THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this circular 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 Heritage International Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, 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.

HERITAGE INTERNATIONAL HOLDINGS LIMITED

漢基控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 412)

MAJOR TRANSACTION

SUBSCRIPTION OF NEW SHARES IN WILLIE INTERNATIONAL HOLDINGS LIMITED

A letter from the board of directors of Heritage International Holdings Limited is set out on pages 3 to 9 of this circular.

A notice convening a special general meeting of Heritage International Holdings Limited to be held at Java II-III, 2/F., Harbour Plaza North Point, 665 King's Road, North Point, Hong Kong on 14 November 2008 at 9:00 a.m. is set out on pages 158 to 159 of this circular. If you are not able to attend the meeting, you are strongly urged to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of Heritage International Holdings Limited in Hong Kong at 32/F., China United Centre, No.28 Marble Road, North Point, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish.

* *For identification purposes only*

29 October 2008

CONTENTS

DEFINITIONS

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

"associate(s)"	has the meaning ascribed thereto in the Listing Rules
"Board"	the board of Directors
"Company"	Heritage International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Convertible Note"	the convertible note in the principal amount of HK$86,882,392.88 issued by Willie to the Subscriber pursuant to the SP Agreements
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the interests in the companies which hold the Properties
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	27 October 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Properties"	30th to 32nd Floors of China United Centre, No.28 Marble Road, North Point, Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened at Java II-III, 2/F., Harbour Plaza North Point, 665 King's Road, North Point, Hong Kong on 14 November 2008 at 9:00 a.m. for the purpose of approving the signing of the Termination Deed and the Subscription
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company

"Shareholder(s)"	the shareholder(s) of the Company
"SP Agreements"	the three conditional sale and purchase agreements, all dated 19 May 2008, entered into between the Group and the Willie Group in relation to the Disposal
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Dollar Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"Subscription"	the subscription of the Subscription Shares by the Subscriber pursuant to the terms of the Termination Deed
"Subscription Shares"	650,000,000 new Willie Shares to be subscribed by the Subscriber pursuant to the Subscription
"Termination Deed"	the conditional termination deed dated 11 September 2008 entered into between the Subscriber and Willie in relation to the cancellation of the Convertible Note and the Subscription
"Willie"	Willie International Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Willie Group"	Willie and its subsidiaries
"Willie Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of Willie
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

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
Ong Peter
Poon Chi Wan
Chow Chi Wah, Vincent

Independent non-executive Directors:
Chan Sze Hung
To Shing Chuen
Ha Kee Choy, Eugene
Chung Yuk Lun
Lo Wong Fung

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
32/F., China United Centre
No. 28 Marble Road
North Point
Hong Kong

29 October 2008

To the Shareholders and holders of warrants of the Company

Dear Sir or Madam,

MAJOR TRANSACTION

SUBSCRIPTION OF NEW SHARES IN WILLIE INTERNATIONAL HOLDINGS LIMITED

1. INTRODUCTION

The Board announced on 17 September 2008 that after trading hours on 11 September 2008, the Group entered into the Termination Deed with Willie, pursuant to which the parties conditionally agreed to terminate the Convertible Note. In consideration therefor, Willie would issue an aggregate of 650,000,000 Willie Shares, all credited as fully paid, to the Group. The Subscription Shares represent approximately 26.53% of the existing issued share capital of Willie and approximately 20.97% of the issued share capital of Willie as enlarged by the issue of the Subscription Shares.

The Subscription constitutes a major transaction for the Company under Rule 14.06 of the Listing Rules and is subject to the approval of the Shareholders at the SGM. The main purpose of this circular is to provide you with further particulars of the Subscription and the notice of the SGM.

* *For identification purposes only*

2. THE TERMINATION DEED

Date:

11 September 2008

Parties:

Subscriber	:	Dollar Group Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company.
Issuer	:	Willie International Holdings Limited, an investment holding company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, save for holding an approximate interest of 8.19% in the Company, Willie and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Assets to be acquired:

650,000,000 shares of HK$0.10 each in the capital of Willie, representing approximately 26.53% of the existing issued share capital of Willie and approximately 20.97% of the issued share capital of Willie as enlarged by the issue of the Subscription Shares.

