-	–	(2,976)	13,183
Impairment of interests in jointly-controlled entities	-	–	-	–	-	–	(15,972)	–	-	–	(15,972)	–
Fair value gains on investments at fair value through profit or loss, net	-	–	18,035	77,406	-	–	-	–	-	–	18,035	77,406
Impairment of a loan to an investee company	-	–	-	–	-	–	(49,838)	–	-	–	(49,838)	–
Impairment of loans receivable	-	–	-	–	(6,250)	(4,040)	-	–	-	–	(6,250)	(4,040)
Impairment of loan interest receivables	-	–	-	–	(435)	(704)	-	–	-	–	(435)	(704)
Gains/(losses) on redemption of convertible notes	-	–	-	–	-	–	(5,569)	1,030	-	–	(5,569)	1,030
Capital expenditure	48,676	66,117	-	–	-	–	-	–	-	–	48,676	66,117
Unallocated amounts											4,695	13,586
											53,371	79,703

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 March 2007 and 2006.

Group

	Hong Kong		Macau		Mainland China		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 revenue:								
Revenue from external customers	**531,600**	242,287	**-**	–	**-**	–	**531,600**	242,287
Other revenue and gains	**2,945**	117	**-**	5,748	**-**	–	**2,945**	5,865
	534,545	242,404	**-**	5,748	**-**	–	**534,545**	248,152
Other segment information:								
Segment assets	**1,002,232**	855,076	**-**	49,863	**-**	–	**1,002,232**	904,939
Capital expenditure	**53,371**	79,703	**-**	–	**-**	–	**53,571**	79,703

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents gross rental income received and receivable from investment properties; interest income earned from money lending operations; dividend income from equity investments; and proceeds from sale of investments at fair value through profit or loss during the year.

An analysis of revenue, other income and gains is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Revenue		
Gross rental income from investment properties	**7,961**	4,467
Interest income from money lending operations	**26,907**	16,861
Dividend income from investments at fair value through profit or loss	**4,653**	439
Proceeds from sale of investments at fair value through profit or loss	**492,079**	220,520
	531,600	242,287
Other income and gains		
Fair value gain on a derivative financial instrument	**195**	–
Other interest income	**255**	4,735
Gain on disposal of items of property, plant and equipment, net	**510**	–
Gains on redemption of convertible notes	**–**	1,030
Others	**1,985**	562
	2,945	6,327

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2007 HK$'000	2006 HK$'000
Depreciation	13	**4,277**	2,438
Employee benefits expense (excluding directors' remuneration (note 8)):			
Wages, salaries and allowances		**2,316**	2,425
Equity-settled share option expense		**–**	674
Retirement benefits scheme contributions (defined contribution scheme)*		**68**	97
		2,384	3,196
Share-based payment paid to an investment advisor for investment advisory services		**4,222**	–
Auditors' remuneration		**1,550**	1,410
Minimum lease payments under operating leases in respect of land and buildings		**191**	235
Impairment of loans receivable**		**6,250**	4,040
Impairment of loan interest receivables**		**435**	704
Direct operating expenses arising on rental-earning investment properties		**1,033**	990
Impairment of interests in jointly-controlled entities	16	**15,972**	–
Impairment of a loan to an investee company**		**49,838**	–
Loss on disposal of available-for-sale investments, net		**24,411**	–
Impairment of available-for-sale investments**		**–**	57,572
Loss/(gain) on disposal of a subsidiary	28(a)	**410**	(118)
Losses on sale of investments at fair value through profit or loss, net		**119,620**	50,641
Losses/(gains) arising from changes in fair value of investment properties	14	**2,976**	(13,183)
Loss on disposal of an investment property		**620**	–
Loss/(gain) on redemption of convertible notes**		**5,569**	(1,030)
Write-back of bad debt provision**		**–**	(625)
Foreign exchange differences, net		**(36)**	272
Loss/(gain) on disposal of items of property, plant and equipment		**(510)**	16
Fair value loss/(gain) on a derivative financial instrument		**(195)**	210

6. LOSS BEFORE TAX (continued)

* At 31 March 2007, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefits scheme in future years (2006: Nil).

** These items are included in "Other expenses, net" on the face of the consolidated income statement.

7. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	HK$'000
Interest on:		
Bank loans not wholly repayable within five years	**5,736**	2,340
Convertible notes	**21,709**	2,131
Other borrowings wholly repayable within five years	**312**	1,304
Total interest	**27,757**	5,775
Less: Interest expense classified as cost of sales	**(312)**	(1,015)
Total finance costs for the year	**27,445**	4,760

8. DIRECTORS' REMUNERATION

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

	Group	
	2007	2006
	HK$'000	HK$'000
Fees	**392**	492
Other emoluments:		
Salaries and allowances	**4,530**	4,044
Retirement benefits scheme contributions (defined contribution scheme)	**54**	48
Employee share option benefits[#]	**2,423**	1
	7,007	4,093
	7,399	4,585

8. DIRECTORS' REMUNERATION (continued)

During the year, certain directors were granted share options with an aggregate fair value of HK$2,423,000 (2006: HK$600), in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 26 to the financial statements. The fair value of such options which has been recognised to the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2007 HK$'000	2006 HK$'000
Mr. Chan Sze Hung	120	120
Mr. Miu Frank H.*	20	120
Mr. To Shing Chuen	120	120
Mr. Ha Kee Choy Eugene	120	120
Mr. Chung Yuk Lun	12	1
	392	481

* Mr. Miu Frank H. resigned from his position as an independent non-executive director of the Company with effect from 2 June 2006.

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and a non-executive director

	Fees	Salaries and allowances	Employee share option benefits	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2007					
Executive directors:					
Mr. Kwong Kai Sing, Benny	–	1,800	606	12	2,418
Ms. Lo Ki Yan, Karen	–	1,200	606	12	1,818
Mr. Ong Peter	–	600	606	12	1,218
Ms. Poon Chi Wan	–	660	605	12	1,277
Mr. Chow Chi Wah, Vincent*	–	270	–	6	276
	–	4,530	2,423**	54	7,007

* Mr. Chow Chi Wah, Vincent, was appointed as an executive director of the Company with effect from 13 October 2006.

** During the year, Mr. Kwong Kai Sing, Benny, Ms. Lo Ki Yan, Karen, Mr. Ong Peter and Ms. Poon Chi Wan were granted share options with an aggregate fair value of approximately HK$2,423,000 (2006: HK$600).

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and a non-executive director (continued)

	Fees	Salaries and allowance	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000
2006				
Executive directors:				
Mr. Kwong Kai Sing, Benny	–	1,800	12	1,812
Ms. Lo Ki Yan, Karen	–	1,200	12	1,212
Mr. Ong Peter	–	444	12	456
Ms. Poon Chi Wan	–	600	12	612
	–	4,044	48	4,092
Non-executive director:				
Mr. Chung Yuk Lun	11	–	–	11
	11	4,044	48	4,103
Employee share option benefits				1
Total remuneration				4,104

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2006: four) directors, one of whom was appointed as a director of the Company during the year, details of whose remuneration in a capacity as directors are set out in note 8 above. Details of the remuneration of the remaining one non-director (before the appointment as a director), highest paid employee for the year (2006: one), are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Salaries and allowances	**270**	460
Employee share option benefits	**–**	226
Pension scheme contributions	**6**	12
	276	698

The number of non-director, highest paid employee whose remuneration fell within the following band is as follows:

	Number of employee	
	2007	2006
Nil to HK$1,000,000	**1**	1

In the prior year, share options were granted to a non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 26 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements is included in the above non-director, highest paid employee's remuneration disclosures.

