
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this prospectus or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company (as defined herein), you should at once hand this prospectus and the accompanying PAL and EAF (both as defined herein) to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of each of this prospectus, the PAL, the EAF and the written consent of Ernst & Young has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (as defined herein). A copy of this prospectus will as soon as reasonably practicable be delivered to the Registrar of Companies in Bermuda for filing in accordance with the requirements of the Companies Act (as defined herein). The Securities and Futures Commission of Hong Kong, the Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda take no responsibility for the contents of any of these documents.

Dealings in the Shares (as defined herein) and the nil-paid and fully-paid Rights Shares (as defined herein) may be settled through CCASS (as defined herein), you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

The Stock Exchange and HKSCC (both as defined herein) take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.



HERITAGE INTERNATIONAL HOLDINGS LIMITED

漢基控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 412)

RIGHTS ISSUE

OF 2,961,113,194 RIGHTS SHARES OF HK\$0.10 EACH

ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO SHARES

HELD ON THE RECORD DATE AT HK\$0.10 PER RIGHTS SHARE

The latest time for acceptance and payment of the Rights Shares is 4:00 p.m. on Wednesday, 17 October 2007. The procedures for acceptance or transfer of the Rights Shares provisionally allotted are set out in the section headed "Procedures for acceptance or transfer of the Rights Shares" set out on pages 17 to 18 of this prospectus.

It should be noted that the Underwriting Agreement (as defined herein) contains provisions entitling the Underwriter (as defined herein), by notice in writing, to terminate the Underwriting Agreement at any time prior to 6:00 p.m. on the second business day following the latest date for acceptance of the Rights Shares if (A) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that, any of the warranties contained in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue (as defined herein); or (B) there shall be (i) any new law or regulation enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere; (ii) any change in local, national or international financial, political, industrial or economic conditions; (iii) any change of an exceptional nature in local, national or international equity securities or currency markets; (iv) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict; (v) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange; or (vi) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere, which is or are in the reasonable opinion of the Underwriter (a) likely to have a material adverse effect on the business, financial position or prospects of Group (as defined herein) taken as a whole; or (b) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up; or (c) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue.

Existing Shares have been dealt in on an ex-rights basis on the Stock Exchange from Tuesday, 18 September 2007. The Rights Shares will be dealt with in their nil-paid form on the Stock Exchange from Tuesday, 2 October 2007 to Friday, 12 October 2007, both days inclusive. If the Underwriter terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled or, if applicable, waived by the Underwriter, the Rights Issue will not proceed. Any Shareholder (as defined herein) or other person dealing in the Shares from 28 August 2007, being the date immediately after publication of the Announcement (as defined herein), up to the date on which all conditions to which the Rights Issue is subject are fulfilled or, if applicable, waived by the Underwriter (which is expected to be Monday, 22 October 2007), or in the Rights Shares in their nil-paid form on the Stock Exchange during the respective periods as aforesaid, will accordingly bear the risk that the Rights Issue may not become unconditional. Any Shareholder or other person contemplating selling or purchasing existing Shares on an ex-rights basis and/or the Rights Shares in their nil-paid form during these periods who is in doubt about his or her position is recommended to consult his or her own professional adviser.

* For identification purposes only

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DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the announcement of the Company dated 27 August 2007 regarding, among other things, the Rights Issue
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Heritage International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“EAF(s)”	the form(s) of application for excess Rights Shares
“Excluded Overseas Shareholder(s)”	Overseas Shareholder(s) whom the Board, after making enquiries, considers it necessary or expedient not to offer the Rights Shares to, on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Latest Practicable Date”	24 September 2007, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholder(s)”	Shareholder(s) whose registered address(es) as shown on the register of members of the Company on the Record Date is/are outside Hong Kong

DEFINITIONS

“PAL(s)”	the provisional allotment letter(s) issued in connection with the Rights Issue
“PRC”	the People’s Republic of China
“Prospectus Documents”	this prospectus, the PAL and EAF
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Overseas Shareholder(s), whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date
“Record Date”	Monday, 24 September 2007, being the date by reference to which entitlements under the Rights Issue are determined
“Registrar”	Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Rights Issue”	the issue by way of rights of 2,961,113,194 Rights Shares in the proportion of one Rights Share for every two Shares held on the Record Date at the Subscription Price payable in full on acceptance or application (as the case may be)
“Rights Share(s)”	new Share(s) of HK\$0.10 each to be allotted and issued under the Rights Issue
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.10 per Rights Share
“Underwriter”	Chung Nam Securities Limited, a licensed corporation under the SFO permitted to engage in type 1 of the regulated activities. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, the Underwriter and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company

DEFINITIONS

“Underwriting Agreement”	the conditional underwriting agreement dated 23 August 2007 entered into between the Company and the Underwriter in relation to the Rights Issue
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“NT\$”	New Taiwan Dollars, the lawful currency of Taiwan
“%”	per cent.

TERMINATION OF THE UNDERWRITING AGREEMENT

If at any time on or before 6:00 p.m. on the second business day following the latest date for acceptance of the Rights Shares:

- (i) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that, any of the warranties contained in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue; or**

- (ii) there shall be:**
 - (a) any new law or regulation enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;**

 - (b) any change in local, national or international financial, political, industrial or economic conditions;**

 - (c) any change of an exceptional nature in local, national or international equity securities or currency markets;**

 - (d) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;**

 - (e) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange; or**

 - (f) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere,**

which event or events is or are in the reasonable opinion of the Underwriter:

- (1) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or**

- (2) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up; or**

- (3) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,**

then and in such case, the Underwriter may by notice in writing to the Company terminate the Underwriting Agreement whereupon all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and the Rights Issue shall not proceed.

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this prospectus:

Number of Rights Shares to be issued	:	2,961,113,194 Rights Shares
Amount to be raised	:	Approximately HK\$296 million before expenses
Subscription Price	:	HK\$0.10 per Rights Share payable in full on acceptance or application (as the case may be)
Latest time for acceptance	:	4:00 p.m. on Wednesday, 17 October 2007
Basis of the Rights Issue	:	One Rights Share for every two Shares held on the Record Date
Excess applications	:	Qualifying Shareholders may apply for any unsold Rights Shares created by adding together fractions of Rights Shares, and any Rights Shares provisionally allotted but not accepted in excess of their provisional allotments.
Status of the Rights Shares	:	The Rights Shares, when fully paid and issued, will rank <i>pari passu</i> in all respects with the Shares then in issue, including the right to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares.

EXPECTED TIMETABLE

2007

Despatch of the Prospectus Documents by ordinary post	Friday, 28 September
First day of dealings in nil-paid Rights Shares	Tuesday, 2 October
Latest time for splitting of nil-paid Rights Shares	4:00 p.m. on Tuesday, 9 October
Last day of dealings in nil-paid Rights Shares	Friday, 12 October
Latest time for acceptance of the Rights Shares as well as application for excess Rights Shares and payment of consideration therefor	4:00 p.m. on Wednesday, 17 October
Latest time for Rights Issue and Underwriting Agreement to become unconditional	6:00 p.m. on Monday, 22 October
Announcement of results of acceptance of the Rights Issue	Wednesday, 24 October
Despatch of refund cheques in respect of wholly or partially unsuccessful excess applications by ordinary post	on or around Thursday, 25 October
Despatch of certificates for fully-paid Rights Shares by ordinary post	on or around Thursday, 25 October
Commencement of dealings in fully-paid Rights Shares	Monday, 29 October

Note: All times in this prospectus refer to Hong Kong time.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares will not take place if there is:

- *a tropical cyclone warning signal number 8 or above; or*
- *a “black” rainstorm warning*

in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of and payment for the Rights Shares. Instead, the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following business day, which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on the expected latest date for acceptance of the offer of the Rights Shares, the dates subsequent to the said latest expected date mentioned in this section may be affected. A press announcement will be made by the Company in such event as soon as practicable.

LETTER FROM THE BOARD



HERITAGE INTERNATIONAL HOLDINGS LIMITED

漢基控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 412)

Executive Directors:

Kwong Kai Sing, Benny

Lo Ki Yan, Karen

Ong Peter

Poon Chi Wan

Chow Chi Wah, Vincent

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent non-executive Directors:

Chan Sze Hung

To Shing Chuen

Ha Kee Choy, Eugene

Chung Yuk Lun

Lo Wong Fung

Principal place of business in

Hong Kong:

32/F., China United Centre

No.28 Marble Road

North Point

Hong Kong

28 September 2007

To the Shareholders

Dear Sir or Madam,

**RIGHTS ISSUE
OF 2,961,113,194 RIGHTS SHARES OF HK\$0.10 EACH
ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO SHARES
HELD ON THE RECORD DATE AT HK\$0.10 PER RIGHTS SHARE**

1. INTRODUCTION

The Board announced on 27 August 2007 that, subject to the fulfillment of certain conditions, the Company proposed to raise approximately HK\$246 million before expenses, by way of a rights issue of not less than 2,467,613,194 Rights Shares and not more than 3,147,248,013 Rights Shares at the Subscription Price of HK\$0.10 per Rights Share payable in full on acceptance or application, as the case may be. As at the Record Date, there were 5,922,226,388 Shares in issue. Accordingly, the number of Rights Shares to be issued under the Rights Issue is fixed at 2,961,113,194.