Willie is an investment holding company listed on the Stock Exchange with its subsidiaries principally engaged in the business of property investment, investment in securities trading, investing in energy related businesses and acquiring, exploring and developing natural resources.

Set out below is the audited consolidated financial information of the Willie Group for each of the two financial years ended 31 December 2006 and 2007 as extracted from the 2007 annual report of Willie:

	Year ended 31 December	
	2007	**2006**
	HK$'000	*HK$'000*
Turnover	1,448,876	295,508
Loss before taxation	(197,582)	(114,761)
Loss for the year	(197,582)	(114,761)

	As at 31 December	
	2007	**2006**
	HK$'000	*HK$'000*
Total assets	1,848,318	361,151
Total liabilities	361,853	31,537
Net assets	1,486,465	329,614

Consideration:

The consideration payable by the Subscriber to Willie for the Subscription Shares is HK$91,000,000 and the same shall be satisfied by the Subscriber surrendering the Convertible Note to Willie. The average subscription price for each Subscription Share is approximately HK$0.14, representing:

(i) a premium of approximately 6.87% over the closing price of HK$0.131 per Willie Share as quoted on the Stock Exchange on 11 September 2008, being the date of the Termination Deed;

(ii) a premium of approximately 6.06% over the average closing price of approximately HK$0.132 per Willie Share as quoted on the Stock Exchange for the last 5 trading days up to and including 10 September 2008, being the last trading day immediately before the date of the Termination Deed;

(iii) a premium of approximately 268.42% over the closing price of HK$0.038 per Willie Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(iv) a discount of approximately 77.05% to the net asset value of approximately HK$0.61 per Willie Share (based on the audited consolidated net asset value of the Willie Group of approximately HK$1,486.5 million as at 31 December 2007 and 2,449,609,814 Willie Shares in issue as at the Latest Practicable Date).

The consideration has been arrived at after arm's length negotiations between the parties with reference to the recent market price of the Willie Shares.

Completion:

Subject to the fulfillment of the following conditions, completion of the Termination Deed shall take place on the fifth business day after fulfillment of the last of the following conditions or such other date as may be agreed between the parties in writing.

Completion shall be conditional upon:

(i) approval of the Termination Deed and transactions contemplated thereunder (including the issue of the Subscription Shares) by shareholders of Willie being obtained in accordance with the Listing Rules;

(ii) approval of the Termination Deed and transactions contemplated thereunder by the Shareholders being obtained in accordance with the Listing Rules; and

(iii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Subscription Shares.

If any of the conditions precedent set out above is not fulfilled on or before 31 December 2008, the rights and obligations of the parties under the Termination Deed shall lapse and be of no further force and effect, and the parties shall be released from all further obligations thereunder without any liability save to any antecedent breach.

None of the above conditions precedent may be waived by any party and none of them has been fulfilled as at the Latest Practicable Date.

3. REASONS FOR, AND BENEFITS OF, THE SUBSCRIPTION

The Company is an investment holding company and its subsidiaries are principally engaged in property related investments, investment in securities, investment in advertising and lottery related businesses and money-lending businesses.

The Group entered into several agreements with the Willie Group in May 2008 to dispose of its entire interest in the Properties. A convertible note in the principal amount of HK$86,882,392.88 was issued by Willie to the Group in consideration therefor which entitles the Group to convert into Willie Shares at an initial conversion price of HK$0.11 per Willie Share. Such conversion price was subsequently adjusted to HK$0.298 per Willie Share as a result of the share consolidation and rights issue announced by Willie on 19 June 2008. Given that the Willie Shares have continuously been traded below such conversion price for the last three months, the parties entered into negotiation and agreed that the Convertible Note be cancelled and terminated, and in consideration therefor, Willie would issue an aggregate of 650,000,000 Willie Shares, all credited as fully paid, to the Subscriber at a price of HK$0.14 per Willie Share.

Pursuant to the terms of the Convertible Note, Willie might at any time after the first anniversary date of the issue date of the Convertible Note redeem the whole or any part of the outstanding principal amount of the Convertible Note provided that if redemption is made earlier than the maturity date, it should be made at 110% of the principal amount of the Convertible Note to be redeemed. In addition, the holder of the Convertible Note shall have the right, at its absolute discretion, to convert, the whole or any part of the outstanding principal amount of the Convertible Note into Willie Shares at the then prevailing conversion price at any time on or after the issue of the Convertible Note up to the day which is 7 days prior to the maturity date.

