



HERITAGE

INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 412

ANNUAL REPORT **2008**

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INTERNATIONAL
HOLDINGS LIMITED
2008
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**CORPORATE
INFORMATION****BOARD OF DIRECTORS***Executive Directors:*

Kwong Kai Sing, Benny (*Chairman*)

Lo Ki Yan, Karen (*Vice-Chairman*)

(resigned on 18 March 2008)

Ong Peter (*Managing Director*)

Poon Chi Wan

Chow Chi Wah, Vincent

Independent Non-Executive Directors:

Chung Yuk Lun*

Chan Sze Hung*

To Shing Chuen*

Ha Kee Choy, Eugene*

Lo Wong Fung*

(appointed on 26 July 2007)

* *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**

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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

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

PRINCIPAL BANKERS

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

**CORPORATE
INFORMATION****CLOSURE OF REGISTER OF MEMBER**

The register of members will be temporarily closed from 20 August 2008 to 22 August 2008, 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 19 August 2008.

NOTICE OF ANNUAL GENERAL MEETING

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 2008 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 2008.
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;

NOTICE OF ANNUAL GENERAL MEETING

- (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).”

NOTICE OF ANNUAL GENERAL MEETING

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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.”

NOTICE OF ANNUAL 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 2008

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 2008.

FINANCIAL RESULTS

The Group's audited consolidated loss for the year ended 31 March 2008 was HK\$367,751,000 compared with last year's attributable loss of HK\$228,445,000. The net assets value of the Group increased from HK\$817,486,000 as at 31 March 2007 to HK\$1,260,964,000 as at 31 March 2008.

Revenue for the year amounted to HK\$51,765,000 whilst last year was negative revenue of HK\$80,411,000. 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 fair value losses on equity investment at fair value through profit or loss amounted to HK\$404,401,000. General and administrative expenses decreased from last year's figure of HK\$28,482,000 to HK\$24,038,000 in this year being in line with the decrease in the size of our operation. Finance costs decreased from last year's figure of HK\$27,445,000 to HK\$4,501,000 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 approximately HK\$368 million mainly caused by unrealised loss of approximately HK\$404 million arisen from fair value losses on equity investments at fair value through profit or loss as at the year end.

The Group has the following major lines of business:

- (a) **Real Estate Investment:** the Group's property portfolio has undergone certain changes subsequent to the fiscal year end with the sale of three stories of an office building for a certain gain and the purchase of certain shop spaces. The management is considering to convert the shop spaces into a wine storage facility which would enhance the value of the property.

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS

- (b) **Investment in Listed Securities:** with the global drop in the securities market, this sector suffered an unrealised loss of approximately HK\$404 million this year. The current market conditions remain weak and a swift recovery in share prices is not expected in the near term. However, it appears that the market has bottomed out and has dropped to a relatively low level. It is hopeful that the market would gradually recover and the loss would be minimised.
- (c) **Money Lending Business:** the money lending business continues to be profitable with a segment profit of approximately HK\$22.1 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 2008, the outstanding loans receivable amounted to HK\$573.6 million, net of impairment provision, of which approximately HK\$401 million has been settled up to the date of approval of these financial statements.
- (d) **Investment in Lottery related business in the People's Republic of China (the "PRC"):** the Group has a 20% interest in a company engaging in lottery related business in the PRC. While this investment has yet to provide positive contribution to the Group, it is gradually expanding its lottery shops management business. More lottery shops are expected to be under the Group's management and are planned to expand its market share in Mainland China.
- (e) **Opportunities in Gaming Related Business in Macau:** competitions are becoming very keen in Macau and the Group is very cautious in entering into new contracts to provide management services to casinos in Macau. However, the Group is still keen to do business in this market and would continue to look for opportunities in this area.

Prospect

During the year, the Group has strengthened its equity base through a series of fund raising exercises. As at the fiscal year end, the Group's consolidated equity base stood at HK\$1,261 million. With strong cash resources, the Group is in a very strong position to take on new investment opportunities as and when they arise.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2008, the Group's total assets and bank borrowings were HK\$1,355,171,000 and HK\$79,006,000, 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 approximately 6%. As at 31 March 2008, investment properties and leasehold properties amounted to HK\$150,500,000 and HK\$7,878,000, respectively, were pledged to banks to secure certain loan facilities granted to the Group and investments in securities with carrying amount of HK\$316,186,000 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\$112,000,000 (2007: HK\$91,260,000).

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
23 July 2008



PROFILE OF THE MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Kwong Kai Sing, Benny, aged 49, is the Chairman and an Executive Director of the Company. Dr. Kwong graduated from Simon Fraser University in British Columbia, Canada with a bachelor degree in arts. Dr. Kwong was awarded the honorary degree of doctor of commerce by The University of West Alabama in 2008.

Dr. Kwong 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. Dr. Kwong has extensive knowledge in corporate finance and banking.

Dr. Kwong is currently a director of the Tung Wah Group of Hospitals and has been a member of the Campaign Committee of The Community Chest since 2006. Dr. Kwong was nominated as 中國企業創新優秀人物 in China in 2006 and was an appointed member of the China People's Political Consultative Committee of the Hubei Province in 1995-1996.

Ong Peter, aged 38, 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 52, 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 39, 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 56, 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 57, 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 51, 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 Accountant. 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 47, 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, a member of the Hong Kong Institute of Certified Public Accountants and an Associate Chartered Accountant (England and Wales).

Lo Wong Fung, JP, aged 61, is an Independent Non-Executive Director of the Company. Mr. Lo is the founder and Chairman of Golden Fame Logistics Holding Limited and has more than 30 years' experience in the logistic field. He is the Chairman of The Chamber of Hong Kong Logistics Industry, a director and the Chairman of the Technology Committee of Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies, the Permanent President of Hong Kong CFS & Logistics Association, the Permanent President of Hong Kong Container Drayage Services Association, the Honorary President of Hong Kong Cargo Vessel Traders' Association and also a member of the Hong Kong Logistics Development Council. Mr. Lo is also the Vice Chairman and Welfare Committee Chairman of Ning Po Residents Association (H.K.), a member of the Political Consultative Committee of Zhongshan City, China and the Vice Chairman of Zhongshan Association of Overseas Chinese Enterprises. Mr. Lo is currently a visiting professor at the Shanghai Maritime University of China.

REPORT OF THE DIRECTORS

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 2008.

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 2008 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 26 to 121.

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 2008, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on pages 122 to 123. 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 page 124.

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 27, 24 and 28, 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 29 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\$1,029,780,000 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\$440,054,000 as at 31 March 2008. In addition, the Company's share premium account and capital redemption reserve, totalling HK\$695,769,000 as at 31 March 2008, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 March 2008, 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\$83,000.

DIRECTORS

The directors of the Company during the financial year ended 31 March 2008 were:

Kwong Kai Sing, Benny (*Chairman*)

Lo Ki Yan, Karen (*Vice Chairman*) (*resigned on 18 March 2008*)

Ong Peter (*Managing Director*)

Poon Chi Wan

Chow Chi Wah, Vincent

Chung Yuk Lun*

Chan Sze Hung*

To Shing Chuen*

Ha Kee Choy, Eugene*

Lo Wong Fung (*appointed on 26 July 2007*)

* *Independent non-executive directors*

REPORT OF THE DIRECTORS

In accordance with Bye-laws 99 of the Company, Mr. Chan Sze Hung, Mr. Chung Yuk Lun and Mr. Ha Kee Choy, Eugene will retire from office by rotation at the AGM. Mr. Chan Sze Hung, Mr. Chung Yuk Lun and Mr. Ha Kee Choy, Eugene 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 2008, 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:

Name of director	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Kwong Kai Sing, Benny	15,444,000	–	15,444,000	0.7
Ong, Peter	8,595,360	–	8,595,360	0.4
Poon Chi Wan	1,188,000	–	1,188,000	0.06

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 28 to the financial statements.

Save as disclosed above, as at 31 March 2008, 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 28 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.

REPORT OF THE DIRECTORS

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

At 31 March 2008, 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
Willie International Holdings Limited (note)	Corporate Interest	183,942,280	8.63

Save as disclosed above, as at 31 March 2008, 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.

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 39 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
23 July 2008

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 complied 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 complied with the required standard set out in the Model Code during the year ended 31 March 2008.

BOARD OF DIRECTORS

As at 31 March 2008, the board comprised nine Directors, of which four are Executive Directors namely Kwong Kai Sing, Benny (Chairman), Ong, Peter (Managing Director), Poon Chi Wan and Chow Chi Wah, Vincent, and five are Independent Non-Executive Directors namely Chan Sze Hung, To Shing Chuen, Ha Kee Choy, Eugene, Chung Yuk Lun and Lo Wong Fung. The five 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.

CORPORATE
GOVERNANCE REPORT

The attendance of Directors of 36 board meetings held during the year ended 31 March 2008 is as follows:

Name	Attended
<i>Executive Directors</i>	
Kwong Kai Sing, Benny (<i>Chairman</i>)	25/26
Lo Ki Yan, Karen (<i>Vice Chairman</i>) (<i>resigned on 18 March 2008</i>)	13/26
Ong, Peter (<i>Managing Director</i>)	24/26
Poon Chi Wan	24/26
Chow Chi Wah, Vincent	25/26
<i>Independent Non-Executive Directors</i>	
Chan Sze Hung	2/26
To Shing Chuen	2/26
Ha Kee Choy, Eugene	2/26
Chung Yuk Lun	3/26
Lo Wong Fung (<i>appointed on 26 July 2007</i>)	1/26

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.

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The Remuneration Committee held one meeting during the financial year of 2008. Details of the attendance of the Remuneration Committee meeting were as follows:

Committee members	Attendance	Title
Mr. To Shing Chuen	I/I	Independent Non-Executive Director
Mr. Ha Kee Choy, Eugene	I/I	Chairman, Independent Non-Executive Director
Ms. Poon Chi Wan	I/I	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 2008, fees paid to the Company's external auditors for non-audit activities amounted to approximately HK\$468,000.

Audit fees for the current fiscal year 2008 is approximately HK\$1,760,000.

AUDIT COMMITTEE

The Audit Committee is composed of five Independent Non-Executive Directors namely Chan Sze Hung (Chairman of the Committee), To Shing Chuen, Ha Kee Choy, Eugene, Chung Yuk Lun and Lo Wong Fung. 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 2008 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
Lo Wong Fung (<i>appointed on 26 July 2007</i>)	1/2

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 24 to 25 of this Annual Report.

**INDEPENDENT
AUDITORS' REPORT**

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 26 to 121, which comprise the consolidated and company balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL
STATEMENTS**

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. 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.