The purpose of this prospectus is to set out details of the Rights Issue, including information on dealing and transfer of nil-paid Rights Shares and the procedures for acceptance of provisional allotment of Rights Shares, and certain financial and other information on the Group.

* For identification purposes only

LETTER FROM THE BOARD

2. TERMS OF THE RIGHTS ISSUE

Issue Statistics

Basis of the Rights Issue	:	One Rights Share for every two Shares held on the Record Date
Number of Shares in issue as at the Record Date	:	5,922,226,388 Shares
Number of Rights Shares	:	2,961,113,194 Shares
Subscription Price per Rights Share	:	HK\$0.10 per Rights Share

Qualifying Shareholders

To qualify for the Rights Issue, a person must be registered as a Shareholder at 5:00 p.m. on the Record Date.

In order to be registered as a Shareholder on the Record Date, any transfer of Share(s) (with the relevant Share certificate(s)) must have been lodged for registration with the Registrar by no later than 4:00 p.m. on Wednesday, 19 September 2007.

The register of members of the Company was closed from Thursday, 20 September 2007 to Monday, 24 September 2007 (both days inclusive) to determine the eligibility of Shareholders to the Rights Issue. No transfer of Shares was registered during this period.

Subscription Price

The Subscription Price of HK\$0.10 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of the Rights Shares under the Rights Issue or, where applicable, applies for excess Rights Shares under the Rights Issue, or when a transferee or purchaser of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter.

The Subscription Price represents:

- (i) a discount of approximately 13.79% to the closing price per Share of HK\$0.116 as quoted on the Stock Exchange on 23 August 2007, being the last trading day prior to the date of the Announcement;
- (ii) a discount of approximately 9.09% to the theoretical ex-rights price of approximately HK\$0.11 per Share based on the closing price per Share as quoted on the Stock Exchange on 23 August 2007;

LETTER FROM THE BOARD

- (iii) a discount of approximately 7.92% to the average closing price of HK\$0.1086 per Share as quoted on the Stock Exchange from 16 August 2007 to 22 August 2007, both days inclusive, being the last five trading days of the Shares immediately before the date of the Underwriting Agreement; and
- (iv) a premium of approximately 6.38% over the closing price per Share of HK\$0.094 as quoted on the Stock Exchange on the Latest Practicable Date.

The Directors consider the Subscription Price to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of Rights Shares

The Rights Shares, when fully paid and issued, will rank *pari passu* in all respects with the Shares then in issue, including the right to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares.

Share certificates and refund cheques for the Rights Shares

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted on or around Thursday, 25 October 2007 to those who have accepted or where applicable applied for, and paid for the Rights Shares, by ordinary post at their own risk, and refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are also expected to be posted on or around Thursday, 25 October 2007 by ordinary post to the applicants at their own risk.

Rights of Excluded Overseas Shareholders

According to the register of members of the Company, there were six Shareholders whose registered addresses were in Macau and two Shareholders whose registered addresses were in the PRC as at the Record Date. In compliance with Rule 13.36(2)(a) of the Listing Rules, the Directors have made enquiries as to whether the issue of the Rights Shares to these Overseas Shareholders may contravene the applicable securities legislation of the relevant places or the requirements of the relevant regulatory body or stock exchange. The Directors have been advised by the legal counsels in Macau and the PRC that it would be lawful for the Company to offer the Rights Shares in Macau and the PRC even though the Prospectus Documents are not registered in the relevant jurisdiction. Therefore, the Prospectus Documents will be sent to such Overseas Shareholders and there will be no Excluded Overseas Shareholders for the purpose of the Rights Issue.

LETTER FROM THE BOARD

It is the responsibility of anyone outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself/herself/itself as to the observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any government or other consents, and to pay any taxes and duties required to be paid in such territory or jurisdiction in connection therewith. Any acceptance of the offer of the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been fully complied with. If you are in doubt as to your position, you should consult your own professional advisers. The Company reserves the right to refuse to accept any acceptance of or application for the Rights Shares where it believes that doing so would violate the applicable securities or other laws of regulations of any territory or jurisdiction.

Fractions of Rights Shares

The Company has not allotted any fractional entitlements of Rights Shares. All fractions of Rights Shares will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the proceeds for its own benefit. Any unsold fractions of Rights Shares will be available for excess application.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess applications, for any unsold Rights Shares created by adding together fractions of Rights Shares, and any Rights Shares provisionally allotted but not accepted or otherwise subscribed for by transferees or purchasers of nil-paid Rights Shares. The procedures for applying for excess Rights Shares by Qualifying Shareholders are set out in the section headed “Applications for excess Rights Shares” of this prospectus.

LETTER FROM THE BOARD

3. UNDERWRITING ARRANGEMENTS

As at the Record Date, there were 5,922,226,388 Shares in issue. On the basis of one Rights Share for every two Shares held on the Record Date, the number of Rights Shares to be issued under the Rights Issue will be 2,961,113,194 Rights Shares. Pursuant to the Underwriting Agreement, subject to fulfillment of the conditions of the Rights Issue, the Underwriter shall subscribe or procure subscribers for any underwritten Rights Shares that have not been validly accepted or subscribed for by way of application for excess Rights Shares on the latest date for acceptance of the Rights Shares.

The following table shows the shareholding structure of the Company before and after the Rights Issue:

	Shareholding before the Rights Issue		Shareholding after the Rights Issue (assuming all Shareholders take up their entitlements)		Shareholding after the Rights Issue (assuming no Shareholders take up their entitlements)	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Substantial Shareholder						
Willie International Holdings Limited	510,948,000	8.63	766,422,000	8.63	510,948,000	5.75
Directors						
Kwong Kai Sing, Benny	42,900,000	0.72	64,350,000	0.72	42,900,000	0.48
Lo Ki Yan, Karen	12,000,000	0.20	18,000,000	0.20	12,000,000	0.14
Ong Peter	23,876,000	0.40	35,814,000	0.40	23,876,000	0.27
Poon Chi Wan	3,300,000	0.06	4,950,000	0.06	3,300,000	0.04
Public	5,329,202,388	89.99	7,993,803,582	89.99	5,329,202,388	59.99
Underwriter	–	–	–	–	2,961,113,194	33.33
Total	5,922,226,388	100.00	8,883,339,582	100.00	8,883,339,582	100.00

Notes:

- The above table is compiled based on the registers of interests kept by the Company under sections 336 and 352 of the SFO as of the Record Date.
- The Underwriter has confirmed that it has sub-underwritten its underwriting obligations under the Underwriting Agreement to sub-underwriters such that each of the Underwriter and the sub-underwriters will not individually own 30% or more of the issued share capital of the Company immediately after completion of the Rights Issue.
- As at the Latest Practicable Date, there were no outstanding convertible securities issued by the Company or options granted under the share option scheme of the Company adopted on 28 September 2004.

LETTER FROM THE BOARD

Provided that the Rights Issue and the obligations of the Underwriter under the Underwriting Agreement having become unconditional and the Rights Issue having been completed in accordance with its terms, the Company shall pay to the Underwriter underwriting commission (in Hong Kong dollars) at the rate of 2.5% of the aggregate Subscription Price for the total number of Rights Shares.

4. CONDITIONS OF THE UNDERWRITING AGREEMENT

The Underwriting Agreement is conditional upon fulfillment (or waiver by the Underwriter in respect of the conditions set out in sub-paragraphs (iv) and (v) below) of the following:

- (i) the filing and registration of all relevant documents with the Registrar of Companies in Bermuda and the Registrar of Companies in Hong Kong respectively;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms;
- (iii) the compliance by the Company with its obligations under the Underwriting Agreement in relation to the despatch of the Prospectus Documents;
- (iv) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms thereof; and
- (v) the Shares remaining listed on the Stock Exchange and the current listing of the Shares not having been withdrawn and no indication being received to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto).

In the event that the aforementioned have not been satisfied and/or, in respect of sub-paragraphs (iv) and (v), waived in whole or in part by the Underwriter on or before the respective dates stated for its satisfaction in the Underwriting Agreement, or if the Underwriting Agreement is terminated pursuant to the terms and conditions thereof, then all obligations and liabilities (save for the terms and conditions governing the costs and expenses, requirements of making announcement and confidentiality and any antecedent breaches) of the parties to the Underwriting Agreement shall cease and determine and no party shall have any claim against the other (save that all such reasonable costs, fees and other out-of-pocket expenses as have been properly incurred by the Underwriter in connection with the underwriting of the Rights Shares by the Underwriter shall to the extent agreed by the Company be borne by the Company).