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2007	2006
	HK$'000	HK$'000
Group:		
Current – Hong Kong	**507**	600
Deferred (note 24)	**2,046**	2,307
Total tax charge for the year	**2,553**	2,907

A reconciliation of the tax credit applicable to loss before tax using the Hong Kong statutory tax rate (the statutory tax rate of the Company's and the majority of its subsidiaries' principal place of business) to the tax charge at the effective tax rate is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Loss before tax	**(225,892)**	(21,269)
Tax credit at the Hong Kong statutory tax rate of 17.5% (2006: 17.5%)	**(39,531)**	(3,722)
Income not subject to tax	**(1,439)**	(1,105)
Expenses not deductible for tax	**24,414**	12,773
Tax losses utilised from previous periods	**(3,488)**	(6,449)
Tax losses not recognised	**19,709**	311
Others	**2,888**	1,099
Tax charge at the Group's effective tax rate	**2,553**	2,907

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the year ended 31 March 2007 includes a loss of HK$42,450,000 (2006: HK$43,772,000) which has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic loss per share

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of HK$228,445,000 (2006: HK$24,176,000) and the weighted average number of 10,874,788,244 (2006: 5,393,751,933) ordinary shares in issue during the year. The basic loss per share amount for the prior year has been adjusted to reflect the rights issue and the consolidation of shares during the prior year (note 25).

(b) Diluted loss per share

Diluted loss per share amounts for the years ended 31 March 2007 and 2006 have not been disclosed, as the share options, warrants and convertible notes outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2007					
At 31 March 2006 and at 1 April 2006:					
Cost	21,015	2,095	3,697	7,074	33,881
Accumulated depreciation	(698)	(324)	(1,103)	(339)	(2,464)
Net carrying amount	20,317	1,771	2,594	6,735	31,417
At 1 April 2006, net of accumulated depreciation	20,317	1,771	2,594	6,735	31,417
Additions	–	123	959	3,613	4,695
Disposals	–	–	–	(244)	(244)
Disposal of a subsidiary (note 28(a))	–	–	(621)	(228)	(849)
Depreciation provided during the year	(1,048)	(439)	(710)	(2,080)	(4,277)
At 31 March 2007, net of accumulated depreciation	19,269	1,455	2,222	7,796	30,742
At 31 March 2007:					
Cost	21,015	2,218	3,834	9,981	37,048
Accumulated depreciation	(1,746)	(763)	(1,612)	(2,185)	(6,306)
Net carrying amount	19,269	1,455	2,222	7,796	30,742

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2006					
At 1 April 2005:					
Cost	16,023	1,019	1,212	774	19,028
Accumulated depreciation	(133)	(41)	(424)	(215)	(813)
Net carrying amount	15,890	978	788	559	18,215
At 1 April 2005, net of accumulated depreciation	15,890	978	788	559	18,215
Additions	–	1,076	2,580	9,930	13,586
Disposals	–	–	–	(2,862)	(2,862)
Disposal of subsidiaries (note 28(a))	–	–	(76)	–	(76)
Depreciation provided during the year	(565)	(283)	(698)	(892)	(2,438)
Transfer from investment properties (note 14)*	11,600	–	–	–	11,600
Surplus on revaluation at transfer to investment properties**	3,692	–	–	–	3,692
Transfer to investment properties (note 14)**	(10,300)	–	–	–	(10,300)
At 31 March 2006, net of accumulated depreciation	20,317	1,771	2,594	6,735	31,417
At 31 March 2006:					
Cost	21,015	2,095	3,697	7,074	33,881
Accumulated depreciation	(698)	(324)	(1,103)	(339)	(2,464)
Net carrying amount	20,317	1,771	2,594	6,735	31,417

13. PROPERTY, PLANT AND EQUIPMENT (continued)

* An investment property of the Group has become owner-occupied during the prior year and its fair value at the date of reclassification became its deemed cost for subsequent accounting for as property, plant and equipment.

** A leasehold land and building of the Group was revalued at the date of change in use as an investment property by RHL Appraisal Limited, independent professionally qualified valuers, at an open market value of HK$10,300,000 based on its existing use (note 14). A revaluation surplus of HK$3,692,000 resulting from the valuation has been credited and the corresponding deferred tax effect of HK$646,000 has been debited to the Group's asset revaluation reserve in the prior year.

The Group's leasehold land and buildings are situated in Hong Kong and held under long term leases. As at 31 March 2007, the Group's leasehold land and buildings were pledged to secure certain bank loans granted to the Group (note 21).

14. INVESTMENT PROPERTIES

	Group	
	2007	2006
	HK$'000	HK$'000
Carrying amount at beginning of year	**133,800**	55,800
Acquisition of a subsidiary (note 28(b))	**48,676**	–
Additions	**–**	66,117
Disposals	**(10,900)**	–
Transfer to owner-occupied property (note 13)	**–**	(11,600)
Transfer from owner-occupied property (note 13)	**–**	10,300
Changes in fair value of investment properties	**(2,976)**	13,183
Carrying amount at 31 March	**168,600**	133,800
Classified as a non-current asset held for sale (note)	**–**	(10,900)
	168,600	122,900

Note: On 8 March 2006, the Group entered into a provisional agreement with a third party to dispose of an investment property located at Unit 5 on Ground Floor, China United Centre, 28 Marble Road, North Point, Hong Kong, with a carrying amount of HK$10,900,000 for a cash consideration of HK$10,280,000. The transaction was completed on 28 June 2006. Accordingly, this investment was classified as a non-current asset held for sale as at 31 March 2006.

14. INVESTMENT PROPERTIES (continued)

The Group's investment properties are all situated in Hong Kong and are held under long term leases.

The Group's investment properties were revalued on 31 March 2007 by RHL Appraisal Limited, independent professionally qualified valuers, at HK$168,600,000 on an open market, existing use basis. The investment properties are currently or expected to be leased to third parties under operating leases, further summary details of which are included in note 30 to the financial statements.

At 31 March 2007, the Group's investment properties with an aggregate value of HK$168,600,000 (2006: HK$133,800,000) were pledged to secure general banking facilities granted to the Group (note 21).