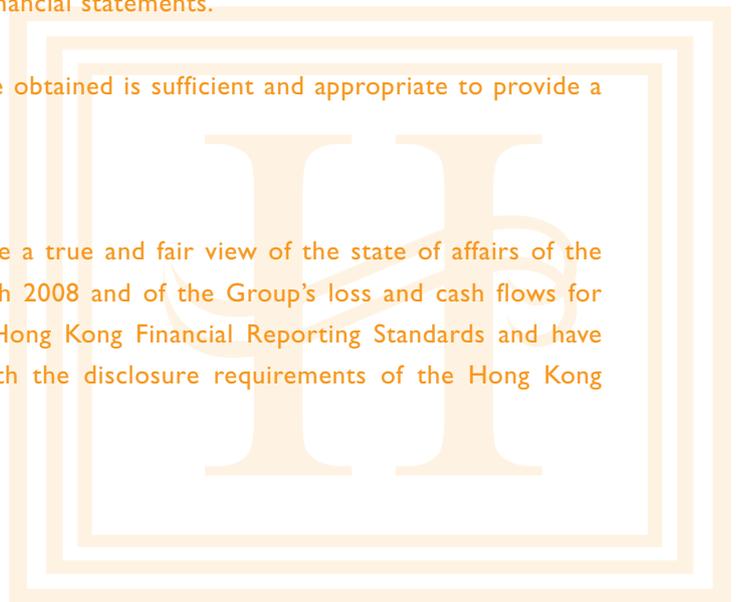
We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements 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 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.



Certified Public Accountants
18/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong
23 July 2008

**CONSOLIDATED
INCOME STATEMENT**

Year ended 31 March 2008

	Notes	2008 HK\$'000	2007 HK\$'000 (Restated)
REVENUE	5	51,765	(80,411)
Other income and gains	5	8,880	2,945
Gains/(losses) arising from changes in fair value of investment properties, net	14	1,900	(2,976)
Fair value gains/(losses) on investments at fair value through profit or loss, net		(404,401)	18,035
Loss on disposal of available-for-sale investments, net		-	(24,411)
Gain/(loss) on disposal of subsidiaries	30(a)	6,877	(410)
General and administrative expenses		(24,038)	(28,482)
Other expenses, net		(2,757)	(62,737)
Finance costs	7	(4,501)	(27,445)
Impairment of interests in jointly-controlled entities		-	(15,972)
Share of losses of jointly-controlled entities		-	(4,028)
LOSS BEFORE TAX	6	(366,275)	(225,892)
Tax	10	(1,476)	(2,553)
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	11	(367,751)	(228,445)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
			(Restated)
Basic		HK(54.47) cents	HK(39.13) cents
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

31 March 2008

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	Notes	2008 HK\$'000	2007 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	16,314	30,742
Investment properties	14	150,500	168,600
Interests in jointly-controlled entities	16	–	–
Available-for-sale investments	17	9,130	8,719
Loan receivable	19	4,070	1,000
Convertible bond – loan portion	20	16,630	–
Total non-current assets		196,644	209,061
CURRENT ASSETS			
Loans receivable	19	569,499	296,850
Convertible bond – option derivatives	20	1,626	–
Investments at fair value through profit or loss	21	357,627	352,195
Prepayments, deposits and other receivables	22	24,603	16,431
Cash and bank balances		205,172	127,695
Total current assets		1,158,527	793,171
CURRENT LIABILITIES			
Other payables and accruals		5,031	37,374
Interest-bearing bank borrowings	23	10,334	9,274
Derivative financial instrument	25	–	557
Tax payable		800	1,270
Total current liabilities		16,165	48,475
NET CURRENT ASSETS		1,142,362	744,696
TOTAL ASSETS LESS CURRENT LIABILITIES		1,339,006	953,757

**CONSOLIDATED
BALANCE SHEET**

31 March 2008

	Notes	2008 HK\$'000	2007 HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	23	68,672	100,108
Convertible notes	24	–	27,810
Deferred tax liabilities	26	9,370	8,353
		<hr/>	<hr/>
Total non-current liabilities		78,042	136,271
		<hr/>	<hr/>
Net assets		1,260,964	817,486
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	27	213,167	348,270
Equity component of convertible notes		–	4,419
Reserves	29(a)	1,047,797	464,797
		<hr/>	<hr/>
Total equity		1,260,964	817,486
		<hr/> <hr/>	<hr/> <hr/>

Poon Chi Wan
Director

Kwong Kai Sing, Benny
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2008

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Attributable to equity holders of the Company

Notes	Equity component					Available-for-sale		Share option reserve	Accumulated losses	Total equity
	Issued capital	Share premium account	Convertible notes	Capital redemption reserve	Asset revaluation reserve	Contributed surplus	Investment revaluation reserve			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	-	-	-	-	-	-	(4,345)	-	-	(4,345)
Disposal of available-for-sale investments	-	-	-	-	-	-	(53,424)	-	-	(53,424)
Total expense for the year recognised directly in equity	-	-	-	-	-	-	(57,769)	-	-	(57,769)
Loss for the year	-	-	-	-	-	-	-	-	(228,445)	(228,445)
Total expense for the year	-	-	-	-	-	-	(57,769)	-	(228,445)	(286,214)
Issue of convertible notes	-	-	44,192	-	-	-	-	-	-	44,192
Redemption of convertible notes	-	-	(6,629)	-	-	-	-	-	-	(6,629)
Conversion of convertible notes	27(a)	180,000	61,043	(33,144)	-	-	-	-	-	207,899
Equity-settled share option arrangements	-	-	-	-	-	-	-	6,645	-	6,645
Share options exercised	27(b)	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2008

Notes	Attributable to equity holders of the Company									
	Issued capital	Share premium account	Equity component			Asset revaluation reserve	Available- for-sale investment revaluation reserve	Share option reserve	Accumu- lated losses	Total equity
			Convertible	of	Capital					
			notes	redemption	reserve					
Contributed surplus	Share option reserve	Share option reserve	Share option reserve	Share option reserve	Share option reserve	Share option reserve	Share option reserve	Share option reserve	Share option reserve	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007	348,270	461,217	4,419	1,177	3,046	319,113	(6,269)	-	(313,487)	817,486
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	952	-	-	952
Impairment of an available-for-sale investment charged to income statement	-	-	-	-	-	-	5,757	-	-	5,757
Total income recognised directly in equity	-	-	-	-	-	-	6,709	-	-	6,709
Loss for the year	-	-	-	-	-	-	-	-	(367,751)	(367,751)
Total income and expense for the year	-	-	-	-	-	-	6,709	-	(367,751)	(361,042)
Conversion of convertible notes	27(c)	24,000	8,228	(4,419)	-	-	-	-	-	27,809
Issue of new shares	27(d)	255,453	245,062	-	-	-	-	-	-	500,515
Rights issue	27(f)	296,111	-	-	-	-	-	-	-	296,111
Capital reorganisation	27(g)	(710,667)	-	-	-	710,667	-	-	-	-
Share issue expenses	27	-	(19,915)	-	-	-	-	-	-	(19,915)
At 31 March 2008	213,167	694,592*	-	1,177*	3,046*	1,029,780*	440*	-*	(681,238)*	1,260,964

* These reserve accounts comprise the consolidated reserves of HK\$1,047,797,000 (2007: HK\$464,797,000) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2008

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	Notes	2008 HK\$'000	2007 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES#			
Loss before tax		(366,275)	(225,892)
Adjustments for:			
Finance costs	7	4,501	27,445
Share of losses of jointly-controlled entities		-	4,028
Interest income on a convertible bond	5	(241)	-
Bank interest income not included in revenue	5	(7,644)	(255)
Depreciation	6	3,774	4,277
Fair value losses/(gains) on investments at fair value through profit or loss, net		404,401	(18,035)
Impairment of interests in jointly-controlled entities	16	-	15,972
Gain on disposal of items of property, plant and equipment	5	(80)	(510)
Loss/(gain) on disposal of subsidiaries		(6,877)	410
Loss on disposal of an investment property	6	-	620
Changes in fair value of investment properties, net	14	(1,900)	2,976
Impairment of loans receivable	6	4,000	10,000
Impairment of loans receivable reversed	6	(7,000)	(3,750)
Impairment of loan interest receivables	6	-	435
Impairment of an available-for-sale investment	6	5,757	-
Losses on redemption of convertible notes	6	-	5,569
Equity-settled share option expenses	28	-	6,645
Fair value gain on option derivatives, net	5	(59)	-
Fair value gain on a derivative financial instrument	5	-	(195)
Loss on disposal of available-for-sale investments, net	6	-	24,411
Impairment of a loan to an investee company	6	-	49,838
Write-down of an available-for-sale investment	6	-	25
		32,357	(95,986)
Increase in investments at fair value through profit or loss		(409,833)	(18,102)
Increase in loans receivable		(272,719)	(101,650)
Increase in prepayments, deposits and other receivables		(8,261)	(2,887)
Increase/(decrease) in other payables and accruals		(31,340)	19,703
Decrease in other deposits		-	2,450
Cash used in operations		(689,796)	(196,472)

Included in "Cash flows from operating activities" above are interest and dividends received from the Group's principal activities amounting to HK\$19,548,000 (2007: HK\$26,907,000) and HK\$1,430,000 (2007: HK\$4,653,000), respectively.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Cash used in operations		(689,796)	(196,472)
Interest received		7,644	255
Interest paid		(4,501)	(5,619)
Hong Kong profits tax refunded/(paid)		(513)	50
Net cash outflow from operating activities		(687,166)	(201,786)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(2,392)	(4,695)
Proceeds from disposal of items of property, plant and equipment		608	754
Purchase of a convertible bond	20	(18,000)	–
Disposal of subsidiaries	30(a)	16,916	478
Acquisition of a subsidiary	30(b)	–	(44,100)
Proceeds from disposal of an investment property		–	10,280
Acquisition of jointly-controlled entities	16	–	(20,000)
Proceeds from disposal of available-for-sale investments		–	22,811
Net cash outflow from investing activities		(2,868)	(34,472)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from rights issue of shares	27	296,111	–
Proceeds from placement/allotment of new shares	27	500,515	–
Proceeds from warrants/options exercised		–	30,558
Share issue expenses	27	(19,915)	–
Drawdown of bank borrowings		–	105,000
Drawdown of other borrowings		6,862	–
Repayment of other borrowings		(6,862)	–
Repayment of bank borrowings		(9,200)	(54,693)
Redemption of convertible notes		–	(45,000)
Issue of convertible notes		–	290,993
Net cash inflow from financing activities		767,511	326,858
NET INCREASE IN CASH AND CASH EQUIVALENTS		77,477	90,600
Cash and cash equivalents at beginning of year		127,695	37,095
CASH AND CASH EQUIVALENTS AT END OF YEAR		205,172	127,695
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		205,172	127,695

**BALANCE
SHEET**
31 March 2008

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	Notes	2008 HK\$'000	2007 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	15	1,164,891	729,364
CURRENT ASSETS			
Prepayments and other receivables	22	829	780
Cash and bank balances		202,020	127,441
Total current assets		202,849	128,221
CURRENT LIABILITIES			
Other payables and accruals		3,092	2,593
Interest-bearing bank borrowings	23	5,170	3,325
Total current liabilities		8,262	5,918
NET CURRENT ASSETS		194,587	122,303
TOTAL ASSETS LESS CURRENT LIABILITIES		1,359,478	851,667
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	23	10,488	16,634
Convertible notes	24	–	27,810
Total non-current liabilities		10,488	44,444
Net assets		1,348,990	807,223
EQUITY			
Issued capital	27	213,167	348,270
Equity component of convertible notes	29(b)	–	4,419
Reserves	29(b)	1,135,823	454,534
Total equity		1,348,990	807,223

Poon Chi Wan
Director

Kwong Kai Sing, Benny
Director

NOTES TO FINANCIAL STATEMENTS

31 March 2008

I. 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 include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), 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, derivative financial instruments and certain investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2008. 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 a subsidiary 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 HKFRSs has had no material effect on these financial statements.