LETTER FROM THE BOARD

5. TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter may, by notice in writing, terminate the arrangements set out in the Underwriting Agreement at any time prior to 6:00 p.m. on the second business day following the latest date for acceptance of the Rights Shares, which is expected to be Monday, 22 October 2007 if:

- (i) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that, any of the warranties contained in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue; or
- (ii) there shall be:
 - (a) any new law or regulation enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
 - (b) any change in local, national or international financial, political, industrial or economic conditions;
 - (c) any change of an exceptional nature in local, national or international equity securities or currency markets;
 - (d) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
 - (e) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange; or
 - (f) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere,

which event or events is or are in the reasonable opinion of the Underwriter:

- (1) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or
- (2) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up; or
- (3) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue.

LETTER FROM THE BOARD

If the Underwriter exercises such right, then all obligations and liabilities (save for the terms and conditions governing the costs and expenses, requirements of making announcement and confidentiality and any antecedent breaches) of the parties to the Underwriting Agreement shall cease and determine and no party shall have any claim against the other (save that all such reasonable costs, fees and other out-of-pocket expenses as have been properly incurred by the Underwriter in connection with the underwriting of the Rights Shares by the Underwriter shall to the extent agreed by the Company be borne by the Company).

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed.

6. CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms and conditions as referred to under the sub-section headed “Termination of the Underwriting Agreement” above.

If the Underwriting Agreement does not become unconditional or is terminated, the Rights Issue will not proceed.

7. REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Board considers that the Rights Issue is necessary for the Company to raise capital to fund its ongoing business plans and that the Group, with the additional funds from the Rights Issue, would have additional working capital to expand its operation. Further, the Rights Issue will enable the Group to strengthen its capital base and enhance its financial position.

Since the Rights Issue will allow the Qualifying Shareholders to maintain their shareholdings in the Company, the Board considers raising capital through the Rights Issue is in the interest of the Company and the Shareholders as a whole and given the prevailing market conditions, the Board considers that the timing of the Rights Issue is in the best interests of the Company.

The estimated net proceeds of the Rights Issue will be approximately HK\$288 million. The Company intends to apply such net proceeds for expanding the Group’s business into the junket representative and services sector as disclosed by the Company in its announcements dated 17 October 2006, 13 December 2006, 27 March 2007, 30 March 2007 and 1 June 2007. The Company is still negotiating with the relevant parties in relation to the possible expansion into such sector and will make further announcement once the material terms are finalised. If such opportunity does not materialise, the net proceeds of the Rights Issue will be applied for general working capital of the Group.

LETTER FROM THE BOARD

8. FUND RAISING EXERCISES OF THE COMPANY DURING THE PAST 12 MONTHS

The following table summarises the capital raising activities of the Company during the past 12 months immediately before the date of the Announcement:

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
14 June 2007	Placing of new Shares under general mandate	HK\$171 million	For expanding the Group's business into the junket representative and services sector or, if such opportunity does not materialise, for general working capital of the Group	Deposited in interest-bearing account(s) of the Company
2 August 2007	Placing of new Shares under general mandate	HK\$130.5 million	For expanding the Group's business into the junket representative and services sector or, if such opportunity does not materialise, for general working capital of the Group	Deposited in interest-bearing account(s) of the Company
27 August 2007	Placing of new Shares under general mandate	HK\$96.1 million	For expanding the Group's business into the junket representative and services sector or, if such opportunity does not materialise, for general working capital of the Group	Deposited in interest-bearing account(s) of the Company

Total: HK\$397.6 million

LETTER FROM THE BOARD

9. REVIEW OF OPERATIONS AND PROSPECTS

The Company is an investment holding company and its subsidiaries are primarily engaged in property investment, investments in securities, money lending and investment holding. For the year ended 31 March 2007, the Group made an after tax loss of HK\$228 million mainly caused by loss from securities transactions and certain expenses and notional adjustments of around HK\$33.9 million in relation to convertible notes as well as share option issuance during the year and the impairment of assets of approximately HK\$72 million.

Performance of the Group's major businesses are summarised as follows:

- (a) Real estate investment: the Group owned three stories of an office building in North Point. While retaining a small portion for self-use, the remaining office spaces are all leased out which generates a stable recurrent income for the Group. To capture the rise in the luxury residential property market, the Group sold one high-class residential apartment subsequent to 31 March 2007 for a profit.
- (b) Investments in listed/unlisted securities: the loss on disposal of available-for-sale investments amount to HK\$24.4 million for the year ended 31 March 2007 as certain investments that was acquired at a relatively high cost was disposed of during the year and realized a loss. However, the local stock market has been rather buoyant as of late and the Group's securities portfolio has recorded in the income statement an unrealized gain of over HK\$18 million for the current year.
- (c) Money lending business: the money lending business continues to be profitable with a profit of around HK\$20.3 million net of provision. This line of business serves to provide reasonable return for the Group's surplus cash with manageable risk. As at 31 March 2007, the Group's loan portfolio was HK\$297.9 million and it is expected a similar level of exposure would be maintained for the coming year.
- (d) Investment in advertising and lottery related business in the PRC: the Group has a 20% interest in a company engaging in advertising and lottery related business in the PRC (the "Joint Venture"). Other than the advertising rights outside those lottery tickets selling booths provided by China Welfare Lottery Issuance Centre to the Joint Venture, it has recently signed a management contract to manage two stores in Shanghai which sell lottery tickets and provide lottery games through video lottery terminals. In addition, the Joint Venture also manages four shops in Hangzhou which are primarily involved in selling lottery tickets and acting as distributing centre of lottery tickets within its respective district. More shops are expected to be under management of the Joint Venture to increase its market share in the region.

LETTER FROM THE BOARD

- (e) Investment in gaming related business in Macau: subsequent to 31 March 2007, the Group entered into a hotel casino management agreement with a Las Vegas style hotel casino to provide certain management services to the casino which is due to open in 2009. However, as the structure of the agreement has to be modified due to certain regulatory requirements, the parties to the agreement have decided to cancel the agreement for the time being with a view of coming up with a new structure that is agreeable by all parties concerned. It is hopeful that a definitive agreement can be reached as soon as practicable.

The Group's outstanding convertibles have all been converted into ordinary shares subsequent to 31 March 2007 and hence the Group's capital base has been enhanced substantially. As at 31 March 2007, the Group's cash resources stood at HK\$127.7 million. The Group therefore is in a very advantageous position to take on new business opportunities as and when they arise.

10. PROCEDURES FOR ACCEPTANCE OR TRANSFER OF THE RIGHTS SHARES

A PAL is enclosed with this prospectus which entitles you to take up the number of Rights Shares shown therein.

If you wish to exercise your right to take up all the Rights Shares specified in the PAL, you must lodge the PAL in accordance with the instructions printed thereon, together with a remittance by cheque or banker's cashier order for the full amount payable on acceptance, with the Registrar by not later than 4:00 p.m. on Wednesday, 17 October 2007. All remittances must be made in Hong Kong dollars and by cheque or banker's cashier order. Cheque must be drawn on an account with, and banker's cashier order must be issued by, a licensed bank in Hong Kong and made payable to "Heritage International Holdings Limited – Rights Issue Account" and crossed "Account Payee Only". Such payment will constitute full acceptance of the provisional allotment on terms of the PAL and this prospectus and subject to the Memorandum of Association and Bye-laws of the Company.

If you wish to transfer all of your rights to subscribe for the Rights Shares provisionally allotted to you under the PAL to one person or persons as joint holders, you and the person(s) to or through whom you are transferring such rights must complete and sign the PAL in accordance with the instructions printed thereon, and the transferee(s) must then lodge the PAL intact, together with a remittance by cheque or banker's cashier order for the full amount payable on acceptance, with the Registrar so as to be received by not later than 4:00 p.m. on Wednesday, 17 October 2007. All remittances must be made in Hong Kong dollars and by cheque or banker's cashier order. Cheque must be drawn on an account with, and banker's cashier order must be issued by, a licensed bank in Hong Kong and made payable to "Heritage International Holdings Limited – Rights Issue Account" and crossed "Account Payee Only". It should be noted that Hong Kong stamp duty is payable in connection with the transfer of your rights to subscribe for the relevant Rights Shares.