Further particulars of the Group's investment properties are included on page 114.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Due from subsidiaries	**1,276,954**	1,074,013
Due to subsidiaries	**(57,140)**	(43,536)
	1,219,815	1,030,478
Impairment	**(490,451)**	(327,991)
	729,364	702,487

15. INTERESTS IN SUBSIDIARIES (continued)

The balances with subsidiaries are unsecured and have no fixed terms of repayment. Except for an amount due from a subsidiary of HK$4,369,000 which bears interest at 2% over the Hong Kong dollar prime rate as quoted by The Hongkong and Shanghai Banking Corporation Limited (the "Prime Rate") (2006: HK$233,181,000 which bears interest at 6.8%) per annum, the balances with subsidiaries are interest-free. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Brilliant Crown Trading Limited	Hong Kong	HK$1,000,000	–	100	Holding of motor vehicles
Dollar Group Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investments in securities
Double Smart Finance Limited	Hong Kong	HK$2	–	100	Money lending
Heritage Strategic Enterprises Limited	Hong Kong	HK$10,000	–	100	Provision of corporate services
Mass Nation Investments Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Overseas Global Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Planner Ford Limited	Hong Kong	HK$2	–	100	Provision of corporate services

15. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Prostar Hong Kong Limited	Hong Kong	HK$2	100	–	Provision of corporate services
Rightmind Developments Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Silver Target Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Property investment
Wealth Champion Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Property investment
Bestford Properties Limited	Hong Kong	HK$100	–	100	Property investment
Earn Best Investments Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Property investment
Great Gains International Limited	Hong Kong	HK$100	–	100	Property investment
High Heritage Group Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Property investment
International Stamps & Coins Auction Limited	Hong Kong	HK$2	–	100	Holding of motor vehicles

15. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Power Speed Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Rainbow Fair Development Limited	Hong Kong	HK$2	–	100	Holding of motor vehicles
Waytech Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Easywin Cotai Entertainment Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Provision of management services
Wiseteam Assets Limited	British Virgin Islands/ Hong Kong	US$100	–	100	Property investment

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

During the year, the Company recognised certain provision for impairment of amounts due from subsidiaries in the aggregate of HK$162,460,000, based on an assessment of the recoverable amount for the corresponding cash-generating units, which requires an estimation of the value in use of the cash-generating units.

15. INTERESTS IN SUBSIDIARIES (continued)

The goodwill arising from the acquisition of a subsidiary is as follows:

	2007 HK$'000	2006 HK$'000
At 31 March:		
Cost	**2,688**	2,688
Accumulated impairment	**(2,688)**	(2,688)
Net carrying amount	**–**	–

16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2007 HK$'000	2006 HK$'000
Share of net liabilities	**–**	–
Goodwill on acquisition	**15,972**	–
	15,972	–
Provision for impairment	**(15,972)**	–
	–	–

16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the jointly-controlled entities are as follows:

Name	Particulars of issued shares held/ registered capital	Place of incorporation/ registration	Percentage of ownership interest, voting power and profit sharing attributable to the Group	Principal activities
New Range Investments Limited*	Ordinary shares of HK$1 each	Hong Kong	20	Investment holding
Shanghai Heritage Newline Investment Consultancy Company Limited*^	Registered capital of RMB10,000,000	People's Republic of China (the "PRC")	20	Provision of investment and management consultancy services
Shanghai Newline Advertising Inc.*^	Registered capital of RMB1,000,000	PRC	20	Provision of advertising and related services

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

^ Subsidiaries of New Range Investments Limited

All of the above investments in jointly-controlled entities are indirectly held by the Company.

The above jointly-controlled entities have been accounted for using the equity method in these financial statements.

The goodwill acquired through the acquisition of the jointly-controlled entities of approximately HK$15,972,000 has been determined provisionally, pending the finalisation of the completion of the appraisal of certain intangible assets, and accordingly, may change upon such finalisation.

16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

The following table illustrates the summarised asset, liability, income and expense information of the Group's jointly-controlled entities as extracted from the consolidated financial statements of New Range Investments Limited ("New Range") for the period from 25 February 2006 (date of incorporation) to 31 March 2007:

	2007	2006
	HK$'000	HK$'000
Current assets	**1,793**	–
Non-current assets	**37**	–
Current liabilities	**(2,007)**	–
Non-current liabilities	**–**	–
Net liabilities	**(177)**	–
Turnover	**18**	–
Cost of sales	**(16)**	–
Other revenue	**175**	–
	177	–
Total expenses	**(20,856)**	–
Tax	**–**	–
Loss after tax	**(20,679)**	–

The Group's shares of net liabilities and losses of the jointly-controlled entities were limited by its interests in the jointly-controlled entities as further explained below.

The Group has discontinued the recognition of its share of losses of New Range Investments Limited and its subsidiaries because the share of losses of the jointly-controlled entities exceeded the Group's interests in the jointly-controlled entities. The amounts of the Group's unrecognised share of losses of the jointly-controlled entities for the current year and cumulatively were approximately HK$108,000 and HK$108,000, respectively.

During the year, the Group recognised certain provision for impairment of goodwill arising from the acquisition of the jointly-controlled entities of HK$15,972,000, based on an annual assessment of the recoverable amount for the cash-generating unit specific to the jointly-controlled entities, which is within the investment holding reportable segment. Impairment loss of HK$15,972,000 was recognised in the investment holding segment.

16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

On 28 June 2006, the Group entered into the new agreement ("New Agreement") to subscribe for a 20% equity interest in New Range. Pursuant to the New Agreement, within 18 months from the date of approval and due registration of a joint venture contract to be entered into between the shareholders of New Range in relation to their respective rights and obligations in New Range by the relevant government authorities and registration authorities, respectively, the Group would also have the right to further increase its equity interest in New Range to 40% by injecting another HK$20 million into New Range.

17. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Listed equity investments, at fair value:		
Hong Kong	**–**	104,000
Elsewhere	**7,889**	12,434
	7,889	116,434
Unlisted investments, at cost	**128,105**	128,105
Less: Provision for impairment	**(128,105)**	(123,184)
	–	4,921
Club membership debenture, at fair value	**830**	630
	8,719	121,985

For the Group's available-for-sale investments, the amount of net fair value loss recognised directly in equity during the year amounted to HK$4,345,000 (2006: gain of HK$51,500,000) and the amount of net fair gain that was removed from equity and recognised in the income statement for the year amounted to HK$ HK$53,424,000 (2006: Nil).

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

17. AVAILABLE-FOR-SALE INVESTMENTS (continued)

The fair values of the listed equity investments are based on their quoted market prices. For unlisted investments, as the directors are of the opinion that the variability in the range of reasonable fair value estimates for the unlisted investments is significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, these investments are stated at cost less any impairment losses.

As at 31 March 2006, an available-for-sale investment of the Group of approximately HK$104 million was pledged to a financial institution to secure certain margin financing facilities provided to the Group, as further detailed in note 20 to the financial statements. No available-for-sale investment of the Group was pledged as at 31 March 2007.

Included in the available-for-sale investments of the Group as at 31 March 2007 were beneficial interests in 20% of the respective nominal value of the issued share capital of two equity investees (the "Equity Investees"). The Equity Investees were not treated as associates, because in the opinion of the directors, the Equity Investees were acquired and held with a view to the ultimate realisation of capital gain from subsequent disposal and did not intend to exercise significant influence over the Equity Investees.

Particulars of the Equity Investees are as follows:

Company name	Place of incorporation	Class of shares held	Percentage of the nominal value of issued ordinary share capital held by the Group	
			2007	2006
King Kong International Investment Limited (in Portuguese, King Kong International Investimentos, Limitada) ("King Kong")*	Macau	Ordinary	**–**	20
Found Investments International Limited (formerly Found Macau Investments International Limited) ("Found Investments")**	British Virgin Islands	Ordinary	**20**	20

17. AVAILABLE-FOR-SALE INVESTMENTS (continued)

* Mr. Peter Ong, a director of the Company, is a director of King Kong and had a 30% beneficial interest in the issued share capital of King Kong. During the year, a shareholder resolution to dissolve King Kong was passed and the process was completed during the year. Accordingly, the Group's interest in King Kong has been written off.