HKFRS 7	<i>Financial Instruments: Disclosures</i>
HKAS 1 Amendment	<i>Capital Disclosures</i>
HK(IFRIC)-Int 8	<i>Scope of HKFRS 2</i>
HK(IFRIC)-Int 9	<i>Reassessment of Embedded Derivatives</i>
HK(IFRIC)-Int 10	<i>Interim Financial Reporting and Impairment</i>
HK(IFRIC)-Int 11	<i>HKFRS 2 – Group and Treasury Share Transactions</i>

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) **HKFRS 7** *Financial Instruments: Disclosures*

This 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. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) **Amendment to HKAS 1** *Presentation of Financial Statements – Capital Disclosures*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 37 to the financial statements.

(c) **HK(IFRIC)-Int 8** *Scope of HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees and an investment advisor for identified services provided in accordance with the Company's share option scheme, the interpretation has had no effect on these financial statements.

**NOTES TO
FINANCIAL STATEMENTS**

31 March 2008

**2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL
REPORTING STANDARDS (continued)****(d) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives***

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group's existing policy of accounting for derivatives complies with the requirements of the interpretation, the interpretation has had no material impact on the financial position or results of operations of the Group.

(e) HK(IFRIC)-Int 10 *Interim Financial Reporting and Impairment*

The Group has adopted this interpretation as of 1 April 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no material impact on the financial position or results of operations of the Group.

(f) HK(IFRIC)-Int 11 *HKFRS 2 – Group and Treasury Share Transactions*

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no material impact on the financial position or results of operations of the Group.

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.

HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i> ¹
HKFRS 3 (Revised)	<i>Business Combinations</i> ⁴
HKFRS 8	<i>Operating Segments</i> ¹
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i> ¹
HKAS 23 (Revised)	<i>Borrowing Costs</i> ¹
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ⁴
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments:</i> <i>Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i> ¹
HK(IFRIC)-Int 12	<i>Service Concession Arrangements</i> ³
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i> ²
HK(IFRIC)-Int 14	HKAS 19 – <i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i> ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2008

³ Effective for annual periods beginning on or after 1 January 2008

⁴ Effective for annual periods beginning on or after 1 July 2009

The amended HKFRS 2 restricts the definition of “vesting condition” to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group currently has no share-based payment arrangement with non-vesting conditions attached.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

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

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The changes introduced by the revised standard must be applied prospectively and will affect future acquisitions and transactions with minority interests.

HKFRS 8, which will replace HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 April 2009.

The revised HKAS 1 separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

HKAS 27 has been revised to require a change in the ownership interest of a subsidiary to be accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised standard must be applied prospectively and will affect future acquisitions and transactions with minority interests.

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

HKAS 32 and HKAS 1 Amendments are relevant to entities that have issued financial instruments that are puttable financial instruments; or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation. In accordance with the amendments, even if the above-mentioned financial instruments impose on the entity an obligation to deliver cash or another financial asset, these instruments should be classified as equity instruments if certain specified conditions are met.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

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.

NOTES TO FINANCIAL STATEMENTS

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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;
- (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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

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 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. 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. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. 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.

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. The Group performs its annual impairment test of goodwill as at 31 March. 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.

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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)

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

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.

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 and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is 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 is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

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;
- (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.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Property, plant and equipment and depreciation (continued)

Changes in the fair 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 accumulated losses as a movement in reserves.

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 the 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

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.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a 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.

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.

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FINANCIAL STATEMENTS**

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Leases (continued)

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.

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 assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Investments and other financial assets (continued)

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. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

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 less any allowance for impairment. 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.

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FINANCIAL STATEMENTS**

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Investments and other financial assets (continued)*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. Interest and dividends earned are reported as interest income and dividend income, respectively, and are recognised in the income statement as “Other income” in accordance with the policies set out for “Revenue recognition” below. Losses arising from the impairment of such investments are recognised in the income statement as “Impairment losses on available-for-sale financial assets” and are transferred from the available-for-sale investment revaluation reserve.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

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. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

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 by adjusting the allowance account. 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.

In relation to loans and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on 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 has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Impairment of financial assets (continued)

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. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Derecognition of financial assets (continued)

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. The net fair value gain or loss recognised in the income statement does not include any interest charged in these financial liabilities.

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.

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FINANCIAL STATEMENTS**

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

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

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 less 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 that are readily convertible into known amounts of cash, 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.

NOTES TO FINANCIAL STATEMENTS

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

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.

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.

**NOTES TO
FINANCIAL STATEMENTS**

31 March 2008

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; and
- (d) 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 an investment advisor 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 28 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 (continued)

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 employee/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.

**NOTES TO
FINANCIAL STATEMENTS**

31 March 2008

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Other employee benefits*Retirement benefit scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit 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.

The functional currencies of an overseas subsidiary and 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 are included in a separate component of equity. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Foreign currencies (continued)

For the purpose of the consolidated cash flow statement, the cash flows of an overseas subsidiary are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiary which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rate for the period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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.

**NOTES TO
FINANCIAL STATEMENTS**

31 March 2008

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES
(continued)****Judgements (continued)***Classification between investment properties and owner-occupied properties (continued)*

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.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Impairment of available-for-sale investments

For available-for-sale investments, 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 Group also considers other factors, such as industry and sector performance and financial information regarding the issuer.

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.

(a) Impairment of loans receivable

The Group maintains an allowance for estimated losses 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, repayment history, historical write-off experience and other relevant information. 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(continued)

Estimation uncertainty (continued)

(b) *Impairment of available-for-sale investments*

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. During the year, an impairment loss of HK\$5,757,000 has been recognised for an available-for-sale investment (2007: Nil). The carrying amount of available-for-sale investments at 31 March 2008 was HK\$9,130,000 (2007: HK\$8,719,000).

(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*

Investment properties are carried in the balance sheet at their fair value. The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the gain or loss recognised in the income statement.

(e) *Impairment of non-financial assets (other than goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

**NOTES TO
FINANCIAL STATEMENTS**

31 March 2008

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(continued)

Estimation uncertainty (continued)*(f) Income taxes*

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. 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. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Hong Kong, and over 90% of the Group's assets are located in Hong Kong.

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.

There were no material intersegment sales and transfers during the year (2007: Nil).

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 2008 and 2007.

Group

	Property investment		Investments in securities		Money lending		Investment holding		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Restated)				(Restated)				
Segment revenue												
Revenue from external customers	8,593	7,961	23,624	(115,279)	19,548	26,907	-	-	-	-	51,765	(80,411)
Other revenue and gains	220	331	622	1,626	5	4	315	195	-	-	1,162	2,156
Total	8,813	8,292	24,246	(113,653)	19,553	26,911	315	195	-	-	52,927	(78,255)
Segment results	7,074	5,350	(380,531)	(126,734)	22,072	20,317	(9,549)	(70,927)	-	-	(360,934)	(171,994)
Unallocated other income and gains											7,718	789
Unallocated expenses											(8,558)	(7,242)
Finance costs											(4,501)	(27,445)
Impairment of interests in jointly-controlled entities											-	(15,972)
Share of losses of jointly-controlled entities											-	(4,028)
Loss before tax											(366,275)	(225,892)
Tax											(1,476)	(2,553)
Loss for the year											(367,751)	(228,445)

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Property investment		Investments in securities		Money lending		Investment holding		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)				(Restated)				(Restated)
Other segment information:												
(continued)												
Impairment of an available-for-sale investment	-	-	-	-	-	-	(5,757)	-	-	-	(5,757)	-
Share-based payments – unallocated											-	6,645
Gains/(losses) arising from changes in fair value of investment properties, net	1,900	(2,976)	-	-	-	-	-	-	-	-	1,900	(2,976)
Fair value gains/(losses) on investments at fair value through profit or loss, net	-	-	(404,401)	18,035	-	-	-	-	-	-	(404,401)	18,035
Impairment of a loan to an investee company	-	-	-	-	-	-	-	(49,838)	-	-	-	(49,838)
Impairment of loans receivable	-	-	-	-	(4,000)	(10,000)	-	-	-	-	(4,000)	(10,000)
Impairment of loans receivable reversed	-	-	-	-	7,000	3,750	-	-	-	-	7,000	3,750
Impairment of loan interest receivables	-	-	-	-	-	(435)	-	-	-	-	-	(435)
Losses on redemption of convertible notes – unallocated											-	(5,569)
Capital expenditure – allocated	-	48,676	-	-	-	-	-	-	-	-	-	48,676
Capital expenditure – unallocated amounts											2,392	4,695
											2,392	53,371

NOTES TO
FINANCIAL STATEMENTS

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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 a gain/(loss) on sale of investments at fair value through profit or loss, net, during the year.

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

	Group	
	2008 HK\$'000	2007 HK\$'000 (Restated)
Revenue		
Gross rental income from investment properties	8,593	7,961
Interest income from money lending operations	19,548	26,907
Dividend income from investments at fair value through profit or loss	1,430	4,653
Gain/(loss) on sale of investments at fair value through profit or loss, net*	22,194	(119,932)
	<u>51,765</u>	<u>(80,411)</u>
Other income and gains		
Fair value gain on a derivative financial instrument	–	195
Fair value gain on option derivatives, net	59	–
Interest income on a convertible bond	241	–
Bank interest income	7,644	255
Gain on disposal of items of property, plant and equipment	80	510
Others	856	1,985
	<u>8,880</u>	<u>2,945</u>

* Represents the proceeds from the sale of investments at fair value through profit or loss of HK\$1,252,241,000 (2007: HK\$492,079,000) less the cost of sales and carrying amount of the investments sold of HK\$1,230,047,000 (2007: HK\$612,011,000).