If you wish to accept only part of your provisional allotment of Rights Shares (without renouncing the balance of your provisional allotment under the PAL), or transfer part of your rights to subscribe for the Rights Shares provisionally allotted to you under the PAL, or transfer your rights to more than one person (not as joint holders), the entire PAL must be surrendered and lodged for cancellation by not later than 4:00 p.m. on Tuesday, 9 October 2007 with the Registrar who will cancel the original PAL and issue new PALs in the denominations required.

LETTER FROM THE BOARD

All cheques and banker's cashier orders will be presented for payment immediately upon receipt and all interest earned on such monies will be retained for the benefit of the Company. Any PAL in respect of which the accompanying cheque or banker's cashier order is dishonoured on first or, at the option of the Company, subsequent presentation is liable to be rejected and, in that event, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled at the discretion of the Company.

If the Underwriter exercises its rights to terminate its obligations under the Underwriting Agreement before the latest time for termination, the subscription monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form shall have been validly transferred without interest by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or other persons on or around Thursday, 25 October 2007.

11. APPLICATIONS FOR EXCESS RIGHTS SHARES

If you wish to apply for any Rights Shares in addition to your provisional allotment under the Rights Issue, you must complete and sign the enclosed EAF as indicated therein and lodge it, together with a separate remittance by cheque or banker's cashier order for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar on Wednesday, 17 October 2007. All remittances must be made in Hong Kong dollars and by cheque or banker's cashier order. Cheque must be drawn on an account with, and banker's cashier order must be issued by, a licensed bank in Hong Kong and made payable to "Heritage International Holdings Limited – Excess Application Account" and crossed "Account Payee Only".

All cheques and banker's cashier orders will be presented for payment immediately upon receipt and all interest earned on such monies will be retained for the benefit of the Company. Any EAF in respect of which the accompanying cheque or banker's cashier order is dishonoured on first or, at the option of the Company, subsequent presentation is liable to be rejected.

Subject to the provisions set out in the section headed "Allocation of Excess Rights Shares" of this prospectus, the Board intends to allot the excess Rights Shares applied for at its sole discretion on a fair and reasonable basis but will give preference to topping up odd lots of Shares into whole board lots.

If no excess Rights Shares are allotted to you, the amount tendered on application will be refunded to you in full without interest by means of cheques despatched by ordinary post at your own risk on or around Thursday, 25 October 2007. If the number of excess Rights Shares allotted to you is less than that applied for, the surplus application money will be refunded to you without interest by means of cheques despatched by ordinary post at your own risk on or around Thursday, 25 October 2007.

If the Underwriter exercises its rights to terminate its obligations under the Underwriting Agreement before the latest time for termination, the monies received in respect of applications for excess Rights Shares will be returned to the applicants without interest by means of cheques despatched by ordinary post at the risk of such applicants on or around Thursday, 25 October 2007.

LETTER FROM THE BOARD

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses on the register of members of the Company.

12. ALLOCATION OF EXCESS RIGHTS SHARES

Any Rights Shares arising from the aggregation of fractional entitlements to the Rights Shares which are not sold in the manner described in this prospectus and any Rights Shares provisionally allotted and not accepted by the latest date for acceptance of the Rights Shares will be made available as excess Rights Shares for application by the Qualifying Shareholders. The Board will allocate the excess Rights Shares at its discretion on a fair and reasonable basis on the following principles:

- (1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings;
- (2) subject to availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to Qualifying Shareholders who have applied for excess application based on a pro-rata basis to the excess Rights Shares applied by them, with board lots allocations to be made on best effort's basis; and
- (3) in accordance with any further requirements of the Stock Exchange.

The Shareholders with the Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually.

13. LISTING AND DEALINGS

Applications have been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms. It is expected that dealings in the Rights Shares in their nil-paid form on the Stock Exchange will commence on Tuesday, 2 October 2007.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LETTER FROM THE BOARD

It should be noted that existing Shares have been dealt in on an ex-rights basis on the Stock Exchange from Tuesday, 18 September 2007. The Rights Shares will be dealt with in their nil-paid form on the Stock Exchange from Tuesday, 2 October 2007 to Friday, 12 October 2007, both days inclusive. If the Underwriter terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled or, if applicable, waived by the Underwriter, the Rights Issue will not proceed. Any Shareholder or other person dealing in the Shares from Tuesday, 28 August 2007, being the date immediately after publication of the Announcement, up to the date on which all conditions to which the Rights Issue is subject are fulfilled or, if applicable, waived by the Underwriter (which is expected to be 6:00 p.m. on Monday, 22 October 2007), or in the Rights Shares in their nil-paid form on the Stock Exchange during the period as aforesaid will accordingly bear the risk that the Rights Issue may not become unconditional. Any Shareholder or other person contemplating selling or purchasing existing Shares on an ex-rights basis and/or the Rights Shares in their nil-paid form during this period who is in doubt about his or her position is recommended to consult his or her own professional adviser.

The board lot size of the Rights Shares in their nil-paid form will be 5,000 Rights Shares for the purpose of trading on the Stock Exchange. Dealings in the Rights Shares, in both their nil-paid and fully-paid forms, in Hong Kong will be subject to the payment of stamp duty.

14. TAXATION

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding or disposal of, or dealing in the nil-paid or fully-paid Rights Shares. It is emphasised that none of the Company, its Directors, and any other parties involved in the Rights Issue accepts responsibility for any tax effects or liability of any Shareholder or transferee of nil-paid Rights Shares resulting from the purchase, holding or disposal of, or dealing in the nil-paid or fully-paid Rights Shares.

15. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this prospectus.

Yours faithfully,
For and on behalf of the Board
Kwong Kai Sing, Benny
Chairman

1. FINANCIAL SUMMARY

Set out below is a summary of the audited consolidated results and assets and liabilities of the Group for each of the three financial years ended 31 March 2005, 2006 and 2007 as extracted from the published annual reports of the Company for the years ended 31 March 2006 and 2007. The Group adopted the new and revised Hong Kong Financial Reporting Standards (the “new and revised HKFRS”) which are effective for accounting periods commencing on or after 1 January 2005 and the figures for the year ended 31 March 2005 have been restated as required under the new and revised HKFRS. For the purpose of this summary, the restated figures as at and for the year ended 31 March 2005 have been adopted.

	Years ended 31 March		
	2005 HK\$'000 (Restated)	2006 HK\$'000	2007 HK\$'000
REVENUE	91,965	242,287	531,600
Cost of sales and carrying amount of equity investments sold	(44,152)	(272,176)	(612,011)
Gross profit/(loss)	47,813	(29,889)	(80,411)
Other income and gains	3,919	6,327	2,945
Gains/(losses) arising from changes in fair value of investment properties	18,911	13,183	(2,976)
Fair value gains on investments at fair value through profit or loss, net	–	77,406	18,035
Loss on disposal of available-for-sale investments, net	(9,705)	–	(24,411)
Gain/(loss) on disposal of a subsidiary	(496)	118	(410)
General and administrative expenses	(18,728)	(21,448)	(28,482)
Other expenses, net	(54,355)	(62,206)	(62,737)
Finance costs	(3,833)	(4,760)	(27,445)
Impairment of interests in jointly-controlled entities	–	–	(15,972)
Share of losses of jointly-controlled entities	–	–	(4,028)
LOSS BEFORE TAX	(16,474)	(21,269)	(225,892)
Tax	(3,458)	(2,907)	(2,553)
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<u>(19,932)</u>	<u>(24,176)</u>	<u>(228,445)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	<u>HK\$(4.00) cents</u>	<u>HK\$(0.45) cent</u>	<u>HK\$(2.10) cents</u>
Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

	As at 31 March		
	2005 HK\$'000 (Restated)	2006 HK\$'000	2007 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	18,215	31,417	30,742
Investment properties	55,800	122,900	168,600
Interests in jointly-controlled entities	–	–	–
Available-for-sale investments	8,243	121,985	8,719
Loan advance	50,000	–	–
Loan to an investee company	40,000	49,838	–
Loan receivable	–	2,000	1,000
Deposit for purchase of an investment property	–	4,900	–
Other deposits	–	2,450	–
Total non-current assets	172,258	335,490	209,061
CURRENT ASSETS			
Investments at fair value through profit or loss	134,751	307,808	352,195
Loans receivable	92,165	200,450	296,850
Prepayments, deposits and other receivables	5,516	13,196	16,431
Cash and bank balances	9,009	37,095	127,695
Non-current asset held for sale	–	10,900	–
Total current assets	241,441	569,449	793,171
CURRENT LIABILITIES			
Other payables and accruals	4,814	17,096	37,374
Interest-bearing bank borrowings	2,520	11,237	9,274
Convertible notes	2,247	–	–
Derivative financial instrument	–	752	557
Tax payable	104	674	1,270
Total current liabilities	9,685	29,759	48,475
NET CURRENT ASSETS	231,756	539,690	744,696
TOTAL ASSETS LESS CURRENT LIABILITIES	404,014	875,180	953,757

	As at 31 March		
	2005	2006	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Restated)		
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27,060	47,838	100,108
Convertible notes	34,650	–	27,810
Deferred tax liabilities	3,354	6,307	8,353
	<hr/>	<hr/>	<hr/>
Total non-current liabilities	65,064	54,145	136,271
	<hr/>	<hr/>	<hr/>
Net assets	338,950	821,035	817,486
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	96,090	142,682	348,270
Equity component of convertible notes	1,654	–	4,419
Reserves	241,206	678,353	464,797
	<hr/>	<hr/>	<hr/>
Total equity	338,950	821,035	817,486
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

2. AUDITED FINANCIAL STATEMENTS

The following is the audited consolidated balance sheets of the Group and the audited balance sheets of the Company as at 31 March 2006 and 31 March 2007, the audited consolidated income statements of the Group, the audited consolidated statements of changes in equity of the Group and the audited consolidated cash flow statements of the Group for the two financial years ended 31 March 2006 and 31 March 2007, together with the accompanying notes to the consolidated financial statements extracted from the annual report of the Company for the financial year ended 31 March 2007.