** On July 2007, the Eastern Caribbean Supreme Court in the High Court of Justice of the British Virgin Islands ordered Found Investments to wind up and appointed liquidators to carry out the process. Accordingly, full provision for impairment of the Group's interests in Found Investments has been made.

18. LOAN TO AN INVESTEE COMPANY

The loan to an investee company represents the loan to Found Investments which is carried at amortised cost using the effective interest method. Found Investments is an investment holding company incorporated in the British Virgin Islands and it intends to directly or indirectly invest in gaming, entertainment and related businesses in Macau. The balance is unsecured, bears an effective interest rate of approximately 10.2% per annum, and is repayable after eight years from 21 March 2005 (date of drawdown). Based on available evidence (including the liquidation in progress as further detailed in note 17 to the financial statements), full provision for impairment of the loan of HK$49,838,000 has been made.

19. LOANS RECEIVABLE

	Group	
	2007	2006
	HK$'000	HK$'000
Loans receivable	**314,850**	213,200
Less: Provision for impairment	**(17,000)**	(10,750)
	297,850	202,450
Less: Balances due within one year included in current assets	**(296,850)**	(200,450)
Non-current portion	**1,000**	2,000

Loans receivable represent receivables arising from the money lending business of the Group, and bear interest at rates ranging from the Prime Rate to 8% above the Prime Rate (2006: from 2% below the Prime Rate to 3% above the Prime Rate) per annum. The granting of these loans has been approved and monitored by the Company's executive directors in charge of the Group's money lending operations.

20. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007	2006
	HK$'000	HK$'000
Listed equity investments, at market value:		
Hong Kong	**285,098**	307,808
Elsewhere	**55,689**	–
	340,787	307,808
Unlisted securities, at fair value	**11,408**	–
	352,195	307,808

At the balance sheet date, the Group's investments in listed securities were pledged to certain financial institutions to secure certain margin financing facilities provided to the Group (note 21).

At the date of approval of these financial statements, the market value of listed equity securities held by the Group as at the balance sheet date was approximately HK$518,691,000 (2006: HK$158,979,000).

At 31 March 2007, the carrying amount of the Group's shareholding in the following listed equity securities exceeded 10% of the total assets of the Group.

Company name	Place of incorporation	Principal activities	Particulars of issued share capital	Interest held by the Group as investments at fair value through profit or loss
Yugang International Limited	Bermuda	Trading of metal commodities and other materials, treasury investment, manufacturing of accessories, property and other investments	Ordinary shares of HK$0.01 each	4.1%

21. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	Group 2007 HK$'000	Group 2006 HK$'000	Company 2007 HK$'000	Company 2006 HK$'000
Current						
Bank loans – secured	HIBOR^+1.25		1,872	2,520	–	–
Bank loans – secured	HIBOR^+1.50		3,173	–	3,173	–
Bank loans – secured	Prime*–2.25		399	991	152	991
Bank loans – secured	Prime*–2.50		835	–	–	–
Bank loans – secured	5.10		2,091	–	–	–
Bank loans – secured	Prime*–2.80		904	–	–	–
Bank loans – secured	Prime*		–	7,726	–	–
			9,274	11,237	3,325	991
Non-current						
Bank loans – secured	HIBOR^+1.25	2012	–	24,540	–	–
Bank loans – secured	HIBOR^+1.25	2021	25,036	–	–	–
Bank loans – secured	HIBOR^+1.50	2010	15,658	–	15,658	–
Bank loans – secured	Prime*–2.25	2013	976	7,858	976	7,858
Bank loans – secured	Prime*–2.25	2025	7,692	–	–	–
Bank loans – secured	Prime*–2.50	2018	11,649	–	–	–
Bank loans – secured	5.10	2018	26,570	–	–	–
Bank loans – secured	Prime*–2.80	2018	12,527	–	–	–
Bank loans – secured	Prime*	2007	–	7,500	–	–
Bank loans – secured	Prime*	2025	–	7,940	–	–
			100,108	47,838	16,634	7,858
			109,382	59,075	19,959	8,849

^ Denotes the Hong Kong Interbank Offered Rate.

* Represents the Hong Kong dollar prime lending rate as quoted by Chong Hing Bank Limited, Wing Hang Bank Limited, or Bank of East Asia Limited.

21. INTEREST-BEARING BANK BORROWINGS (continued)

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Analysed into:				
Bank loans repayable:				
Within one year	**9,274**	11,237	**3,325**	991
In the second year	**11,312**	11,237	**5,331**	991
In the third to fifth years, inclusive	**27,068**	11,210	**7,705**	2,974
Beyond five years	**61,728**	25,391	**3,598**	3,893
	109,382	59,075	**19,959**	8,849

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) mortgages over the Group's leasehold land and buildings situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK$19,269,000 (2006: HK$20,317,000);

(ii) mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK$168,600,000 (2006: HK$133,800,000);

(iii) a corporate guarantee given by the Company up to HK$91,260,000 (2006: HK$38,260,000) as at the balance sheet date; and

(iv) a personal guarantee to the extent of HK$19,000,000 as at the balance sheet date given by a substantial beneficial shareholder of the Company.

(b) The Group's investments in securities with an aggregate carrying value at the balance sheet date of approximately HK$288,806,000 (2006: HK$411,808,000) were pledged to certain financial institutions to secure certain margin financing facilities provided to the Group which were not utilised as at 31 March 2007 and 2006.

22. CONVERTIBLE NOTES

On 7 April 2005, the Company made a fresh issue of redeemable convertible notes with an aggregate principal amount of HK$150,000,000 (the "2005 CNs"). The 2005 CNs were unsecured, non-interest-bearing and had an original maturity date on 7 April 2010. The 2005 CNs were convertible at the option of the noteholders into the Company's ordinary shares at a conversion price of HK$0.05 per share in amounts or integral multiples of HK$500,000 at any time from date of issue up to 7 days prior to (and excluding) the maturity date of the 2005 CNs.

During the prior year, the 2005 CNs with a total principal amount of HK$114,000,000 were converted into 2,280,000,000 ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.05 per share (note 25(a)). The remaining 2005 CNs with face values totalling HK$36,000,000 were early redeemed by the Company in the prior year.

On 6 April 2006, the Company issued redeemable convertible notes with an aggregate principal amount of HK$300 million (the "2006 CNs") to independent third parties. The 2006 CNs are unsecured, non-interest-bearing and will mature on 5 April 2009. The 2006 CNs are convertible at the option of the noteholders into the Company's ordinary shares at a conversion price of HK$0.025 per share in amounts or integral multiples of HK$500,000 at any time from the date of issued up to seven days prior to (and excluding) the maturity date of the 2006 CNs. The Company will repay the 2006 CNs' holders on the maturity date at 120% of the outstanding principal amount of the 2006 CNs. In addition, the 2006 CNs' holders will be able to require the Company to redeem the 2006 CNs at 110% of the outstanding principal amount of the 2006 CNs during a period commencing from the first anniversary of the date of issue of the 2006 CNs and a day falling seven days after the first anniversary of the date of issue of the 2006 CNs. During the year, certain 2006 CNs with an aggregate principal amount of HK$225 million were converted into 9,000,000,000 ordinary shares of the Company of HK$0.02 each at a conversion price of HK$0.025 per share (note 25(j)). During the year, certain 2006 CNs with an aggregate principal amount of HK$45 million were redeemed by the Company. The aggregate face value of the 2006 CNs outstanding as at 31 March 2007 amounted to HK$30 million.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar note without a conversion option. The residual amount has been assigned as the equity component and is included in shareholders' equity.