5. REVENUE, OTHER INCOME AND GAINS (continued)

In the prior year's financial statements, the Group separately presented the proceeds from the sale of investments at fair value through profit or loss as "revenue" and the cost of investments at fair value through profit or loss disposed of as "cost of sales and carrying amount of equity investments sold". During the current year, the Group changed its presentation to present the gain/loss on sale of investments at fair value through profits or loss as "revenue" on the net basis as, in the opinion of the directors, it would result in a more appropriate presentation of the revenue of the Group.

The effect of this change in presentation was to decrease the "revenue" and the "cost of sales and carrying amount of equity investments sold" for the year ended 31 March 2008 by HK\$492,079,000, representing the cost of investments at fair value through profit or loss disposed of during the current year.

This change in presentation has had no impact to the loss for the year attributable to equity holders of the Company.

To conform with the current year's presentation, the cost of investments at fair value through profit or loss disposed of for the year ended 31 March 2007 of HK\$612,011,000 has been reclassified from the "cost of sales and carrying amount of equity investments sold", resulting in a decrease in the "revenue" and the "cost of sales and carrying amount of equity investments sold" for that year by the same amount. This has resulted in no change to the amount of the loss for that year attributable to equity holders of the Company, or accumulated losses as at 1 April 2006.

NOTES TO
FINANCIAL STATEMENTS

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6. LOSS BEFORE TAX

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

	Notes	2008 HK\$'000	2007 HK\$'000
Depreciation	13	3,774	4,277
Employee benefits expense (excluding directors' remuneration (note 8)):			
Salaries and allowances		1,511	2,316
Retirement benefits scheme contributions (defined contribution scheme)*		72	68
		<u>1,583</u>	<u>2,384</u>
Share-based payment paid to an investment advisor for investment advisory services		–	4,222
Auditors' remuneration		1,760	1,550
Impairment of loans receivable**		4,000	10,000
Impairment of loans receivable reversed**		(7,000)	(3,750)
Impairment of loan interest receivables**		–	435
Direct operating expenses arising on rental-earning investment properties		1,036	1,033
Impairment of interests in jointly-controlled entities	16	–	15,972
Impairment of a loan to an investee company**	18	–	49,838
Loss on disposal of available-for-sale investments, net		–	24,411
Loss on disposal of an investment property**		–	620
Loss on redemption of convertible notes**		–	5,569
Foreign exchange differences, net		(3)	(36)
Impairment of an available-for-sale investment transferred from available-for-sale investment revaluation reserve**		5,757	–
Write-down of an available-for-sale investment**		–	25
Net rental income		<u>(7,557)</u>	<u>(6,928)</u>

NOTES TO FINANCIAL STATEMENTS

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6. LOSS BEFORE TAX (continued)

* At 31 March 2008, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefits scheme in future years (2007: Nil).

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

7. FINANCE COSTS

	Group	
	2008 HK\$'000	2007 HK\$'000
Interest on:		
Bank loans not wholly repayable within five years	4,501	5,736
Other borrowings wholly repayable within five years	20	312
Convertible notes	—	21,709
	4,521	27,757
Total interest expense on financial liabilities not at fair value through profit or loss		
Less: Interest expense included in gain/(loss) on sale of investments at fair value through profit or loss, net	(20)	(312)
	4,501	27,445
Total finance costs for the year	4,501	27,445

NOTES TO
FINANCIAL STATEMENTS

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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	
	2008 HK\$'000	2007 HK\$'000
Fees	454	392
Other emoluments:		
Salaries and allowances	6,060	4,530
Employee share option benefits [#]	–	2,423
Retirement benefits scheme contributions (defined contribution scheme)	60	54
	6,120	7,007
	6,574	7,399

[#] During the year ended 31 March 2007, certain directors were granted share options with an aggregate fair value of approximately HK\$2,423,000, 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 28 to the financial statements. The fair value of such options which was recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the prior year was included in the above directors' remuneration disclosures in the prior year.

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

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

	2008 HK\$'000	2007 HK\$'000
Mr. Chan Sze Hung	120	120
Mr. Miu Frank H.*	–	20
Mr. To Shing Chuen	120	120
Mr. Ha Kee Choy Eugene	120	120
Mr. Chung Yuk Lun	12	12
Mr. Lo Wong Fung**	82	–
	454	392

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

** Mr. Lo Wong Fung was appointed as an independent non-executive director of the Company with effect from 26 July 2007.

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

(b) Executive directors

	Fees HK\$'000	Salaries and allowances HK\$'000	Employee share option benefits HK\$'000	Retirement	Total remuneration HK\$'000
				benefits contributions HK\$'000	
2008					
Mr. Kwong Kai Sing, Benny	–	2,400	–	12	2,412
Ms. Lo Ki Yan, Karen*	–	1,080	–	12	1,092
Mr. Ong Peter	–	1,200	–	12	1,212
Ms. Poon Chi Wan	–	780	–	12	792
Mr. Chow Chi Wah, Vincent**	–	600	–	12	612
	–	6,060	–	60	6,120

NOTES TO
FINANCIAL STATEMENTS

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8. DIRECTORS' REMUNERATION (continued)
(b) Executive directors (continued)

	Fees	Salaries and allowances	Employee share option benefits	Retirement benefits contributions scheme	Total remuneration
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2007					
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

* Ms. Lo Ki Yan, Karen resigned from her position as an executive director of the Company with effect from 18 March 2008.

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

*** During the year ended 31 March 2007, 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.

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 five (2007: four) directors, one of whom was appointed as a director of the Company during the year ended 31 March 2007, details of whose remuneration in the capacity as directors of the Company are set out in note 8 above. Details of the remuneration of the remaining one non-director (before his appointment as a director), highest paid employee for the year ended 31 March 2007, are as follows:

	Group	
	2008	2007
	HK\$'000	HK\$'000
Salaries and allowances	-	270
Retirement benefits scheme contributions (defined contribution scheme)	-	6
	-	276
	-	276

The remuneration of the non-director, highest paid employee for the year ended 31 March 2007 fell within the band of nil to HK\$1,000,000.

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2008	2007
	HK\$'000	HK\$'000
Group:		
Current – Hong Kong	43	507
Deferred (note 26)	1,433	2,046
	-	-
Total tax charge for the year	1,476	2,553

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10. TAX (continued)

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

	Group	
	2008 HK\$'000	2007 HK\$'000
Loss before tax	<u>(366,275)</u>	<u>(225,892)</u>
Tax credit at the Hong Kong statutory tax rate of 17.5% (2007: 17.5%)	(64,098)	(39,531)
Losses attributable to jointly-controlled entities	–	3,500
Income not subject to tax	(4,448)	(1,439)
Expenses not deductible for tax	6,887	20,914
Tax losses utilised from previous periods	(1,236)	(3,488)
Tax losses not recognised	67,015	19,709
Others	<u>(2,644)</u>	<u>2,888</u>
Tax charge at the Group's effective tax rate	<u>1,476</u>	<u>2,553</u>

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 2008 includes a loss of HK\$4,734,000 (2007: HK\$42,450,000) which has been dealt with in the financial statements of the Company.

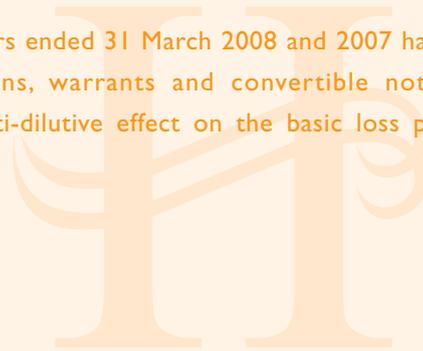
12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic loss per share

The calculation of the basic loss per share amounts for the year is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$367,751,000 (2007: HK\$228,445,000), and the weighted average number of 675,112,070 (2007: 583,804,422 (restated)) ordinary shares in issue during the year, as adjusted to reflect the rights issue, the consolidation of shares and the capital reorganisation during the year (note 27). The basic loss per share amount for the prior year has been adjusted to reflect the rights issue, the consolidation of shares and the capital reorganisation during the current year (note 27).

(b) Diluted loss per share

Diluted loss per share amounts for the years ended 31 March 2008 and 2007 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.



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13. PROPERTY, PLANT AND EQUIPMENT
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 2008					
At 31 March 2007 and at 1 April 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	<u>19,269</u>	<u>1,455</u>	<u>2,222</u>	<u>7,796</u>	<u>30,742</u>
At 1 April 2007, net of accumulated depreciation					
depreciation	19,269	1,455	2,222	7,796	30,742
Additions	-	-	2,392	-	2,392
Disposals	-	-	(528)	-	(528)
Disposal of a subsidiary (note 30(a))	(10,608)	(425)	(1,485)	-	(12,518)
Depreciation provided during the year	(783)	(386)	(310)	(2,295)	(3,774)
At 31 March 2008, net of accumulated depreciation	<u>7,878</u>	<u>644</u>	<u>2,291</u>	<u>5,501</u>	<u>16,314</u>
At 31 March 2008:					
Cost	9,415	1,595	3,727	9,981	24,718
Accumulated depreciation	(1,537)	(951)	(1,436)	(4,480)	(8,404)
Net carrying amount	<u>7,878</u>	<u>644</u>	<u>2,291</u>	<u>5,501</u>	<u>16,314</u>

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 2007					
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	<u>20,317</u>	<u>1,771</u>	<u>2,594</u>	<u>6,735</u>	<u>31,417</u>
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 30(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	<u>19,269</u>	<u>1,455</u>	<u>2,222</u>	<u>7,796</u>	<u>30,742</u>
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	<u>19,269</u>	<u>1,455</u>	<u>2,222</u>	<u>7,796</u>	<u>30,742</u>

The Group's leasehold land and buildings are situated in Hong Kong and are held under long term leases. At the balance sheet date, the Group's leasehold land and buildings were pledged to secure certain bank loans granted to the Group (note 23).

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14. INVESTMENT PROPERTIES

	Group	
	2008	2007
	HK\$'000	HK\$'000
Carrying amount at beginning of year	168,600	133,800
Acquisition of a subsidiary (note 30(b))	–	48,676
Disposal of a subsidiary (note 30(a))	(20,000)	–
Disposals	–	(10,900)
Changes in fair value of investment properties, net	1,900	(2,976)
	<hr/>	<hr/>
Carrying amount at 31 March	150,500	168,600
	<hr/> <hr/>	<hr/> <hr/>

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 2008 by Asset Appraisal Limited, independent professionally qualified valuers, at HK\$150,500,000 (2006: 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 32 to the financial statements.