Assuming that there is no termination of the Convertible Note, the Group would be entitled to subscribe for an aggregate of 291,551,633 Willie Shares upon full conversion of the Convertible Note at the prevailing conversion price of HK$0.298 per Willie Share, representing approximately 11.90% of the existing issued share capital of Willie and approximately 10.64% of the issued share capital of Willie as enlarged by the issue of such shares. Pursuant to the Termination Deed, Willie will issue an aggregate of 650,000,000 Willie Shares to the Group, representing approximately (i) 26.53% of the existing issued share capital of Willie (denoting an increase of approximately 14.63% from 11.90%) and (ii) 20.97% of the issued share capital of Willie as enlarged by the issue of the Subscription Shares (denoting an increase of approximately 10.33% from 10.64%) respectively.

As disclosed in the announcement of the Company dated 20 May 2008, the executive Directors are optimistic about the future prospects of the business of Willie. Despite that the Group may receive (i) full principal amount in cash upon maturity of the Convertible Note or (ii) 110% of the principal amount of the Convertible Note if it is redeemed by Willie before the maturity date, the Directors still consider the terms of the Termination Deed to be fair and reasonable and in the interests of the Shareholders as a whole as it gives the Group an opportunity to acquire a substantial interest in Willie at a reasonable price and benefit from the growth of Willie and its subsidiaries in the future.

4. FINANCIAL EFFECT OF THE SUBSCRIPTION

After completion of the Subscription, the Company will have an effective interest of approximately 20.97% in Willie. Willie will not become a subsidiary of the Company at this level of shareholding. Accordingly, its assets, liabilities and results will not be consolidated with those of the Group. Instead, the Company will treat its investment in Willie as securities investment and measure the same by reference to the quoted market price of the shares at the close of business on the balance sheet date. Depending on the then market price of the shares, there may be an unrealised gain or loss on the balance sheet date if the Group is still holding such shares.

Save as disclosed above, the Directors expect that the Subscription will not have any immediate impact on the earnings, and assets and liabilities of the Group.

5. GENERAL

There is no previous transaction within a 12-month period from the date of the Termination Deed which is required to be aggregated with the Subscription under Rule 14.22 of the Listing Rules.

The Subscription constitutes a major transaction for the Company under Rule 14.06 of the Listing Rules and is subject to the approval of the Shareholders. As at the Latest Practicable Date, so far as is known to the Directors, Willie and its associates are beneficially interested in approximately 8.19% of the issued share capital of the Company. Accordingly, Willie and its associates will abstain from voting at the SGM in respect of the proposed resolution to approve the signing of the Termination Deed and the Subscription.

6. SGM

A notice convening the SGM to be held at Java II-III, 2/F., Harbour Plaza North Point, 665 King's Road, North Point, Hong Kong on 14 November 2008 at 9:00 a.m. is set out on pages 158 to 159 of this circular. A form of proxy for use at the SGM is also enclosed. If you are not able to attend the meeting, you are strongly urged to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of the Company in Hong Kong at 32/F., China United Centre, No.28 Marble Road, North Point, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish.

7. PROCEDURES FOR DEMANDING A POLL

Pursuant to the bye-laws of the Company, a resolution put to the vote of a meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) duly demanded by:

(i) the chairman of the meeting; or

(ii) at least three members present in person or by proxy or representative for the time being entitled to vote at the meeting; or

(iii) any member or members present in person or by proxy or representative and representing not less than one-tenth of the total voting rights of all the members having the right to attend and vote at the meeting; or

(iv) any member or members present in person or by proxy or representative and holding Shares in the Company conferring a right to attend and vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or

(v) if required by the Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing 5% or more of the total voting rights at such meeting.

8. RECOMMENDATION

The Board considers that the signing of the Termination Deed and the Subscription are both in the interest of the Company and the Shareholders as a whole and recommends all Shareholders who are entitled to vote at the SGM to vote in favour of the resolution set out in the notice of the SGM, approving both the signing of the Termination Deed and the Subscription.