22. CONVERTIBLE NOTES (continued)

The convertible notes issued during the year have been split as to the liability and equity components, as follows:

	Group and Company	
	2007	2006
	HK$'000	HK$'000
Liability component at beginning of year	**–**	36,897
Nominal value of convertible notes issued during the year	**300,000**	150,000
Equity component	**(45,560)**	(63,154)
Direct transaction costs attributable to the liability component	**(7,639)**	–
Liability component at the issuance date	**246,801**	86,846
Interest expense	**21,709**	2,131
Interest paid	**–**	(2,247)
Conversion during the year	**(199,942)**	(66,124)
Redemption during the year	**(40,758)**	(57,503)
Liability component at 31 March	**27,810**	–

23. DERIVATIVE FINANCIAL INSTRUMENT

	Group	
	2007	2006
	HK$'000	HK$'000
Buy-back option	**557**	752

The derivative financial instrument represents the fair value of an option granted by the Group to an independent third party, from whom the Group acquired an available-for-sale investment in the prior year, to buy back certain interest in that equity investment at a pre-determined price of NT$5.8 exercisable within a five-day period commencing from 6 January 2008. The fair value of the option was reassessed at the balance sheet date using the Black-Scholes option pricing model. Changes in the fair value of the option amounting to HK$195,000 were credited to the income statement during the year (2006: debit of HK$210,000).

24. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

Deferred tax liabilities

Group

	Revaluation of properties	
	2007	2006
	HK$'000	HK$'000
At beginning of year	**6,307**	3,354
Deferred tax charged to the income statement during the year *(note 10)*	**2,046**	2,307
Deferred tax debited to equity during the year	**–**	646
At 31 March	**8,353**	6,307

There was no material unprovided deferred tax charge in respect of the year or as at the balance sheet date (2006: Nil).

At 31 March 2007, the Group had tax losses arising in Hong Kong of approximately HK$127,144,000 (2006: HK$13,086,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in companies that have been loss-making for some time or due to the unpredictability of future profit streams of those companies, and accordingly, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

25. SHARE CAPITAL

Shares

	Company	
	2007	2006
	HK$'000	HK$'000
Authorised:		
25,000,000,000 ordinary shares of HK$0.02 each	**500,000**	500,000
Issued and fully paid:		
17,413,481,943 (2006: 7,134,081,943) ordinary shares of HK$0.02 each	**348,270**	142,682

A summary of the movements of the Company's issued capital and share premium account is as follows:

	Notes	Number of shares in issue	Issued capital	Share premium account	Total
			HK$'000	HK$'000	HK$'000
At 1 April 2005		9,608,987,344	96,090	114,486	210,576
Conversion of 2005 CNs	(a)	2,280,000,000	22,800	91,322	114,122
Warrants exercised	(b)	6,790	–	1	1
Share options exercised	(c)	186,000,000	3,720	540	4,260
Share consolidation	(d)	(10,700,094,721)	–	–	–
Capital reorganisation	(e)	–	(131,282)	–	(131,282)
Rights issue	(f)	4,695,058,530	93,902	140,852	234,754
Repurchase of shares	(g)	(47,876,000)	(4,788)	–	(4,788)
Placement of new shares	(h)	500,000,000	50,000	30,000	80,000
Placement of new shares	(i)	612,000,000	12,240	20,835	33,075
Share issue expenses		–	–	(10,151)	(10,151)
At 31 March 2006 and 1 April 2006		7,134,081,943	142,682	387,885	530,567
Conversion of 2006 CNs	(j)	9,000,000,000	180,000	61,043	241,043
Share options exercised	(k)	1,279,400,000	25,588	12,289	37,877
At 31 March 2007		17,413,481,943	348,270	461,217	809,487

25. SHARE CAPITAL (continued)

Shares (continued)

Notes:

(a) During the year ended 31 March 2006, 2,280,000,000 new ordinary shares of HK$0.01 each of the Company were issued upon the conversion of the 2005 CNs with face values aggregating HK$114,000,000 issued by the Company as further detailed in note 22 to the financial statements.

(b) During the year ended 31 March 2006, 6,790 warrants were exercised and 6,790 new ordinary shares of HK$0.01 each were allotted and issued at a subscription price of HK$0.16 per share for a total cash consideration, before expenses, of HK$1,086.

(c) During the year ended 31 March 2006, the subscription rights attaching to 186,000,000 share options were exercised at subscription prices ranging from HK$0.022 to HK$0.025 per share (note 26), resulting in the issue of 186,000,000 ordinary shares of HK$0.01 each for a total cash consideration, before expenses, of approximately HK$4,260,000.

(d) With effect from 9 June 2005, every 10 shares in the issued and unissued ordinary share capital of the Company of HK$0.01 each were consolidated into one consolidated share of HK$0.10 each. Further details of the share consolidation are also set out in the Company's circular dated 9 May 2005.

(e) The Company effected a capital reorganisation on 11 August 2005 which involved: (i) a reduction of the nominal value of each issued ordinary share of the Company from HK$0.10 to HK$0.02 each by the cancellation of HK$0.08 of the paid-up capital for each issued ordinary share; and (ii) a transfer of the credit arising from the capital reduction of approximately HK$131,282,000 to the Company's contributed surplus account. Further details of the capital reorganisation are also set out in the Company's circular dated 18 July 2005.

(f) A rights issue (the "2006 Rights Issue") of five rights shares for every two existing shares held by members on the register of members on 25 November 2005 was made, at an issue price of HK$0.05 per rights share, resulting in the issue of 4,695,058,530 ordinary shares of HK$0.02 each for a total cash consideration, before expenses, of approximately HK$234,754,000. Further details of the 2006 Rights Issue are also set out in a prospectus of the Company dated 2 December 2005.

25. SHARE CAPITAL (continued)

Shares (continued)

Notes: (continued)

(g) In June 2005, the Company repurchased its own ordinary shares of HK$0.10 each on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

Month/year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		HK$	*HK$*	*HK$'000*
June 2005	47,876,000	0.102	0.089	4,649

The repurchased shares were cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The difference between the issued capital repurchased and the value of cash consideration paid was credited to the capital redemption reserve of the Company.

(h) On 14 June 2005, the Company allotted and issued a total of 500,000,000 ordinary shares of HK$0.10 each for cash to independent third parties at a price of HK$0.16 per share.

(i) On 29 August 2005 and 30 March 2006, the Company allotted and issued 237,000,000 and 375,000,000 ordinary shares of HK$0.02 each for cash to independent third parties at a price of HK$0.10 and HK$0.025 per share, respectively.

(j) During the year ended 31 March 2007, 9,000,000,000 new ordinary shares of HK$0.02 each of the Company were issued upon the conversion of the 2006 CNs with face values aggregating HK$225,000,000 issued by the Company as further detailed in note 22 to the financial statements.

(k) During the year ended 31 March 2007, the subscription rights attaching to 566,000,000 share options granted to certain directors of the Company during the year were exercised at a subscription price of HK$0.025 per share (note 26), resulting in the issue of 566,000,000 ordinary shares of HK$0.02 each for a total cash consideration, before expenses, of approximately HK$14,150,000.