At 31 March 2008, the Group's investment properties with an aggregate value of HK\$150,500,000 (2007: HK\$168,600,000) were pledged to secure general banking facilities granted to the Group (note 23).

Further particulars of the Group's investment properties are included on page 124.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2008 HK\$'000	2007 HK\$'000
Unlisted shares, at cost	1	1
Due from subsidiaries	1,926,684	1,276,954
Due to subsidiaries	—	(57,140)
	1,926,685	1,219,815
Impairment*	(761,794)	(490,451)
	1,164,891	729,364

* Due to the dismal performance of certain subsidiaries, an impairment testing for amounts due therefrom was performed. An impairment was recognised for certain amounts due from those subsidiaries with a carrying amount of HK\$1,926,684 (before deducting the impairment loss) (2007: HK\$1,276,954,000) because the recoverable amount of these balances were lower than their carrying amounts.

The balances with subsidiaries are unsecured. Except for an amount due from a subsidiary of HK\$4,369,000 as at 31 March 2007 which bore interest at 2% over the Hong Kong dollar prime rate as quoted by The Hongkong and Shanghai Banking Corporation Limited (the “Prime Rate”) per annum and was fully repaid during the year, the balances are interest-free and have no fixed terms of repayment.

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15. INTERESTS IN SUBSIDIARIES (continued)

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
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

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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	
Wealth Champion Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Property investment
Great Gains International Limited	Hong Kong	HK\$100	–	100	Property investment
Greater Chance Group Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
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
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

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15. INTERESTS IN SUBSIDIARIES (continued)

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.

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

	2008 HK\$'000	2007 HK\$'000
At beginning and end of year:		
Cost	2,688	2,688
Accumulated impairment	(2,688)	(2,688)
	<hr/>	<hr/>
Net carrying amount	-	-
	<hr/> <hr/>	<hr/> <hr/>

16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2008 HK\$'000	2007 HK\$'000
Cost of investments in jointly-controlled entities	20,000	20,000
Share of post-acquisition losses	(4,028)	(4,028)
	<hr/>	<hr/>
Provision for impairment	15,972 (15,972)	15,972 (15,972)
	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>

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 ("New Range")*	Ordinary shares of HK\$1 each	Hong Kong	20	Investment holding
上海漢基新幹線投資諮詢有限公司* ^	Registered capital of RMB10,000,000	People's Republic of China ("PRC")	20	Provision of investment and management consultancy services
上海新幹線廣告有限公司* ^	Registered capital of RMB1,000,000	PRC	20	Provision of advertising and related services

* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

^ Subsidiaries of New Range

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.

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16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

On 28 June 2006, the Group entered into an agreement (the "Agreement") to subscribe for a 20% equity interest in New Range (the "Acquisition"). Pursuant to the 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 rights to further increase its equity interest in New Range to 40% by injecting another HK\$20 million into New Range.

The goodwill acquired through the Acquisition in the prior year of approximately HK\$15,972,000 has been determined provisionally, pending the finalisation of the completion of the appraisal of certain intangible assets. During the current year, the allocation of the purchase price to the identifiable assets, liabilities and contingent liabilities acquired in this business combination has been determined and completed and the directors concluded that no adjustment to the provisional goodwill on the Acquisition is required.

The Group's share of net liabilities and losses of the jointly-controlled entities was 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 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\$371,000 (2007: HK\$108,000) and HK\$479,000 (2007: HK\$108,000), respectively.

During the year ended 31 March 2007, the Group recognised provision for impairment of interests in 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.

16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

The following table illustrates the summarised financial information of the Group's jointly-controlled entities based on the consolidated financial statements of New Range for the year ended 31 March 2008 (not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network):

	2008 HK\$'000	2007 HK\$'000
Current assets	191	1,793
Non-current assets	32	37
Current liabilities	<u>(2,528)</u>	<u>(2,007)</u>
Net liabilities	<u>(2,305)</u>	<u>(177)</u>
Revenue	742	18
Cost of sales	(540)	(16)
Other income	<u>26</u>	<u>175</u>
Total expenses	<u>(2,085)</u>	<u>(20,856)</u>
Loss after tax	<u>(1,857)</u>	<u>(20,679)</u>

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17. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2008 HK\$'000	2007 HK\$'000
Listed equity investment, at fair value:		
Not listed in Hong Kong	8,060	7,889
Unlisted investments, at cost	54,880	54,880
Less: Provision for impairment	(54,880)	(54,880)
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>
Club membership debenture, at fair value	1,070	830
	<u> </u>	<u> </u>
	9,130	8,719
	<u> </u>	<u> </u>

During the year, the net fair value gain of HK\$952,000 was recognised directly in equity (2007: net fair value loss of HK\$4,345,000) and the amount of the impairment loss that was removed from equity and recognised in the income statement for the year amounted to HK\$5,757,000 (2007: Nil). In the prior year, an aggregate amount of HK\$53,424,000 was removed from equity and recognised in the income statement for the year upon the disposal of the related available-for-sale investment.

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

The fair values of the listed equity investments and club membership debenture 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. The Group does not intend to dispose of them in the near future.

Included in the available-for-sale investments of the Group as at 31 March 2008 is a beneficial interest in 20% of the nominal value of the issued share capital of an equity investee (the "Equity Investee"). The Equity Investee was not treated as an associate, because in the opinion of the directors, the Equity Investee was acquired and held with a view to ultimately realising the capital gain from subsequent disposal and the Group does not intend to exercise significant influence over the Equity Investee.

17. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Particulars of the Equity Investee 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	
			2008	2007
Found Investments International Limited (formerly Found Macau Investments International Limited (“Found Investments”))	British Virgin Islands	Ordinary	20	20

In 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. Full provision for impairment of the Group’s interest in Found Investments was made in the prior year.

18. IMPAIRMENT OF A LOAN TO AN INVESTEE COMPANY

In the prior year, there was a loan to Found Investments which was carried at amortised cost using the effective interest method. Found Investments is an investment holding company incorporated in the British Virgin Islands and it originally intended to directly or indirectly invest in gaming, entertainment and related businesses in Macau. The loan is unsecured, bears interest at 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 was made in the prior year. No interest income in respect of the loan was recognised in the current and prior years.

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19. LOANS RECEIVABLE

	Group	
	2008	2007
	HK\$'000	HK\$'000
Loans receivable	587,569	314,850
Less: Provision for impairment	(14,000)	(17,000)
	573,569	297,850
Less: Balances due within one year included in current assets	(569,499)	(296,850)
	4,070	1,000
Non-current portion	4,070	1,000

Loans receivable as at 31 March 2008 represented receivables arising from the money lending business of the Group and bear interest at rates ranging from the Prime Rate to 24% per annum (2007: ranging from the Prime Rate to 8% above the Prime Rate per annum), of which approximately HK\$401 million were subsequently settled up to the date of approval of these financial statements. 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.

The movements in provision for impairment of loans receivable are as follows:

	Group	
	2008	2007
	HK\$'000	HK\$'000
At beginning of year	17,000	10,750
Impairment losses recognised (note 6)	4,000	10,000
Impairment losses reversed (note 6)	(7,000)	(3,750)
	14,000	17,000
At end of year	14,000	17,000

19. LOANS RECEIVABLE (continued)

Included in the above provision for impairment of loans receivable is a provision for individually impaired loans receivable of HK\$14,000,000 (2007: HK\$17,000,000) with a carrying amount of HK\$18,000,000 (2007: HK\$27,500,000). The individually impaired loans receivable relate to borrowers that were in financial difficulties and/or were in default or delinquency in principal payments and/or only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the loans receivable that are not considered to be impaired is as follows:

	Group	
	2008	2007
	HK\$'000	HK\$'000
Neither past due nor impaired	569,569	287,350

Receivables that were neither past due nor impaired relate to a sizable number of borrowers for whom there was no recent history of default. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

20. CONVERTIBLE BOND

	Group	
	2008	2007
	HK\$'000	HK\$'000
Unlisted convertible bond:		
Loan portion	16,630	—
Option derivatives, at fair value*	1,626	—
	18,256	—

* Represented net of conversion option derivative of HK\$1,633,000 and redemption option derivative of HK\$7,000.

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20. CONVERTIBLE BOND (continued)

On 16 February 2008, an indirect wholly-owned subsidiary of the Company (the “Subscriber”) entered into a conditional subscription agreement (the “Subscription Agreement”) with Hang Fa Lau Holdings Limited (“Hang Fa Lau”), a private company incorporated in Hong Kong with limited liability, for the subscription of a 2% convertible bond due 2011 with an aggregate principal amount of HK\$18 million issued by Hang Fa Lau (the “Convertible Bond”), which will entitle the holder thereof to convert the principal amount outstanding into new fully paid ordinary shares of Hang Fa Lau (the “Conversion Shares”) at the then effective conversion price. The Convertible Bond is unsecured, bears interest at a rate of 2% per annum and will mature three years from the date of issue of the Convertible Bond (the “Maturity Date”). The initial conversion price is HK\$1,800 per Conversion Share. The Convertible Bond does not contain any provisions for anti-dilution adjustments but provides that Hang Fa Lau may not create or issue any class of share capital, without the written approval of holder(s) of 51% of the aggregate principal amount of the Convertible Bond then outstanding.

The holder of the Convertible Bond has the right to convert, the whole or any part of the outstanding principal amount of the Convertible Bond into Conversion Shares at the then prevailing conversion price at any time on or after the issue of the Convertible Bond up to the close of business of the Maturity Date. Upon full conversion of the entire principal amount of the Convertible Bond by the Group at the initial conversion price of HK\$1,800 per Conversion Share, the Group will be interested in 50% of the enlarged issued share capital of Hang Fa Lau.

Unless previously converted, redeemed or cancelled in accordance with the terms of the Convertible Bond, Hang Fa Lau will redeem the Convertible Bond on the Maturity Date at 124% of the principal amount of the Convertible Bond then outstanding. Hang Fa Lau may at any time on or before the Maturity Date redeem the whole or any part of the outstanding principal amount of the Convertible Bond at the following rates:

- (i) if redemption is made on or before the first anniversary date from the issue date of the Convertible Bond, at 108% of the principal amount of the Convertible Bond to be redeemed;
- (ii) if redemption is made on or before the second anniversary date from the issue date of the Convertible Bond but after the first anniversary date from the issue date of the Convertible Bond, at 116% of the principal amount of the Convertible Bond to be redeemed; and
- (iii) if redemption is made on or before the third anniversary date from the issue date of the Convertible Bond but after the second anniversary date from the issue date of the Convertible Bond, at 124% of the principal amount of the Convertible Bond to be redeemed.