Consolidated Balance Sheet

31 March 2007

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

APPENDIX I**FINANCIAL AND OTHER INFORMATION
REGARDING THE GROUP**

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

Balance Sheet

31 March 2007

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

Consolidated Income Statement*Year ended 31 March 2007*

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

Consolidated Statement of Changes in Equity

Year ended 31 March 2007

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

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

Consolidated Cash Flow Statement*Year ended 31 March 2007*

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

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

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

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

Notes to Financial Statements

31 March 2007

1. CORPORATE INFORMATION

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

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

The principal changes in accounting policies are as follows:

HKAS 39 *Financial Instruments: Recognition and Measurement*

(i) **Amendment for financial guarantee contracts**

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

(ii) **Amendment for the fair value option**

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

- (a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or
- (d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

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

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

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

Goodwill

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

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

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

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

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 *Segment Reporting*.

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

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

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

Impairment of non-financial assets other than goodwill

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

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

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

Related parties

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

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

Investment properties

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

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

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

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

Non-current assets held for sale

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

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

Leases

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

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

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

Investments and other financial assets

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

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

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

Available-for-sale financial assets

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

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

Fair value

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

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

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

Assets carried at cost

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

Available-for-sale financial assets

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

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

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

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

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

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Financial guarantee contracts

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

Convertible notes

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

Derecognition of financial liabilities

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

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

Derivative financial instruments

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

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

Cash and cash equivalents

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

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

Provisions

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

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.

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.

Revenue recognition

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

- (a) rental income, on a time proportion basis over the lease terms;
- (b) income from the sale of equity securities, on a trade-date basis;
- (c) dividend income, when the shareholders' right to receive payment has been established;
- (d) investment management income, in the period in which such services have been rendered; and
- (e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Share-based payment transactions

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

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

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

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

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

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

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

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

Employee benefits

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

Retirement benefits scheme

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

Borrowing costs

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

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**Judgements**

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of loans receivable

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

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

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

(c) *Impairment of goodwill*

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

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

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

4. SEGMENT INFORMATION

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

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

- (i) the property investment segment engages primarily in the investments in commercial and residential properties for rental income potential and/or appreciation in values;
- (ii) the investments in securities segment engages in the purchase and sale of securities and the holding of equity investments primarily for interest income, dividend income and capital appreciation;
- (iii) the money lending segment engages in money lending operations in Hong Kong; and
- (iv) the investment holding segment engages in holding investments for a continuing strategic or long term purpose, primarily for dividend income and capital appreciation.

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

(a) Business segments

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

Group

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

Group

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

APPENDIX I
**FINANCIAL AND OTHER INFORMATION
REGARDING THE GROUP**

Group	Property investment		Investments in securities		Money lending		Investment holding		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:												
Depreciation – allocated	-	(1,141)	-	-	-	-	(3,559)	(764)	-	-	(3,559)	(1,905)
Depreciation – unallocated											(718)	(533)
											(4,277)	(2,438)
Write-back of bad debt provision	-	-	-	-	-	-	-	625	-	-	-	625
Gain/(loss) on disposal of available-for-sale investments, net	-	-	(27,765)	-	-	-	3,354	-	-	-	(24,411)	-
Gain/(loss) on disposal of items of property, plant and equipment	-	-	-	-	-	-	510	(181)	-	-	510	(181)
Gain/(loss) on disposal of a subsidiary	-	-	-	-	-	-	(410)	118	-	-	(410)	118
Impairment of available-for-sale investments recognised in the income statement	-	-	-	-	-	-	-	(57,572)	-	-	-	(57,572)
Loss on disposal of an investment property	(620)	-	-	-	-	-	-	-	-	-	(620)	-
Group	Property investment		Investments in securities		Money lending		Investment holding		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:												
Changes in fair value of investment properties	(2,976)	13,183	-	-	-	-	-	-	-	-	(2,976)	13,183
Impairment of interests in jointly-controlled entities	-	-	-	-	-	-	(15,972)	-	-	-	(15,972)	-
Fair value gains on investments at fair value through profit or loss, net	-	-	18,035	77,406	-	-	-	-	-	-	18,035	77,406
Impairment of a loan to an investee company	-	-	-	-	-	-	(49,838)	-	-	-	(49,838)	-
Impairment of loans receivable	-	-	-	-	(6,250)	(4,040)	-	-	-	-	(6,250)	(4,040)
Impairment of loan interest receivables	-	-	-	-	(435)	(704)	-	-	-	-	(435)	(704)
Gains/(losses) on redemption of convertible notes	-	-	-	-	-	-	(5,569)	1,030	-	-	(5,569)	1,030
Capital expenditure	48,676	66,117	-	-	-	-	-	-	-	-	48,676	66,117
Unallocated amounts											4,695	13,586
											<u>53,371</u>	<u>79,703</u>

(b) Geographical segments

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

Group	Hong Kong		Macau		Mainland China		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Revenue from external customers	531,600	242,287	-	-	-	-	531,600	242,287
Other revenue and gains	2,945	117	-	5,748	-	-	2,945	5,865
	<u>534,545</u>	<u>242,404</u>	<u>-</u>	<u>5,748</u>	<u>-</u>	<u>-</u>	<u>534,545</u>	<u>248,152</u>
Other segment information:								
Segment assets	1,002,232	855,076	-	49,863	-	-	1,002,232	904,939
Capital expenditure	<u>53,371</u>	<u>79,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,571</u>	<u>79,703</u>

5. REVENUE, OTHER INCOME AND GAINS

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

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

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

6. LOSS BEFORE TAX

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

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

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

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

7. FINANCE COSTS

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

8. DIRECTORS' REMUNERATION

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

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

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

(a) Independent non-executive directors

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

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

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

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

(b) Executive directors and a non-executive director

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

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

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

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

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

9. FIVE HIGHEST PAID EMPLOYEES

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

	Group	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Salaries and allowances	270	460
Employee share option benefits	–	226
Pension scheme contributions	6	12
	<u>276</u>	<u>698</u>

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

	Number of employee	
	2007	2006
Nil to HK\$1,000,000	<u>1</u>	<u>1</u>

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

10. TAX

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

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

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

	Group	
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Loss before tax	<u>(225,892)</u>	<u>(21,269)</u>
Tax credit at the Hong Kong statutory tax rate of 17.5% (2006: 17.5%)	(39,531)	(3,722)
Income not subject to tax	(1,439)	(1,105)
Expenses not deductible for tax	24,414	12,773
Tax losses utilised from previous periods	(3,488)	(6,449)
Tax losses not recognised	19,709	311
Others	<u>2,888</u>	<u>1,099</u>
Tax charge at the Group's effective tax rate	<u>2,553</u>	<u>2,907</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 2007 includes a loss of HK\$42,450,000 (2006: HK\$43,772,000) which has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY**(a) Basic loss per share**

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

(b) Diluted loss per share

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

13. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 March 2007					
At 31 March 2006 and at 1 April 2006:					
Cost	21,015	2,095	3,697	7,074	33,881
Accumulated depreciation	(698)	(324)	(1,103)	(339)	(2,464)
Net carrying amount	<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					
Cost	20,317	1,771	2,594	6,735	31,417
Additions	–	123	959	3,613	4,695
Disposals	–	–	–	(244)	(244)
Disposal of a subsidiary (note 28(a))	–	–	(621)	(228)	(849)
Depreciation provided during the year	(1,048)	(439)	(710)	(2,080)	(4,277)
At 31 March 2007, net of accumulated depreciation	<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>

APPENDIX I
**FINANCIAL AND OTHER INFORMATION
REGARDING THE GROUP**

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

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

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

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

14. INVESTMENT PROPERTIES

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

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

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

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

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

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

15. INTERESTS IN SUBSIDIARIES

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

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

Particulars of the principal subsidiaries are as follows:

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

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

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

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

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

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

16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net liabilities	–	–
Goodwill on acquisition	15,972	–
	15,972	–
Provision for impairment	(15,972)	–
	–	–

Particulars of the jointly-controlled entities are as follows:

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

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

^ Subsidiaries of New Range Investments Limited

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

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

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

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

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

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

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

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

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

17. AVAILABLE-FOR-SALE INVESTMENTS

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

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

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

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

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

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

Particulars of the Equity Investees are as follows:

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

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

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

18. LOAN TO AN INVESTEE COMPANY

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

19. LOANS RECEIVABLE

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

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

20. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

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

21. INTEREST-BEARING BANK BORROWINGS

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

[^] Denotes the Hong Kong Interbank Offered Rate.