The subscription rights attaching to 713,400,000 share options granted to an investment advisor of the Company during the year were exercised at a subscription price of HK$0.023 per share, resulting in the issue of 713,400,000 ordinary shares of HK$0.02 each for a total cash consideration, before expenses, of approximately HK$16,408,000.

25. SHARE CAPITAL (continued)

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 26 to the financial statements.

Warrants

As at 31 March 2005, the Company had 448,779,326 warrants outstanding (the "Warrants"), which entitled the holders thereof to subscribe for 448,779,326 ordinary shares of the Company of HK$0.01 each at an initial subscription price of HK$0.017 per share (adjusted to HK$0.16 per share with effect from 19 November 2005 as a result of the 2006 Rights Issue), payable in cash, from 13 October 2003 to 12 April 2005.

During the prior year, 6,790 warrants were exercised for 6,790 ordinary shares of the Company of HK$0.01 each at a subscription price of HK$0.16 per share (note 25(b)). On 12 April 2005, all the Company's outstanding warrants expired.

26. SHARE OPTION SCHEMES

The Company adopted a share option scheme on 10 October 1996, which was subsequently amended on 30 September 1997, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations (the "Old Share Option Scheme"). The provisions of the Old Share Option Scheme did not comply with the current requirements of Chapter 17 of the Listing Rules. Accordingly, pursuant to an ordinary resolution passed at a special general meeting of the Company held on 28 September 2004, a new share option scheme (the "New Share Option Scheme") which complies with Chapter 17 of the Listing Rules was adopted to replace the Old Share Option Scheme and the Old Share Option Scheme was terminated with immediate effect.

Eligible participants of the New Share Option Scheme include the Company's directors, including the independent non-executive directors, and other employees of the Group and of the investee entities and any consultant, advisor or agent engaged by any member of the Group or any investee entity. The New Share Option Scheme became effective on 28 September 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

26. SHARE OPTION SCHEMES (continued)

The maximum number of unexercised share options currently permitted to be granted under the New Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New Share Option Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Under the New Share Option Scheme, the offer of a grant of share options may be accepted within 15 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. There is no provision as to the minimum period for which the share options must be held or the performance targets which must be achieved before the share options can be exercised. The exercise period of the share options granted is determinable by the directors and commences on the date of grant and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry date of the New Share Option Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

26. SHARE OPTION SCHEMES (continued)

The following share options were outstanding under the New Share Option Scheme during the year:

Name or category of participant	Number of share options** At 1 April 2006 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	At 31 March 2007 '000	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	Price of the Company's shares*** At grant date of share options HK$ per share	Immediately before the exercise date HK$ per share	At exercise date of share options HK$ per share
Directors											
Mr. Kwong Kai Sing, Benny	–	141,500	(141,500)	–	–	10-05-2006	10-05-2006 to 10-05-2016	0.025	0.027	0.027	0.027
Ms. Lo Ki Yan, Karen	–	141,500	(141,500)	–	–	10-05-2006	10-05-2006 to 10-05-2016	0.025	0.027	0.027	0.026
Mr. Ong Peter	–	141,500	(141,500)	–	–	10-05-2006	10-05-2006 to 10-05-2016	0.025	0.027	0.026	0.027
Ms. Poon Chi Wan	–	141,500	(141,500)	–	–	10-05-2006	10-05-2006 to 10-05-2016	0.025	0.027	0.027	0.026
	–	566,000	(566,000)	–	–						
Investment advisor											
In aggregate	–	713,400	(713,400)	–	–	09-03-2007	09-03-2007 to 09-03-2017	0.023	0.023	0.022	0.023
	–	1,279,400	(1,279,400)	–	–						

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price and the number of share options are subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options. The price of the Company's shares disclosed immediately before the exercise date of the share options is the weighted average of the Stock Exchange closing prices immediately before the dates on which the options were exercised over all of the exercises of options within the disclosure line.

26. SHARE OPTION SCHEMES (continued)

The fair value of the share options granted during the year was HK$6,645,000 of which the Group recognised a share option expense of HK$6,645,000 during the year ended 31 March 2007.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 March 2007:

Dividend yield (%)	–
Expected volatility (%)	61.46 – 104.43
Historical volatility (%)	104.43
Risk-free interest rate (%)	3.190 – 4.153
Expected life of option (year)	0.08 – 1
Weighted average share price (HK$)	0.0245

The expected life of the options is based on the historical data over the past one year and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the date of approval of these financial statements, the Company had no share option outstanding under the New Share Option Scheme.

27. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) Company

		Reserves						
	Notes	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Equity component of convertible notes HK$'000
At 1 April 2005		114,486	1,038	186,548	–	(100,227)	201,845	1,654
Issue of 2005 CNs	22	–	–	–	–	–	–	63,154
Redemption of 2004 convertible notes	28(c)(ii)	–	–	(998)	–	–	(998)	(1,654)
Conversion of 2005 CNs		91,322	–	–	–	–	91,322	(47,997)
Redemption of 2005 CNs		–	–	2,281	–	–	2,281	(15,157)
Warrants exercised	25(b)	1	–	–	–	–	1	–
Share options exercised	25(c)	540	–	–	–	–	540	–
Capital reorganisation	25(e)	–	–	131,282	–	–	131,282	–
Rights issue	25(f)	140,852	–	–	–	–	140,852	–
Repurchase of shares	25(g)	–	139	–	–	–	139	–
Placement of new shares	25(h), (i)	50,835	–	–	–	–	50,835	–
Equity-settled share option arrangements		–	–	–	674	–	674	–
Share issue expenses		(10,151)	–	–	–	–	(10,151)	–
Loss for the year		–	–	–	–	(25,692)	(25,692)	–
At 31 March 2006 and 1 April 2006		387,885	1,177	319,113	674	(125,919)	582,930	–
Issue of 2006 CNs	22	–	–	–	–	–	–	44,192
Redemption of 2006 CNs		–	–	–	–	–	–	(6,629)
Conversion of 2006 CNs		61,043	–	–	–	–	61,043	(33,144)
Equity-settled share option arrangements	26	–	–	–	6,645	–	6,645	–
Share options exercised	25(k)	12,289	–	–	(7,319)	–	4,970	–
Loss for the year		–	–	–	–	(201,054)	(201,054)	–
At 31 March 2007		461,217	1,177	319,113	–	(326,973)	454,534	4,419

27. RESERVES (continued)

Under the Bermuda Companies Act 1981, the Company's share premium account may be distributed in the form of fully paid bonus shares.

Under the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus in certain circumstances.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of a subsidiary

	2007 HK$'000	2006 HK$'000
Net assets disposed of:		
Property, plant and equipment (note 13)	849	76
Prepayments, deposits and other receivables	48	121
Cash and cash equivalents	2	208
Other payables and accruals	(9)	(23)
Amounts due to group companies	(6,988)	–
	(6,098)	382
Amounts due from subsidiaries disposed of	6,988	–
Gain/(loss) on disposal of a subsidiary	(410)	118
	480	500
Satisfied by:		
Cash	480	500

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(a) Disposal of a subsidiary (continued)

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

	2007 HK$'000	2006 HK$'000
Cash consideration	**480**	500
Cash and cash equivalents disposed of	**(2)**	(208)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**478**	292

The subsidiary disposed of during the year ended 31 March 2007 did not contribute any revenue to the Group's consolidated turnover but a loss after tax of HK$166,000 to the Group's consolidated loss after tax for the year.