During the year and as at 31 March 2008, none of the principal amount of the Convertible Bond was converted, redeemed or cancelled, and the aggregate principal amount of the Convertible Bond outstanding as at 31 March 2008 amounted to HK\$18 million.

20. CONVERTIBLE BOND (continued)

Pursuant to the terms of the Subscription Agreement, so long as any Convertible Bond remains outstanding and registered in the name of the Subscriber, the Subscriber shall have the rights to appoint up to two directors to the board of Hang Fa Lau and to remove or substitute any of them by giving written notice to Hang Fa Lau. Further, on full conversion of the Convertible Bond, provided that the Group shall continue to hold not less than 50% of the issued share capital of Hang Fa Lau, the Group shall have the right to appoint up to 50% of the number of members of the board of Hang Fa Lau and to remove or substitute any of them by giving notice to Hang Fa Lau.

The fair values of the Convertible Bond's option derivatives have been determined by Asset Appraisal Limited, independent professionally qualified valuers, using the binomial model.

The effective interest rate of the loan portion of the Convertible Bond as at 31 March 2008 was 12%.

On the same date of entering into the Subscription Agreement, an indirect wholly-owned subsidiary of the Company also entered into a loan agreement with Hang Fa Lau to make available to Hang Fa Lau an unsecured revolving loan facility of up to HK\$25 million, subject to and upon the terms and conditions contained in the loan agreement (the "Revolving Loan Facility"). The revolving loan would bear interest at 5% over the prime or best lending rate for Hong Kong dollar loans as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time and is available from 16 February 2008 to the earlier of 15 February 2011 and the date on which the Revolving Loan Facility is cancelled or terminated under the provisions of the loan agreement. During the year and as at 31 March 2008, none of the Revolving Loan Facility was utilised.

Further details of the Convertible Bond and the Revolving Loan Facility are also set out in a circular of the Company dated 6 March 2008.

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21. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008 HK\$'000	2007 HK\$'000
Listed equity investments, at market value:		
Hong Kong	316,186	285,098
Elsewhere	41,441	55,689
	357,627	340,787
Unlisted securities, at fair value	–	11,408
	357,627	352,195

The above equity investments at 31 March 2008 and 2007 were classified as held for trading.

At 31 March 2008, the Group's investments in listed equity securities with an aggregate carrying value at the balance sheet date of approximately HK\$316,186,000 (2007: HK\$285,098,000) were pledged to certain financial institutions to secure certain margin financing facilities provided to the Group (note 23).

The market value of the Group's listed equity investments at the date of approval of these financial statements was approximately HK\$259,842,000 (2007: HK\$518,691,000).

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. Such investment was disposed of during the year.

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; and property and other investments	Ordinary shares of HK\$0.01 each	4.1%

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22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Prepayments	931	1,299	653	604
Deposits	682	725	–	–
Other receivables	22,990	14,407	176	176
	<u>24,603</u>	<u>16,431</u>	<u>829</u>	<u>780</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

23. INTEREST-BEARING BANK BORROWINGS

	Contractual interest rate (%)	Maturity	Group		Company	
			2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Current						
Bank loans – secured	HIBOR [^] +1.25	2008	1,872	1,872	–	–
Bank loans – secured	HIBOR [^] +1.50	2008	5,170	3,173	5,170	3,173
Bank loans – secured	Prime*–2.25	2008	–	399	–	152
Bank loans – secured	Prime*–2.50	2008	994	835	–	–
Bank loans – secured	5.10	2008	2,298	2,091	–	–
Bank loans – secured	Prime*–2.80	2008	–	904	–	–
			<u>10,334</u>	<u>9,274</u>	<u>5,170</u>	<u>3,325</u>
Non-current						
Bank loans – secured	HIBOR [^] +1.25	2021	23,164	25,036	–	–
Bank loans – secured	HIBOR [^] +1.50	2010	10,488	15,658	10,488	15,658
Bank loans – secured	Prime*–2.25	2013	–	976	–	976
Bank loans – secured	Prime*–2.25	2025	–	7,692	–	–
Bank loans – secured	Prime*–2.50	2018	10,631	11,649	–	–
Bank loans – secured	5.10	2018	24,389	26,570	–	–
Bank loans – secured	Prime*–2.80	2018	–	12,527	–	–
			<u>68,672</u>	<u>100,108</u>	<u>10,488</u>	<u>16,634</u>
			<u>79,006</u>	<u>109,382</u>	<u>15,658</u>	<u>19,959</u>

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23. INTEREST-BEARING BANK BORROWINGS (continued)

^ Denotes the Hong Kong Interbank Offered Rate.

* Represents the Hong Kong dollar prime lending rate as quoted by the Bank of East Asia Limited.

All the borrowings of the Group and the Company are denominated in Hong Kong dollars.

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Analysed into:				
Bank loans repayable:				
Within one year	10,334	9,274	5,170	3,325
In the second year	12,417	11,312	7,162	5,331
In the third to fifth years, inclusive	22,256	27,068	3,326	7,705
Beyond five years	33,999	61,728	–	3,598
	<u>79,006</u>	<u>109,382</u>	<u>15,658</u>	<u>19,959</u>

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\$7,878,000 (2007: HK\$19,269,000);
 - (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\$150,500,000 (2007: HK\$168,600,000);
 - (iii) a corporate guarantee given by the Company up to HK\$112,000,000 (2007: HK\$91,260,000) as at the balance sheet date; and
 - (iv) a personal guarantee to the extent of HK\$19,000,000 as at 31 March 2007 given by a substantial beneficial shareholder of the Company. The guarantee was released upon the repayment of the relevant loan during the year.
- (b) The Group's investments in listed equity securities with an aggregate carrying value at the balance sheet date of approximately HK\$316,186,000 (2007: HK\$285,098,000) were pledged to certain financial institutions to secure certain margin financing facilities provided to the Group which were not utilised as at 31 March 2008 and 2007 (note 21).

24. CONVERTIBLE NOTES

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 were unsecured, non-interest-bearing and would mature on 5 April 2009. The 2006 CNs were 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 issue up to seven days prior to (and excluding) the maturity date of the 2006 CNs. The Company would 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 would 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 to a day falling seven days after the first anniversary of the date of issue of the 2006 CNs. During the prior 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 27(a)), and certain 2006 CNs with an aggregate principal amount of HK\$45 million were redeemed by the Company. During the current year, the remaining 2006 CNs with an aggregate principal amount of HK\$30 million were converted into 1,200 million ordinary shares of the Company of HK\$0.02 each at a conversion price of HK\$0.025 per share (note 27(c)), and hence, no 2006 CNs were outstanding as at 31 March 2008.

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 was assigned as the equity component and was included in shareholders’ equity.

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FINANCIAL STATEMENTS

31 March 2008

24. CONVERTIBLE NOTES (continued)

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

	Group and Company HK\$'000
Nominal value of convertible notes issued during the year ended 31 March 2007	300,000
Equity component	(45,560)
Direct transaction costs attributable to the liability component	(7,639)
	<hr/>
Liability component at the issuance date	246,801
Interest expense	21,709
Conversion during the year	(199,942)
Redemption during the year	(40,758)
	<hr/>
Liability component at 31 March 2007 and at 1 April 2007	27,810
Conversion during the year	(27,810)
	<hr/>
At 31 March 2008	<hr/> <hr/> <u>–</u>

25. DERIVATIVE FINANCIAL INSTRUMENT

	Group	
	2008 HK\$'000	2007 HK\$'000
Buy-back option	<u>–</u>	<u>557</u>

The derivative financial instrument at 31 March 2007 represented 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 during the year ended 31 March 2006, 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 ended 31 March 2007. The option was expired during the year.

26. DEFERRED TAX LIABILITIES

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

Group

	2008		
	Depreciation allowance in excess of related depreciation	Revaluation of properties	Total
	HK\$'000	HK\$'000	HK\$'000
At beginning of year	-	8,353	8,353
Deferred tax charged to the income statement during the year (note 10)	1,100	333	1,433
Disposal of subsidiaries (note 30(a))	-	(416)	(416)
Gross deferred tax liabilities recognised in the consolidated balance sheet at end of year	1,100	8,270	9,370

NOTES TO
FINANCIAL STATEMENTS

31 March 2008

26. DEFERRED TAX LIABILITIES (continued)

	2007		
	Depreciation allowance in excess of related depreciation HK\$'000	Revaluation of properties HK\$'000	Total HK\$'000
At beginning of year	–	6,307	6,307
Deferred tax charged to the income statement during the year (note 10)	–	2,046	2,046
Gross deferred tax liabilities recognised in the consolidated balance sheet at end of year	–	8,353	8,353

At 31 March 2008, the Group had tax losses arising in Hong Kong of approximately HK\$503,022,000 (2007: HK\$127,144,000), 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 arising in Hong Kong. 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 taxable profit streams of those companies, and accordingly, in the opinion of the directors, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

27. SHARE CAPITAL

Shares

	Company	
	2008	2007
	HK\$'000	HK\$'000
Authorised:		
10,000,000,000 (2007: 25,000,000,000) ordinary shares of HK\$0.10 (2007: HK\$0.02) each	1,000,000	500,000
Issued and fully paid:		
2,131,667,916 (2007: 17,413,481,943) ordinary shares of HK\$0.10 (2007: HK\$0.02) each	213,167	348,270

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

		Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2006		7,134,081,943	142,682	387,885	530,567
Conversion of 2006 CNs	(a)	9,000,000,000	180,000	61,043	241,043
Share options exercised	(b)	1,279,400,000	25,588	12,289	37,877
<hr/>					
At 31 March 2007 and at 1 April 2007		17,413,481,943	348,270	461,217	809,487
Conversion of 2006 CNs	(c)	1,200,000,000	24,000	8,228	32,228
Placement of new shares	(d)	4,426,530,000	255,453	245,062	500,515
Share consolidation	(e)	(16,762,785,555)	–	–	–
Rights issue	(f)	2,961,113,194	296,111	–	296,111
Capital reorganisation	(g)	(7,106,671,666)	(710,667)	–	(710,667)
Share issue expenses		–	–	(19,915)	(19,915)
<hr/>					
At 31 March 2008		2,131,667,916	213,167	694,592	907,759

**NOTES TO
FINANCIAL STATEMENTS**

31 March 2008

27. SHARE CAPITAL (continued)**Shares (continued)**

Notes:

- (a) 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 at a conversion price of HK\$0.025 per share as further detailed in note 24 to the financial statements.
- (b) 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 that year were exercised at a subscription price of HK\$0.025 per share (note 28), resulting in the issue of 566,000,000 ordinary shares of HK\$0.02 each of the Company 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 prior 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 of the Company for a total cash consideration, before expenses, of approximately HK\$16,408,000.