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

	Group		Company	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Analysed into:				
Bank loans repayable:				
Within one year	9,274	11,237	3,325	991
In the second year	11,312	11,237	5,331	991
In the third to fifth years, inclusive	27,068	11,210	7,705	2,974
Beyond five years	61,728	25,391	3,598	3,893
	<u>109,382</u>	<u>59,075</u>	<u>19,959</u>	<u>8,849</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\$19,269,000 (2006: HK\$20,317,000);
 - (ii) mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK\$168,600,000 (2006: HK\$133,800,000);
 - (iii) a corporate guarantee given by the Company up to HK\$91,260,000 (2006: HK\$38,260,000) as at the balance sheet date; and
 - (iv) a personal guarantee to the extent of HK\$19,000,000 as at the balance sheet date given by a substantial beneficial shareholder of the Company.
- (b) The Group's investments in securities with an aggregate carrying value at the balance sheet date of approximately HK\$288,806,000 (2006: HK\$411,808,000) were pledged to certain financial institutions to secure certain margin financing facilities provided to the Group which were not utilised as at 31 March 2007 and 2006.

22. CONVERTIBLE NOTES

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

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

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

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

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

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

23. DERIVATIVE FINANCIAL INSTRUMENT

	Group	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Buy-back option	<u>557</u>	<u>752</u>

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

24. DEFERRED TAX LIABILITIES

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

Deferred tax liabilities

Group

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

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

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

25. SHARE CAPITAL

Shares

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

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

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

Notes:

- (a) During the year ended 31 March 2006, 2,280,000,000 new ordinary shares of HK\$0.01 each of the Company were issued upon the conversion of the 2005 CNs with face values aggregating HK\$114,000,000 issued by the Company as further detailed in note 22 to the financial statements.
- (b) During the year ended 31 March 2006, 6,790 warrants were exercised and 6,790 new ordinary shares of HK\$0.01 each were allotted and issued at a subscription price of HK\$0.16 per share for a total cash consideration, before expenses, of HK\$1,086.
- (c) During the year ended 31 March 2006, the subscription rights attaching to 186,000,000 share options were exercised at subscription prices ranging from HK\$0.022 to HK\$0.025 per share (note 26), resulting in the issue of 186,000,000 ordinary shares of HK\$0.01 each for a total cash consideration, before expenses, of approximately HK\$4,260,000.
- (d) With effect from 9 June 2005, every 10 shares in the issued and unissued ordinary share capital of the Company of HK\$0.01 each were consolidated into one consolidated share of HK\$0.10 each. Further details of the share consolidation are also set out in the Company's circular dated 9 May 2005.
- (e) The Company effected a capital reorganisation on 11 August 2005 which involved: (i) a reduction of the nominal value of each issued ordinary share of the Company from HK\$0.10 to HK\$0.02 each by the cancellation of HK\$0.08 of the paid-up capital for each issued ordinary share; and (ii) a transfer of the credit arising from the capital reduction of approximately HK\$131,282,000 to the Company's contributed surplus account. Further details of the capital reorganisation are also set out in the Company's circular dated 18 July 2005.
- (f) A rights issue (the "2006 Rights Issue") of five rights shares for every two existing shares held by members on the register of members on 25 November 2005 was made, at an issue price of HK\$0.05 per rights share, resulting in the issue of 4,695,058,530 ordinary shares of HK\$0.02 each for a total cash consideration, before expenses, of approximately HK\$234,754,000. Further details of the 2006 Rights Issue are also set out in a prospectus of the Company dated 2 December 2005.
- (g) In June 2005, the Company repurchased its own ordinary shares of HK\$0.10 each on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as follows:

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

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

- (h) On 14 June 2005, the Company allotted and issued a total of 500,000,000 ordinary shares of HK\$0.10 each for cash to independent third parties at a price of HK\$0.16 per share.
- (i) On 29 August 2005 and 30 March 2006, the Company allotted and issued 237,000,000 and 375,000,000 ordinary shares of HK\$0.02 each for cash to independent third parties at a price of HK\$0.10 and HK\$0.025 per share, respectively.
- (j) During the year ended 31 March 2007, 9,000,000,000 new ordinary shares of HK\$0.02 each of the Company were issued upon the conversion of the 2006 CNs with face values aggregating HK\$225,000,000 issued by the Company as further detailed in note 22 to the financial statements.

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

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

Share options

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

Warrants

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

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

26. SHARE OPTION SCHEMES

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

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

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

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

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

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

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

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

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	At grant	Immediately	At exercise
	1 April	during	during	during	31 March			price	date of	before the	date
	2006	the year	the year	the year	2007			of share	share	exercise	of share
	'000	'000	'000	'000	'000	options**	options	date	options		
						HK\$	HK\$	HK\$	HK\$		
						per share	per share	per share	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.

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

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

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

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

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

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

27. RESERVES

(a) Group

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

(b) Company

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

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

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

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of a subsidiary

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

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

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

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

(b) Acquisition of a subsidiary

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

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

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

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

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

(c) Major non-cash transactions

- (i) On 8 June 2006, the Group entered into a conditional agreement for the sale of an available-for-sale investment to an independent third party, Freeman Corporation Limited (formerly Inner Mongolia Development (Holdings) Limited) ("Freeman"), a company listed on the Stock Exchange, for a consideration to be satisfied by 55,000,000 ordinary shares of Freeman of HK\$0.20 each. The transaction was completed on 23 June 2006 and resulted in a gain on disposal before tax of approximately HK\$3,354,000.
- (ii) On 7 April 2005, the Company early redeemed the then outstanding convertible notes issued on 15 April 2004 ("2004 CNs") with an aggregate face value of HK\$36,000,000 with the funds available from the convertible notes issued on 7 April 2005 ("2005 CNs"). As all the holders of the 2004 CNs had also subscribed for the 2005 CNs, they had set off with the Company the subscription monies payable by them to the Company for the 2005 CNs against the amount payable by the Company to them on redemption of the 2004 CNs.
- (iii) On 7 April 2005, the Company issued a convertible note in the principal amount of HK\$50,000,000 to Found Investments to satisfy its contribution obligation as a shareholder of Found Investments. On 11 April 2005, Found Investments exercised the conversion rights of the HK\$50,000,000 convertible note to convert it into 1,000,000,000 new ordinary shares of the Company of HK\$0.01 each at the exercise price of HK\$0.05 per share.
- (iv) On 22 April 2005, 22 June 2005, 25 July 2005 and 26 July 2005, the Group subscribed convertible notes with principal amount of HK\$52 million issued by Willie International Holdings Limited ("Willie") with zero coupon. These notes were convertible at the option of the Group at a conversion price of HK0.25 per share. In December 2005, the Group fully converted these convertible notes into 208,000,000 ordinary shares of Willie and held them as an available-for-sale investment.

29. PLEDGE OF ASSETS

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

30. OPERATING LEASE ARRANGEMENTS

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

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

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

31. COMMITMENTS

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

- (a) On 9 March 2007, the Group entered into an irrevocable undertaking by way of rights of 10 rights shares for every share in the issued share capital of Unity Investments Holdings Limited (“Unity”), a company listed on the Stock Exchange, at a subscription price of HK\$0.10 per rights share. Pursuant to the irrevocable undertaking, the Group will subscribe for the rights entitled to 8,450,000 shares of Unity.
- (b) On 30 March 2006, the Group entered into a conditional sale and purchase agreement with an independent third party to acquire the entire issued share capital and the shareholders’ loans of Wiseteam Assets Limited (“Wiseteam”) at a cash consideration of HK\$49,000,000. Wiseteam is the registered owner of a property located at 30/F, China United Centre, 28 Marble Road, North Point, Hong Kong. A purchase deposit of HK\$4,900,000 was paid upon signing the agreement and the remaining balance of HK\$44,100,000 was paid upon completion. The transaction was completed on 5 June 2006.
- (c) On 25 October 2005, the Group entered into a framework agreement (the “Original Agreement”) with independent third parties, to conditionally subscribe for a 20% equity interest in Shanghai Newline Advertising Inc. (“Shanghai Newline”), a limited liability company in the PRC, at a cash consideration of HK\$20,000,000. The Group also had the right to further increase its shareholding interest in Shanghai Newline to 40% by injecting another HK\$20,000,000 in cash into Shanghai Newline. A deposit of HK\$2,000,000 was paid and the remaining balance of HK\$18,000,000 would be paid by the Group upon the completion of the subscription, which is subject to, inter alia, the passing of the necessary resolution by the shareholders of the Company as well as the approval from the foreign investment approval authorities and other relevant authorities in the PRC for the proposed acquisition.