(b) Acquisition of a subsidiary

	2007 HK$'000	2006 HK$'000
Net assets acquired:		
Investment property (note 14)	**48,676**	–
Prepayments, deposits and other receivables	**831**	–
Tax payable	**(39)**	–
Other payables and accruals	**(468)**	–
	49,000	–
Satisfied by:		
Cash	**49,000**	–

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Acquisition of a subsidiary (continued)

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

	2007 HK$'000	2006 HK$'000
Cash consideration	**(49,000)**	–
Cash and bank balances acquired	**–**	–
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	**(49,000)**	–

Since its acquisition, the subsidiary acquired during the year contributed HK$2,638,000 to the Group's consolidated turnover and a profit after tax of HK$1,596,000 to the Group's consolidated loss after tax for the year.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss after tax of the Group for the year would have been HK$532,110,000 and HK$227,960,000 respectively.

(c) Major non-cash transactions

(i) On 8 June 2006, the Group entered into a conditional agreement for the sale of an available-for-sale investment to an independent third party, Freeman Corporation Limited (formerly Inner Mongolia Development (Holdings) Limited) ("Freeman"), a company listed on the Stock Exchange, for a consideration to be satisfied by 55,000,000 ordinary shares of Freeman of HK$0.20 each. The transaction was completed on 23 June 2006 and resulted in a gain on disposal before tax of approximately HK$3,354,000.

(ii) On 7 April 2005, the Company early redeemed the then outstanding convertible notes issued on 15 April 2004 ("2004 CNs") with an aggregate face value of HK$36,000,000 with the funds available from the convertible notes issued on 7 April 2005 ("2005 CNs"). As all the holders of the 2004 CNs had also subscribed for the 2005 CNs, they had set off with the Company the subscription monies payable by them to the Company for the 2005 CNs against the amount payable by the Company to them on redemption of the 2004 CNs.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Major non-cash transactions (continued)

(iii) On 7 April 2005, the Company issued a convertible note in the principal amount of HK$50,000,000 to Found Investments to satisfy its contribution obligation as a shareholder of Found Investments. On 11 April 2005, Found Investments exercised the conversion rights of the HK$50,000,000 convertible note to convert it into 1,000,000,000 new ordinary shares of the Company of HK$0.01 each at the exercise price of HK$0.05 per share.

(iv) On 22 April 2005, 22 June 2005, 25 July 2005 and 26 July 2005, the Group subscribed convertible notes with principal amount of HK$52 million issued by Willie International Holdings Limited ("Willie") with zero coupon. These notes were convertible at the option of the Group at a conversion price of HK0.25 per share. In December 2005, the Group fully converted these convertible notes into 208,000,000 ordinary shares of Willie and held them as an available-for-sale investment.

29. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank and other borrowings, which are secured by the assets of the Group, are included in notes 13, 14, 20 and 21 to the financial statements.

30. OPERATING LEASE ARRANGEMENTS

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from one to three years.

At 31 March 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**6,083**	3,977
In the second to fifth years, inclusive	**1,901**	2,547
	7,984	6,524

31. COMMITMENTS

	Notes	Group 2007 HK$'000	2006 HK$'000
Contracted, but not provided for:			
Investment at fair value through profit or loss	(a)	**845**	–
Investment property	(b)	**–**	44,100
Interests in jointly-controlled entities	(c)	**–**	18,000
Property, plant and equipment	(d)	**–**	1,377
		845	63,477

(a) On 9 March 2007, the Group entered into an irrevocable undertaking by way of rights of 10 rights shares for every share in the issued share capital of Unity Investments Holdings Limited ("Unity"), a company listed on the Stock Exchange, at a subscription price of HK$0.10 per rights share. Pursuant to the irrevocable undertaking, the Group will subscribe for the rights entitled to 8,450,000 shares of Unity.

(b) On 30 March 2006, the Group entered into a conditional sale and purchase agreement with an independent third party to acquire the entire issued share capital and the shareholders' loans of Wiseteam Assets Limited ("Wiseteam") at a cash consideration of HK$49,000,000. Wiseteam is the registered owner of a property located at 30/F, China United Centre, 28 Marble Road, North Point, Hong Kong. A purchase deposit of HK$4,900,000 was paid upon signing the agreement and the remaining balance of HK$44,100,000 was paid upon completion. The transaction was completed on 5 June 2006.

31. COMMITMENTS (continued)

(c) On 25 October 2005, the Group entered into a framework agreement (the "Original Agreement") with independent third parties, to conditionally subscribe for a 20% equity interest in Shanghai Newline Advertising Inc. ("Shanghai Newline"), a limited liability company in the PRC, at a cash consideration of HK$20,000,000. The Group also had the right to further increase its shareholding interest in Shanghai Newline to 40% by injecting another HK$20,000,000 in cash into Shanghai Newline. A deposit of HK$2,000,000 was paid and the remaining balance of HK$18,000,000 would be paid by the Group upon the completion of the subscription, which is subject to, inter alia, the passing of the necessary resolution by the shareholders of the Company as well as the approval from the foreign investment approval authorities and other relevant authorities in the PRC for the proposed acquisition.

In relation to the subscription of an equity interest in Shanghai Newline, the contracted parties had revised the structure of the transaction contemplated in the Original Agreement and Shanghai Newline had undergone a restructuring process whereby New Range Investments Limited ("New Range"), a company incorporated in Hong Kong, is set up to hold, through a limited liability company established in the PRC, the entire equity interest in Shanghai Newline. On 28 June 2006, the Group entered into a new acquisition agreement (the "New Agreement") to subscribe for a 20% equity interest in New Range. The change of the shareholding structure was mainly to facilitate a possible listing of the business of Shanghai Newline on an overseas stock exchange. Further details of the transaction are also set out in a circular and an announcement of the Company dated 15 February 2006 and 30 June 2006, respectively. The Group has completed the acquisition of New Range during the year.

(d) During the prior year, the Group entered into a sale and purchase contract with an independent third party to acquire a motor vehicle at a cash consideration of HK$1,827,000. A purchase deposit of HK$450,000 was paid and the remaining balance of HK$1,377,000 was paid upon the delivery of the motor vehicle. The motor vehicle was acquired during the year.

32. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2007	2006
	HK$'000	HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**91,260**	38,260

As at 31 March 2007, the banking facilities granted to certain subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately HK$89,423,000 (2006: HK$35,225,000).

33. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) During the year, the Group granted a loan of HK$25,000,000 to Century Ample Finance Limited ("Century Ample"), a company incorporated in the British Virgin Islands, in which a director of Century Ample is also the director of the Company. The loan was unsecured, interest bearing at Prime Rate and repayable within one year. The amount of interest charged to Century Ample during the year was HK$1,022,000.

(b) Compensation of key management personnel of the Group:

	2007	2006
	HK$'000	HK$'000
Short term employee benefits	**4,800**	4,504
Post-employment benefits	**60**	60
Share-based payments	**2,423**	226
	7,283	4,790

Further details of directors' emoluments are included in note 8 to the financial statements.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank borrowings, convertible notes, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as loans receivable, a loan to an investee company, other receivables, other payables, available-for-sale investments and investments at fair value through profit or loss, which arise directly from its operations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, credit risk and liquidity risk as further detailed below. The board reviews and agrees policies for managing each of these risks. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Cash flow interest rate risk

The Group's exposure to interest rate risk relates primarily to its interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly loans receivable primarily at floating interest rates which are mostly short term in nature whereas financial liabilities are mainly bank borrowings at floating interest rates. The Group's policy is to obtain the most favourable interest rate available.