- (c) During the year ended 31 March 2008, 1,200,000,000 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\$30,000,000 at a conversion price of HK\$0.025 per share as further detailed in note 24 to the financial statements.
- (d) During the year, the Company had the following placements of share transactions:
- (i) On 14 June 2007, the Company allotted and issued a total of 2,340,000,000 ordinary shares of HK\$0.02 each for cash at a price of HK\$0.075 per share. Further details of the placing are set out in the Company's announcement dated 14 June 2007.
- (ii) On 2 August 2007, the Company allotted and issued a total of 744,530,000 ordinary shares of HK\$0.10 each for cash at a price of HK\$0.18 per share. Further details of the placing are set out in the Company's announcement dated 2 August 2007.
- (iii) On 23 August 2007, the Company allotted and issued a total of 987,000,000 ordinary shares of HK\$0.10 each for cash at a price of HK\$0.10 per share. Further details of the placing are also set out in the Company's announcement dated 27 August 2007.

27. SHARE CAPITAL (continued)

Shares (continued)

Notes: (continued)

(d) (continued)

- (iv) On 26 February 2008, the Company allotted and issued 355,000,000 ordinary shares of HK\$0.10 each for cash at a price of HK\$0.26 per share. Further details of the placing are set out in the Company's announcement dated 26 February 2008.
- (e) The Company effected a capital reorganisation on 27 July 2007 which involved: (i) a share consolidation of every five shares in the issued and unissued ordinary share capital of the Company of HK\$0.02 each into one consolidated share of HK\$0.10; and (ii) an increase in the authorised share capital of the Company from HK\$500,000,000 divided into 25,000,000,000 shares of HK\$0.02 each to HK\$5,000,000,000 divided into 50,000,000,000 consolidated shares of HK\$0.10 each. Further details of the Capital Reorganisation are also set out in the Company's announcements dated 14 June 2007 and 23 July 2007.
- (f) During the current year, rights issue (the "Rights Issue") of one rights share for every two existing shares held by members on the register of members on 24 September 2007 was made, at an issue price of HK\$0.10 per rights share, resulting in the issue of 2,961,113,194 ordinary shares of HK\$0.10 each for a total cash consideration before expenses of approximately HK\$246,000,000. Further details of the Rights Issue are also set out in a prospectus of the Company dated 28 September 2007.
- (g) The Company effected a capital reorganisation on 20 December 2007 which involved: (i) a reduction in 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; (ii) a transfer of the credit arising from the capital reduction of approximately HK\$710,667,000 to the Company's contributed surplus account; (iii) a subdivision of every authorised but unissued ordinary capital of the Company of HK\$0.10 each into five shares of HK\$0.02 each; (iv) a reduction in the authorised share capital of the Company from HK\$5,000,000,000 divided into 50,000,000,000 shares of HK\$0.10 each to HK\$1,000,000,000 divided into 50,000,000,000 shares of HK\$0.02 each, before expenses, of approximately HK\$246,000,000; and (v) a share consolidation of every 5 shares in the issued and unissued ordinary share capital of the Company of HK\$0.02 each into one consolidated share of HK\$0.10. Further details of the capital reorganisation are also set out in the Company's circular dated 26 November 2007.

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 28 to the financial statements.

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FINANCIAL STATEMENTS**

31 March 2008

27. SHARE CAPITAL (continued)**Warrants**

During the year, a bonus issue of warrants (the “Warrants”) in the proportion of one Warrant for every five shares held by members of the Company on the register of members of the Company on 20 December 2007 was made, resulting in 355,333,583 Warrants being issued. Each Warrant entitles the holder thereof to subscribe for one ordinary share of the Company of HK\$0.10 at an initial subscription price of HK\$0.60 per share, payable in cash and subject to adjustment, and the Warrant is exercisable at any time between the date of issue of the Warrants and the day immediately preceding the date which is 18 months after the date of issue.

During the year, no warrant was exercised. As the balance sheet date, the Company had 355,333,583 Warrants outstanding. The exercise in full of such Warrants would, under the present capital structure of the Company, result in the issue of 355,333,583 additional shares of the Company HK\$0.10 each.

28. 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.

28. 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 of Hong Kong Limited (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.

No share options were granted during the year and no share options were outstanding as at 31 March 2008 and 2007.

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FINANCIAL STATEMENTS

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28. SHARE OPTION SCHEMES (continued)

The following share options were outstanding under the New Share Option Scheme during the year ended 31 March 2007:

Name or category of participant	Number of share options**					Date of grant of share options*	Exercise period of share options	Price of the Company's shares***			
	At	Granted	Exercised	Forfeited	At			Exercise price of share options** HK\$ per share	At grant	Immediately	At exercise
	1 April 2006	during the year '000	during the year '000	during the year '000	31 March 2007				date of share options HK\$ per share	before the exercise date HK\$ per share	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.

28. SHARE OPTION SCHEMES (continued)

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

The fair value of equity-settled share options granted during the year ended 31 March 2007 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 options (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.

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29. 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

	Notes	Reserves					Total	Equity component of convertible notes
		Share premium account	Capital redemption reserve	Contri- buted surplus	Share option reserve	Accu- mulated losses		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
At 1 April 2006		387,885	1,177	319,113	674	(125,919)	582,930	-
Issue of 2006 CNs	24	-	-	-	-	-	-	44,192
Redemption of 2006 CNs		-	-	-	-	-	-	(6,629)
Conversion of 2006 CNs	27(a)	61,043	-	-	-	-	61,043	(33,144)
Equity-settled share option arrangements	28	-	-	-	6,645	-	6,645	-
Share options exercised	27(b)	12,289	-	-	(7,319)	-	4,970	-
Loss for the year		-	-	-	-	(201,054)	(201,054)	-
At 31 March 2007 and at 1 April 2007		461,217	1,177	319,113	-	(326,973)	454,534	4,419
Conversion of 2006 CNs	27(c)	8,228	-	-	-	-	8,228	(4,419)
Issue of new shares	27(d)	245,062	-	-	-	-	245,062	-
Capital reorganisation	27(g)	-	-	710,667	-	-	710,667	-
Share issue expenses		(19,915)	-	-	-	-	(19,915)	-
Loss for the year		-	-	-	-	(262,753)	(262,753)	-
At 31 March 2008		694,592	1,177	1,029,780	-	(589,726)	1,135,823	-

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.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries

	2008	2007
	HK\$'000	HK\$'000
Net assets disposed of:		
Property, plant and equipment (note 13)	12,518	849
Investment property (note 14)	20,000	–
Prepayments, deposits and other receivables	116	48
Cash and cash equivalents	–	2
Other payables and accruals	(1,003)	(9)
Interest-bearing bank borrowings	(21,176)	–
Deferred tax liabilities (note 26)	(416)	–
Amounts due from/(to) group companies	9,791	(6,988)
	19,830	(6,098)
Amounts due from/(to) subsidiaries disposed of	(9,791)	6,988
Gain/(loss) on disposal of subsidiaries	6,877	(410)
	16,916	480
Satisfied by:		
Cash	16,916	480

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

	2008	2007
	HK\$'000	HK\$'000
Cash consideration	16,916	480
Cash and cash equivalents disposed of	–	(2)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	16,916	478

The subsidiaries disposed of during the years ended 31 March 2008 and 2007 did not contribute any revenue to the Group's consolidated turnover but contributed a loss after tax of HK\$785,148 (2007: HK\$166,000) to the Group's consolidated loss after tax for the year.

NOTES TO
FINANCIAL STATEMENTS

31 March 2008

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(continued)

(b) Acquisition of a subsidiary

	2008 HK\$'000	2007 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)
	<u>-</u>	<u>49,000</u>
Satisfied by:		
Cash	-	49,000
	<u>-</u>	<u>49,000</u>

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

	2008 HK\$'000	2007 HK\$'000
Cash consideration	-	(49,000)
Deposit paid in the prior year	-	4,900
Cash and bank balances acquired	-	-
	<u>-</u>	<u>-</u>
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	<u>-</u>	<u>(44,100)</u>

Since its acquisition, the subsidiary acquired during the prior 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 ended 31 March 2007.

Had the combination taken place at the beginning of the prior year, the revenue of the Group and the loss after tax of the Group for the year ended 31 March 2007 would have been HK\$532,110,000 and HK\$227,960,000, respectively.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(continued)

(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) During the year, the 2006 CNs with face values aggregating HK\$30,000,000 (2007: HK\$225,000,000) issued by the Company were converted into 1,200,000,000 (2007: 9,000,000,000) new ordinary shares of HK\$0.02 each of the Company (note 27).

31. PLEDGE OF ASSETS

Details of the Group’s interest-bearing bank borrowings, which are secured by the assets of the Group, are included in notes 13, 14, 21 and 23 to the financial statements.

32. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms of two years.

At 31 March 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2008	2007
	HK\$'000	HK\$'000
Within one year	7,434	6,083
In the second to fifth years, inclusive	2,314	1,901
	<hr style="border: none; border-top: 1px solid black;"/>	<hr style="border: none; border-top: 1px solid black;"/>
	9,748	7,984
	<hr style="border: none; border-top: 3px double black;"/>	<hr style="border: none; border-top: 3px double black;"/>

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33. COMMITMENTS

	Group	
	2008	2007
	HK\$'000	HK\$'000
Contracted, but not provided for:		
Investment at fair value through profit or loss*	—	845
	<u> </u>	<u> </u>

* 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 subscribed for the rights entitled to 8,450,000 shares of Unity during the year.

34. CONTINGENT LIABILITIES

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

	Company	
	2008	2007
	HK\$'000	HK\$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	112,000	91,260
	<u> </u>	<u> </u>

At 31 March 2008, the banking facilities granted to certain subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately HK\$63,348,000 (2007: HK\$89,423,000).

35. RELATED PARTY TRANSACTIONS

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

- (a) During the year ended 31 March 2007, 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, whose director is also a director of the Company. The loan was unsecured, bore interest at the Prime Rate and was fully repaid during the year. The amount of interest charged to Century Ample during the year was HK\$648,000 (2007: HK\$1,022,000).