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

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

32. CONTINGENT LIABILITIES

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

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

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

33. RELATED PARTY TRANSACTIONS

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

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

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

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Cash flow interest rate risk

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

Credit risk

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

Liquidity risk

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

35. POST BALANCE SHEET EVENTS

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

- (a) On 14 May 2007, the Group entered into a sale and purchase agreement with a third party to dispose of its entire equity interest in Top Trinity Assets Limited ("Top Trinity") for a cash consideration of HK\$20,828,000. The principal activity of Top Trinity is investment holding. Bestford Properties Limited, a wholly-owned subsidiary of Top Trinity, is the registered owner of a property located at Flat B on 22/F together with a portion of the roof immediately thereabove and one car park of Royalton, 118 Pok Fu Lam Road, Hong Kong, with a carrying amount of HK\$20,000,000 as at 31 March 2007. The carrying amount of the property has been included in property investment segment at the balance sheet date.
- (b) The Company intends to put forward to its shareholders a capital reorganisation (the "Capital Reorganisation") comprising a share consolidation (the "Share Consolidation") and an increase in its authorised share capital immediately follow the Share Consolidation, details of which are set out below:

(i) Share Consolidation

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

(ii) *Authorised share capital increase*

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

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

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

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

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

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

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

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

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

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

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

36. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

37. APPROVAL OF THE FINANCIAL STATEMENTS

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

3. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 March 2007, the date to which the latest published audited consolidated financial statements of the Group were made up.

4. INDEBTEDNESS

At the close of business on 31 July 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the Group had aggregate outstanding borrowings of approximately HK\$99,407,000, comprising the following:

- (i) secured bank loans of approximately HK\$92,545,000; and
- (ii) secured margin financing provided by certain financial institutions of approximately HK\$6,862,000.

The Group's margin financing and bank loan were secured by the Group's investment securities and first legal charges over the Group's properties respectively.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, the Group did not have any outstanding mortgages, charges, debentures or other loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptances or acceptances credits, finance leases or hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 31 July 2007.

5. WORKING CAPITAL

The Directors are satisfied after due and careful enquiry that taking into account the present internal financial resources of the Group, the available banking facilities and the net proceeds to be derived from the Rights Issue, in the absence of unforeseen circumstances, the Group has sufficient working capital for its present requirements, that is for at least twelve months from the date of publication of this prospectus.

6. SHARES

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following completion of the Rights Issue will be as follows:

<i>Number of Shares</i>	<i>Nominal value HK\$</i>
<i>Authorised:</i>	
50,000,000,000 Shares	5,000,000,000.00
<i>Issued and fully-paid:</i>	
5,922,226,388 Shares in issue as at the Record Date	592,222,638.80
2,961,113,194 Rights Shares to be issued pursuant to the Rights Issue	296,111,319.40
8,883,339,582 Shares in issue upon completion of the Rights Issue	888,333,958.20

All the issued Shares rank *pari passu* in all respects as regards dividends, voting rights and return of capital. The Rights Shares, when fully paid and allotted, will rank *pari passu* in all respects with the Shares then in issue, including the right to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares.

Save as disclosed in this prospectus, no part of the share capital of the Company has been listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed for the Shares to be listed or dealt in on any other stock exchange.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is an unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared based on the audited consolidated net tangible assets of the Group as at 31 March 2007, as extracted from the published annual report of the Company for the year ended 31 March 2007, and is adjusted as described below for the purpose of illustrating the effect of the Rights Issue as if it had been completed on 31 March 2007. This statement has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Group as at 31 March 2007 had the Rights Issue actually been completed on that date or at any future date.

	Audited consolidated net tangible assets as at 31 March 2007	Estimated net proceeds from the Rights Issue (Note 1)	Unaudited pro forma adjusted consolidated net tangible assets after completion of the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets per Share after the Rights Issue (Note 2)
	(approximately) <i>HK\$'000</i>	(approximately) <i>HK\$'000</i>	(approximately) <i>HK\$'000</i>	(approximately) <i>HK\$</i>
Based on 2,961,113,194 Right Shares issued	<u>817,486</u>	<u>288,121</u>	<u>1,105,607</u>	<u>0.12</u>

Notes:

1. The estimated gross proceeds from the Rights Issue are approximately HK\$296,111,000. Estimated expenses associated with the Rights Issue amounted to approximately HK\$7,990,000, resulting in an estimated net proceeds from the Rights Issue of approximately HK\$288,121,000.
2. The unaudited pro forma adjusted consolidated net tangible assets per Share of the Group after the Rights Issue of approximately HK\$0.12 is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group as calculated above and on the basis of 8,883,339,582 Shares, comprising 5,922,226,388 Shares in issue as at the Record Date and 2,961,113,194 Rights Shares to be issued pursuant to the Rights Issue.

2. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a letter from Ernst & Young, the reporting accountants to the Company, in respect of the unaudited pro forma statement of adjusted consolidated net tangible assets.



18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

The Board of Directors
Heritage International Holdings Limited

28 September 2007

Dear Sirs

**Heritage International Holdings Limited
Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets**

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of Heritage International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on page 81 in Appendix II of the Company’s prospectus dated 28 September 2007 in connection with the proposed rights issue of the Company (the “Rights Issue”). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide pro forma information about how the Rights Issue might have affected the consolidated net tangible assets of the Group as if the Rights Issue had taken place at 31 March 2007.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information of the Group in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information of the Group and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of (i) the financial position of the Group as at 31 March 2007 or any future dates; or (ii) the consolidated net tangible assets per share of the Group as at 31 March 2007 or any future dates.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully
Ernst & Young
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. PARTICULARS OF DIRECTORS

Name	Address
<i>Executive Directors</i>	
Mr. Kwong Kai Sing, Benny	32/F., China United Centre No.28 Marble Road North Point, Hong Kong
Ms. Lo Ki Yan, Karen	32/F., China United Centre No.28 Marble Road North Point, Hong Kong
Mr. Ong Peter	32/F., China United Centre No.28 Marble Road North Point, Hong Kong
Ms. Poon Chi Wan	32/F., China United Centre No.28 Marble Road North Point, Hong Kong
Mr. Chow Chi Wah, Vincent	32/F., China United Centre No.28 Marble Road North Point, Hong Kong
<i>Independent Non-Executive Directors</i>	
Mr. Chan Sze Hung	32/F., China United Centre No.28 Marble Road North Point, Hong Kong
Mr. To Shing Chuen	32/F., China United Centre No.28 Marble Road North Point, Hong Kong

Mr. Ha Kee Choy, Eugene 32/F., China United Centre
No.28 Marble Road
North Point, Hong Kong

Mr. Chung Yuk Lun 32/F., China United Centre
No.28 Marble Road
North Point, Hong Kong

Mr. Lo Wong Fung 32/F., China United Centre
No.28 Marble Road
North Point, Hong Kong

Executive Directors

Kwong Kai Sing, Benny, aged 49, is the Chairman and an Executive Director of the Company. Mr. Kwong graduated from Simon Fraser University in British Columbia, Canada with a bachelor degree in arts. He held senior positions with major international banks in Hong Kong in respective lending departments and China department for many years. For the past several years, he has served as executive director of over 10 publicly listed companies both in Hong Kong, Canada and the UK. Mr. Kwong has extensive knowledge in corporate finance and banking. He was an appointed member of the China People's Political Consultative Committee of the Hubei Province in 1995-1996.

Lo Ki Yan, Karen, aged 36, is the Vice Chairman and an Executive Director of the Company. Ms. Lo graduated from the University of Pennsylvania with a bachelor degree of Arts with major in communication in 1993. She has over 5 years' management experience.

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

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

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

Independent Non-Executive Directors

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

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

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

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

Lo Wong Fung, aged 60, 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.

3. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head office and principal place of business in Hong Kong	32/F., China United Centre No.28 Marble Road North Point, Hong Kong
Authorised representatives in Hong Kong	Kwong Kai Sing, Benny Poon Chi Wan
Company secretary and qualified accountant	Chow Chi Wah, Vincent, <i>FCCA, HKICPA</i>
Underwriter of the Rights Issue	Chung Nam Securities Limited 30-31/F., China United Centre No.28 Marble Road North Point, Hong Kong

Legal advisers to the Company	<i>As to Bermuda law:</i> Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Hong Kong <i>As to Hong Kong law:</i> Iu, Lai & Li 20th Floor, Gloucester Tower The Landmark 11 Pedder Street, Central Hong Kong
Auditors	Ernst & Young <i>Certified Public Accountants</i> 18th Floor Two International Finance Centre 8 Finance Street Central Hong Kong
Principal share registrar in Bermuda	Butterfield Corporate Services Limited Rosebank Centre 11 Bermudiana Road Pembroke Bermuda
Hong Kong branch share registrar	Computershare Hong Kong Investor Services Limited Shops 1712-16, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited No.1 Queen's Road Central Hong Kong Liu Chong Hing Bank Limited 1st Floor, Western Harbour Centre 181-183 Connaught Road West Hong Kong

4. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of Director	Number of Shares (long position)	Nature of interest	Percentage of total issued share capital as at the Latest Practicable Date
Kwong Kai Sing, Benny	42,900,000	Personal	0.72
Lo Ki Yan, Karen	12,000,000	Personal	0.20
Ong Peter	23,876,000	Personal	0.40
Poon Chi Wan	3,300,000	Personal	0.06

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

5. DISCLOSURE OF SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as the Directors or chief executive of the Company were aware or could ascertain after reasonable enquiry, the following person, not being a Director or chief executive of the Company, had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any option in respect of such capital.

Interests in the Shares of the Company

Name	Number of Shares (long position)	Nature of interest	Percentage of total issued share capital as at the Latest Practicable Date
Willie International Holdings Limited	510,948,000	Corporate	8.63

Save as disclosed above and so far as the Directors or chief executive of the Company were aware, as at the Latest Practicable Date, there were no other persons who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any option in respect of such capital.

6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

None of the Directors has, or has had, any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2007, the date to which the latest published audited financial statements of the Group were made up.

None of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors entered, or proposed to enter, into a service contract with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

- (a) an underwriting agreement dated 6 October 2005 entered into between the Company as issuer, and Get Nice Investment Limited and Kingston Securities Limited as underwriters whereby Get Nice Investment Limited and Kingston Securities Limited agreed to underwrite up to 4,875,058,530 rights shares at the subscription price of HK\$0.05 per rights share. Further details of the rights issue were set out in the prospectus of the Company dated 2 December 2005;
- (b) a framework agreement dated 25 October 2005 entered into between Waytech Limited, an indirectly wholly-owned subsidiary of the Company, Ms. Wu Xiaohong, Mr. Ni Chengwei and Foreglory International Limited, pursuant to which Waytech Limited has conditionally agreed to subscribe, or procure its nominee to subscribe, for 20% of the shareholding interest of Shanghai Newline Advertising Inc. (上海新幹線廣告有限公司) at a cash consideration of HK\$20 million. Further details of the transaction were set out in the circular of the Company dated 15 February 2006;
- (c) a stock transfer deed dated 23 December 2005 entered into between Power Speed Limited, a wholly-owned subsidiary of the Company, as purchaser, and Mr. Gilbert B. Ma as vendor, for the sale and purchase of 19.5% of the issued share capital of Universal Technology Systems Inc., a company established in Taiwan whose shares are traded on the Gre Tai Securities Market in Taiwan at a consideration of NT\$43.5 million. Further details of the transaction were set out in the circular of the Company dated 19 January 2006;
- (d) a subscription agreement dated 6 March 2006 entered into between the Company as issuer and Ms. Kwok Wai Ming as subscriber for the subscription of 375,000,000 new ordinary shares of the Company at a price of HK\$0.025 per share. Further details of the subscription were set out in the announcement of the Company dated 7 March 2006;
- (e) a subscription agreement dated 28 March 2006 entered into between the Company as issuer and DKR Soundshore Oasis Holding Fund Limited as subscriber for the subscription of a convertible note in the principal sum of HK\$100,000,000 and the supplemental agreements/letter in relation thereto dated 15 May 2006, 15 June 2006, 30 June 2006 and 10 July 2006. Further details of the subscription were set out in the circular of the Company dated 12 May 2006;
- (f) a placing agreement dated 6 April 2006 entered into between the Company as issuer and Get Nice Investment Limited as placing agent for the placing of a series of convertible notes of up to an aggregate principal amount of HK\$300,000,000 and the supplemental agreement in relation thereto dated 10 July 2006. Further details of the subscription were set out in the circular of the Company dated 12 May 2006;

- (g) a conditional sale and purchase agreement dated 30 March 2006 entered into between Glamorous Investments Limited, a wholly-owned subsidiary of the Company, as purchaser, and Qualipak Development Limited as vendor, in relation to the sale and purchase of the entire issued share capital of, and shareholder's loan extended to, Wiseteam Assets Limited. The principal asset of Wiseteam Assets Limited is 30/F., China United Centre, No.28 Marble Road, North Point, Hong Kong. Further details of the transaction were set out in the circular of the Company dated 12 May 2006;
- (h) a subscription agreement dated 28 June 2006 entered into between Waytech Limited, an indirectly wholly-owned subsidiary of the Company, Ms. Wu Xiaohong, Mr. Ni Chengwei and Foreglory International Limited, pursuant to which Waytech Limited has conditionally agreed to subscribe, or procure its nominee to subscribe, for 20% of the shareholding interest of New Range Investments Ltd at a cash consideration of HK\$20 million. Further details of the transaction were set out in the announcement of the Company dated 30 June 2006;
- (i) a junket representative and services agreement entered into by Easywin Cotai Entertainment Limited, a wholly-owned subsidiary of the Company, on 11 April 2007 in relation to the provision of certain marketing and promotional services to a casino operator in Macau and the termination agreement in relation thereto dated 30 May 2007. Further details of the transaction were set out in the announcement of the Company dated 1 June 2006;
- (j) a conditional placing agreement dated 13 June 2007 entered into between the Company as issuer and Get Nice Investment Limited as placing agent in relation to a placing of 2,340,000,000 new ordinary shares of the Company at a price of HK\$0.075 per share. Further details of the placing were set out in the announcement of the Company dated 14 June 2007;
- (k) a conditional placing agreement dated 2 August 2007 entered into between the Company as issuer and the Underwriter as placing agent in relation to a placing of 744,530,000 new ordinary shares of the Company at a price of HK\$0.18 per share. Further details of the placing were set out in the announcement of the Company dated 2 August 2007;
- (l) a conditional placing agreement dated 23 August 2007 entered into between the Company as issuer and the Underwriter as placing agent in relation to a placing of 987,000,000 new ordinary shares of the Company at a price of HK\$0.10 per share. Further details of the placing were set out in the Announcement; and
- (m) the Underwriting Agreement.

9. LITIGATION

As at the Latest Practicable Date, there is no litigation or claims of material importance pending or threatened against any member of the Group.

10. CONSENT OF EXPERT

The following is the qualification of the professional adviser who has given opinion or advice contained in this prospectus:

Name	Qualification
Ernst & Young	Certified public accountants, Hong Kong

Ernst & Young has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its opinion and/or references to its name in the form and context in which they are included.

As at the Latest Practicable Date, Ernst & Young did not have: (a) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (b) any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2007, the date to which the latest published audited financial statements of the Group were made up.

11. DOCUMENTS DELIVERED TO THE REGISTRARS OF COMPANIES

A copy of this prospectus, together with copies of the PAL and EAF and the written consent of Ernst & Young referred to in section 10 above, have been registered by the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance. A copy of this prospectus will as soon as reasonably practicable be delivered to the Registrar of Companies in Bermuda for filing in accordance with the requirements of the Companies Act.

12. EXPENSES

The expenses in connection with the Rights Issue, including underwriting commission, documentation, printing, translation, legal and accountancy fees and expenses, and the fees for the application for listing of the Rights Shares are estimated to amount to approximately HK\$7.991 million and are payable by the Company.

13. LEGAL EFFECT

The Prospectus Documents and all acceptances of any offer or application contained in such documents, are governed by and will be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant documents shall have the effect of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong during normal business hours up to and including the 14th day following the date hereof:

- (a) the Memorandum of Association and the Bye-laws of the Company;
- (b) the annual reports of the Company for the two years ended 31 March 2006 and 31 March 2007;
- (c) the written consent given by Ernst & Young referred to in section 10 of this Appendix and the report from Ernst & Young set out in section 2 of Appendix II to this prospectus; and
- (d) the material contracts referred to in section 8 of this Appendix.

15. MISCELLANEOUS

The English text of the Prospectus Documents shall prevail over the Chinese text.