Credit risk

The Group's major exposure to the credit risk relates to loans receivable, a loan to an investee company, other receivables and bank balances represent arising from default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets in the consolidated balance sheet. The Group's loans receivable arise from the ordinary course of business of the Group and are closely monitored by the directors on an ongoing basis.

Liquidity risk

The Group's liquidity risk is minimal in the current year and is managed by matching the raising of loans or equity funding to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

35. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following significant events of the Group, not disclosed elsewhere in the financial statements, took place:

(a) On 14 May 2007, the Group entered into a sale and purchase agreement with a third party to dispose of its entire equity interest in Top Trinity Assets Limited ("Top Trinity") for a cash consideration of HK$20,828,000. The principal activity of Top Trinity is investment holding. Bestford Properties Limited, a wholly-owned subsidiary of Top Trinity, is the registered owner of a property located at Flat B on 22/F together with a portion of the roof immediately thereabove and one car park of Royalton, 118 Pok Fu Lam Road, Hong Kong, with a carrying amount of HK$20,000,000 as at 31 March 2007. The carrying amount of the property has been included in property investment segment at the balance sheet date.

(b) The Company intends to put forward to its shareholders a capital reorganisation (the "Capital Reorganisation") comprising a share consolidation (the "Share Consolidation") and an increase in its authorised share capital immediately follow the Share Consolidation, details of which are set out below:

(i) *Share Consolidation*

Pursuant to the Share Consolidation, every five shares of the Company of HK$0.02 each will be consolidated into one consolidated share of the Company of HK$0.10 each.

(ii) *Authorised share capital increase*

As at the balance sheet date, the authorised share capital of the Company of HK$500,000,000 is divided into 25,000,000,000 shares of HK$0.02 each. The Company will propose to the Company's shareholders at a special general meeting to be held on 23 July 2007 (the "SGM") that, immediately following the Share Consolidation, the authorised share capital of the Company will increase from HK$500,000,000 to HK$5,000,000,000, dividing into 50,000,000,000 consolidated shares of HK$0.10 each.

The Capital Reorganisation is conditional upon, among other things, passing by the shareholders of the relevant resolutions at the SGM and the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the consolidated shares to be issued following the completion of the share consolidation.

Further details of the Capital Reorganisation are also set out in a circular of the Company dated 6 July 2007.

35. POST BALANCE SHEET EVENTS (continued)

(c) On 13 June 2007, the Company entered into a conditional placing agreement (the "Placing Agreement") with a placing agent, Get Nice Investment Limited, pursuant to which an aggregate of 2,340,000,000 new shares of the Company will be placed by the placing agent on behalf of the Company at the price of HK$0.075 per share with independence investors (the "Placing").

The Placing is conditional upon (i) passing by the Company's shareholders of the relevant resolution at the SGM approving the Capital Reorganisation; and (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Placing shares.

Further details of the Placing are also set out in an announcement of the Company dated 14 June 2007.

(d) On 13 December 2006, the Group entered into a non-legally binding letter of intent with a prospective casino owner in Macau (the "Owner"), pursuant to which, the Group had agreed to provide certain management services to the Owner in connection with a VIP area to be established in a Las Vegas style casino in Cotai, Macau.

On 11 April 2007, the Group entered into a service agreement (the "Services Agreement") with a third party (the "Operator"), pursuant to which the Group had conditionally agreed to procure certain marketing and promotional services to a VIP area to be established by the Operator in a Las Vegas style casino due to be opened in Macau within the next two years. However, due to certain regulatory requirements in Macau, the Group has been advised that the structure contemplated under the Services Agreement had to be modified. To avoid prolonged suspension in the trading of the Company's shares, the parties to the Services Agreement entered into a termination agreement (the "Termination Agreement") on 30 May 2007 to terminate the Services Agreement and to release and discharge each other from its respective obligations under the Services Agreement with effect from the date of the Termination Agreement.

The parties are now negotiating for a structure which is viable and acceptable to both parties and the relevant regulatory authorities and the Company is considering provision of financial assistance to a connected person (as defined in the Listing Rules) of the Company to facilitate implementation of such structure.

Further details of the Service Agreements and the Termination Agreement are also set out in an announcement of the Company dated 1 June 2007.

35. POST BALANCE SHEET EVENTS (continued)

(e) On 10 April 2007, the 2006 CNs with face values in the aggregate of HK$30,000,000 were converted to 1,200,000,000 ordinary shares of the Company of HK$0.02 each at a conversion price of HK$0.025 per share.

36. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

As at the balance sheet date, the carrying amounts of the Group's financial assets and financial liabilities approximated to their fair values.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 July 2007.

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

RESULTS

	Year ended 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**531,600**	242,287	91,965	80,307	53,546
LOSS BEFORE TAX	**(225,892)**	(21,269)	(16,474)	(20,224)	(29,277)
Tax	**(2,553)**	(2,907)	(3,458)	(31)	(10)
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**(228,445)**	(24,176)	(19,932)	(20,255)	(29,287)

ASSETS AND LIABILITIES

	As at 31 March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
PROPERTY, PLANT AND EQUIPMENT	**30,742**	31,417	18,215	885	1,572
INVESTMENT PROPERTIES	**168,600**	122,900	55,800	13,420	20,270
AVAILABLE-FOR-SALE INVESTMENTS AND LOAN TO AN INVESTEE COMPANY	**8,719**	171,823	48,243	78,825	28,384
LONG TERM LOANS RECEIVABLE AND LOAN ADVANCES	**1,000**	2,000	50,000	1,725	–
INTERESTS IN ASSOCIATES	**–**	–	–	–	352,116
OTHER NON-CURRENT ASSETS	**–**	7,350	–	–	–
NET CURRENT ASSETS/ (LIABILITIES)	**744,696**	539,690	231,756	76,922	(286,360)
NON-CURRENT BANK AND OTHER BORROWINGS AND CONVERTIBLE NOTES	**(127,918)**	(47,838)	(61,710)	(2,683)	–
DEFERRED TAX LIABILITIES	**(8,353)**	(6,307)	(3,354)	–	–
	817,486	821,035	338,950	169,094	115,982

INVESTMENT PROPERTIES

Location	Attributable interest of the Group	Tenure	Existing use
30th Floor, China United Centre 28 Marble Road North Point Hong Kong	100%	Long term lease	Commercial
Offices A, B, C and D of 31st Floor, China United Centre 28 Marble Road North Point Hong Kong	100%	Long term lease	Commercial
Offices 3201 and 3202 of 32nd Floor, China United Centre 28 Marble Road North Point Hong Kong	100%	Long term lease	Commercial
Flat B of 22/F, together with a portion of the roof immediately thereabove and one car park of Royalton 118 Pok Fu Lam Road Hong Kong	100%	Long term lease	Residential
Shop 6 of G/F China United Centre 28 Marble Road North Point Hong Kong	100%	Long term lease	Commercial
Shop 6 of G/F Wing Wah House Nos. 28-38 Fan Wa Street Kowloon	100%	Long term lease	Commercial