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

	2008 HK\$'000	2007 HK\$'000
Short term employee benefits	6,060	4,800
Post-employment benefits	60	60
Share-based payments	–	2,423
	<hr/>	<hr/>
Total compensation paid to key management personnel	6,120	7,283

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

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FINANCIAL STATEMENTS

31 March 2008

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Group

2008

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK\$'000	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
Available-for-sale investments	–	–	9,130	9,130
Convertible bond – loan portion	–	16,630	–	16,630
Convertible bond – option derivatives	1,626	–	–	1,626
Investments at fair value through profit or loss	357,627	–	–	357,627
Loans receivable	–	573,569	–	573,569
Financial assets included in prepayments, deposits and other receivables (note 22)	–	23,672	–	23,672
Cash and bank balances	–	205,172	–	205,172
	<u>359,253</u>	<u>819,043</u>	<u>9,130</u>	<u>1,187,426</u>

Financial liabilities

	Financial liabilities at amortised cost HK\$'000	Financial liabilities at fair value through profit or loss HK\$'000	Total HK\$'000
Financial liabilities included in other payables and accruals	5,031	–	5,031
Interest-bearing bank borrowings	79,006	–	79,006
	<u>84,037</u>	<u>–</u>	<u>84,037</u>

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group

2007

Financial assets

	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Available- for-sale financial assets	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Available-for-sale investments	–	–	8,719	8,719
Investments at fair value through profit or loss	352,195	–	–	352,195
Loans receivable	–	297,850	–	297,850
Financial assets included in prepayments, deposits and other receivables (note 22)	–	15,132	–	15,132
Cash and bank balances	–	127,695	–	127,695
	<u>352,195</u>	<u>440,677</u>	<u>8,719</u>	<u>801,591</u>

Financial liabilities

	Financial liabilities at amortised cost HK\$'000	Financial liabilities at fair value through profit or loss HK\$'000	Total HK\$'000
Financial liabilities included in other payables and accruals	37,374	–	37,374
Derivative financial instrument	–	557	557
Interest-bearing bank borrowings	109,382	–	109,382
Convertible notes	27,810	–	27,810
	<u>174,566</u>	<u>557</u>	<u>175,123</u>

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36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

Financial assets

	Loans and receivables	
	2008	2007
	HK\$'000	HK\$'000
Financial assets included in prepayments and other receivables (note 22)	176	176
Cash and bank balances	202,020	127,441
	<u>202,196</u>	<u>127,617</u>

Financial liabilities

	Financial liabilities at amortised cost	
	2008	2007
	HK\$'000	HK\$'000
Financial liabilities included in other payables and accruals	3,092	2,593
Interest-bearing bank borrowings	15,658	19,959
Convertible notes	–	27,810
	<u>18,750</u>	<u>50,362</u>

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank borrowings 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, deposits and other receivables, other payables and accruals, available-for-sale investments, a convertible bond and investments at fair value through profit or loss, which arise directly from its operations or for investment purposes.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, equity price risk and liquidity risk as further detailed below. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's 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.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's loss before tax (through the impact on floating rate borrowings).

	Group		Company	
	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax HK\$'000	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax HK\$'000
2008				
Hong Kong dollar	25	1,058	25	56
Hong Kong dollar	(25)	(1,058)	(25)	(56)
2007				
Hong Kong dollar	25	1,448	25	50
Hong Kong dollar	(25)	(1,448)	(25)	(50)

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31 March 2008

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND
POLICIES (continued)****Credit risk**

The Group's major exposure to the credit risk relating to its loans receivable, convertible bond, deposits and other receivables and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. 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.

Further quantitative data in respect of the Group's exposure to credit risk arising from loans receivable are disclosed in note 19 to the financial statements.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 21) and available-for-sale investments (note 17) as at 31 March 2008. The Group's listed investments are listed on the Hong Kong, Singapore and Taiwan stock exchanges and are valued at quoted market prices at the balance sheet date.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the balance sheet date, and their respective highest and lowest points during the year were as follows:

		High/low During the year ended		High/low During the year ended
	31 March 2008	31 March 2008	31 March 2007	31 March 2007
Hong Kong – Hang Seng Index	22,849	31,638/19,810	19,801	20,310/15,234
Singapore – Straits Times Index	3,007	3,831/2,806	3,161	3,229/2,253
Taiwan – TAIEX Index	8,573	9,758/7,517	7,884	7,935/6,258

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date. For the purpose of this analysis, for the available-for-sale equity investments the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact on the income statement.

	Carrying amount of equity investments HK\$'000	Increase/ decrease in loss before tax HK\$'000	Increase/ decrease in equity HK\$'000
2008			
Investments listed in:			
Hong Kong – Held-for-trading	316,186	31,619	–
Singapore – Held-for-trading	41,441	4,144	–
Taiwan – Available-for-sale	8,060	–	806
2007			
Investments listed in:			
Hong Kong – Held-for-trading	285,098	28,510	–
Singapore – Held-for-trading	55,689	5,569	–
Taiwan – Available-for-sale	7,889	–	789

Liquidity risk

The Group's liquidity risk was 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.

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FINANCIAL STATEMENTS

31 March 2008

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND
POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group
2008

	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial liabilities included in						
other payables and accruals	550	2,658	650	1,173	-	5,031
Interest-bearing bank						
borrowings	-	2,901	9,813	41,922	36,907	91,543
	<u>550</u>	<u>5,559</u>	<u>10,463</u>	<u>43,095</u>	<u>36,907</u>	<u>96,574</u>

2007

	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial liabilities included in						
other payables and accruals	591	35,010	1,160	613	-	37,374
Interest-bearing bank						
borrowings	-	2,889	9,873	50,542	62,101	125,405
Convertible notes	33,000	-	-	-	-	33,000
	<u>33,591</u>	<u>37,899</u>	<u>11,033</u>	<u>51,155</u>	<u>62,101</u>	<u>195,779</u>

**37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND
POLICIES (continued)**

Liquidity risk (continued)

Company

2008

	On demand HK\$'000	3 to				Total HK\$'000
		Less than 3 months HK\$'000	less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Financial liabilities included in other payables and accruals	140	2,952	-	-	-	3,092
Interest-bearing bank borrowings	-	1,002	4,168	10,488	-	15,658
	<u>140</u>	<u>3,954</u>	<u>4,168</u>	<u>10,488</u>	<u>-</u>	<u>18,750</u>

2007

	On demand HK\$'000	3 to				Total HK\$'000
		Less than 3 months HK\$'000	less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Financial liabilities included in other payables and accruals	140	2,453	-	-	-	2,593
Interest-bearing bank borrowings	-	538	2,787	13,036	3,598	19,959
Convertible notes	33,000	-	-	-	-	33,000
	<u>33,140</u>	<u>2,991</u>	<u>2,787</u>	<u>13,036</u>	<u>3,598</u>	<u>55,552</u>

NOTES TO
FINANCIAL STATEMENTS

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Capital management**

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 March 2008 and 2007.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total assets. Total borrowings include interest-bearing bank borrowings. The Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios as at the balance sheet dates were as follows:

	Group	
	2008	2007
	HK\$'000	HK\$'000
Interest-bearing bank borrowings	79,006	109,382
Total assets	1,355,171	1,002,232
Gearing ratio	6%	11%

38. 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.

39. 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 25 April 2008, the Group entered into a sale and purchase agreement with an independent third party to acquire the entire equity interest in E-Garden Properties Limited ("E-Garden") at a cash consideration of HK\$101,170,000. The principal activity of E-Garden is investment holding. Fast Champion Limited, a wholly-owned subsidiary of E-Garden, is the registered owner of a property located at the basement of China United Centre, 28 Marble Road, North Point, Hong Kong.

39. POST BALANCE SHEET EVENTS (continued)

- (b) On 19 May 2008, the Group entered into three sale and purchase agreements with three third parties (collectively the “Purchasers”) to dispose of its entire equity interests in Glamorous Investments Limited (“Glamorous”), Best Inspire Limited (“Best Inspire”) and Bright Majestic Limited (“Bright Majestic”) for considerations of HK\$20,000,000, HK\$32,000,000 and HK\$34,000,000, respectively. The aggregate considerations shall be satisfied by the convertible notes issued by Willie International Holdings Limited, the holding company of the Purchasers, which is incorporated and listed in Hong Kong.

Glamorous, Best Inspire and Bright Majestic hold properties located at 30th, 31st and 32nd floors, of China United Centre, No. 28 Marble Road, North Point, Hong Kong, respectively.

40. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of the new and revised HKFRSs during the year, certain comparative amounts have been adjusted to conform with the current year’s presentation and to show separately comparative amounts in respect of items disclosed for the first time for the year ended 31 March 2008. Certain comparative amounts under segment information have also been reclassified to conform with the current year’s presentation. The directors consider that such reclassifications will better reflect the nature of the transactions.

As further explained in note 5 to the financial statements, certain comparative amounts have been reclassified to conform with the current year’s presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 July 2008.

FIVE YEAR FINANCIAL SUMMARY

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

	2008 HK\$'000	Year ended 31 March			
		2007 HK\$'000 (Restated)	2006 HK\$'000 (Restated)	2005 HK\$'000 (Restated)	2004 HK\$'000 (Restated)
REVENUE	<u>51,765</u>	<u>(80,411)</u>	<u>(28,874)</u>	<u>47,813</u>	<u>(5,707)</u>
LOSS BEFORE TAX	<u>(366,275)</u>	<u>(225,892)</u>	<u>(21,269)</u>	<u>(16,474)</u>	<u>(20,224)</u>
Tax	<u>(1,476)</u>	<u>(2,553)</u>	<u>(2,907)</u>	<u>(3,458)</u>	<u>(31)</u>
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<u>(367,751)</u>	<u>(228,445)</u>	<u>(24,176)</u>	<u>(19,932)</u>	<u>(20,255)</u>

ASSETS AND LIABILITIES

	As at 31 March				
	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000
PROPERTY, PLANT AND EQUIPMENT	16,314	30,742	31,417	18,215	885
INVESTMENT PROPERTIES	150,500	168,600	122,900	55,800	13,420
AVAILABLE-FOR-SALE INVESTMENTS AND A LOAN TO AN INVESTEE COMPANY	9,130	8,719	171,823	48,243	78,825
LONG TERM LOANS RECEIVABLE AND LOAN ADVANCES	4,070	1,000	2,000	50,000	1,725
CONVERTIBLE BOND – LOAN PORTION	16,630	–	–	–	–
OTHER NON-CURRENT ASSETS	–	–	7,350	–	–
NET CURRENT ASSETS	1,142,362	744,696	539,690	231,756	76,922
NON-CURRENT BANK AND OTHER BORROWINGS AND CONVERTIBLE NOTES	(68,672)	(127,918)	(47,838)	(61,710)	(2,683)
DEFERRED TAX LIABILITIES	(9,370)	(8,353)	(6,307)	(3,354)	–
	1,260,964	817,486	821,035	338,950	169,094

SCHEDULE OF PROPERTY INTERESTS

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
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 Hong Kong	100%	Long term lease	Commercial