9. ADDITIONAL INFORMATION

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

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

1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

The following table summarises the results, assets and liabilities of the Group for the last three financial years, as extracted from the published audited financial statements of the Group for the three years ended 31 March 2008.

Consolidated Income Statement
Three years ended 31 March 2008

	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
REVENUE	51,765	531,600	242,287
Cost of sales and carrying amount of equity investments sold	–	(612,011)	(272,176)
Gross profit/(loss)	51,765	(80,411)	(29,889)
Other income and gains	8,880	2,945	6,327
Gains/(losses) arising from changes in fair value of investment properties, net	1,900	(2,976)	13,183
Fair value gains/(losses) on investments at fair value through profit or loss, net	(404,401)	18,035	77,406
Loss on disposal of available-for-sale investments, net	–	(24,411)	–
Gain/(loss) on disposal of subsidiaries	6,877	(410)	118
General and administrative expenses	(24,038)	(28,482)	(21,448)
Other expenses, net	(2,757)	(62,737)	(62,206)
Finance costs	(4,501)	(27,445)	(4,760)
Impairment of interests in jointly-controlled entities	–	(15,972)	–
Share of losses of jointly-controlled entities	–	(4,028)	–
LOSS BEFORE TAX	(366,275)	(225,892)	(21,269)
Tax	(1,476)	(2,553)	(2,907)
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	(367,751)	(228,445)	(24,176)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	HK(54.47) cents	HK(2.10) cents	HK$(0.45) cent
Diluted	N/A	N/A	N/A

Consolidated Balance Sheet

31 March, 2008, 2007 and 2006

	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	16,314	30,742	31,417
Investment properties	150,500	168,600	122,900
Interests in jointly-controlled entities	–	–	–
Available-for-sale investments	9,130	8,719	121,985
Loan receivable	4,070	1,000	2,000
Convertible bond – loan portion	16,630	–	–
Loan to an investee company	–	–	49,838
Deposit for purchase of an investment property	–	–	4,900
Other deposits	–	–	2,450
Total non-current assets	196,644	209,061	335,490
CURRENT ASSETS			
Loans receivable	569,499	296,850	200,450
Convertible bond – option derivatives	1,626	–	–
Investments at fair value through profit or loss	357,627	352,195	307,808
Prepayments, deposits and other receivables	24,603	16,431	13,196
Cash and bank balances	205,172	127,695	37,095
Non-current asset held for sale	–	–	10,900
Total current assets	1,158,527	793,171	569,449
CURRENT LIABILITIES			
Other payables and accruals	5,031	37,374	17,096
Interest-bearing bank borrowings	10,334	9,274	11,237
Derivative financial instrument	–	557	752
Tax payable	800	1,270	674
Total current liabilities	16,165	48,475	29,759
NET CURRENT ASSETS	1,142,362	744,696	539,690
TOTAL ASSETS LESS CURRENT LIABILITIES	1,339,006	953,757	875,180

Consolidated Balance Sheet

31 March, 2008, 2007 and 2006

	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	68,672	100,108	47,838
Convertible notes	–	27,810	–
Deferred tax liabilities	9,370	8,353	6,307
Total non-current liabilities	78,042	136,271	54,145
Net assets	1,260,964	817,486	821,035
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	213,167	348,270	142,682
Equity component of convertible notes	–	4,419	–
Reserves	1,047,797	464,797	678,353
Total equity	1,260,964	817,486	821,035

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2008

Set out below are the audited consolidated financial statements of the Group for the year ended 31 March 2008 together with accompanying notes as extracted from the annual report of the Company for the year ended 31 March 2008.

Consolidated Income Statement
Year ended 31 March 2008

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

Consolidated Balance Sheet
31 March 2008

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

Consolidated Balance Sheet
31 March 2008

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

Consolidated Statement of Changes in Equity
Year ended 31 March 2008

		Attributable to equity holders of the Company									
	Notes	Issued capital HK$'000	Share premium account HK$'000	Equity component of convertible notes HK$'000	Capital redemption reserve HK$'000	Asset revaluation reserve HK$'000	Contributed surplus HK$'000	Available-for–sale investment revaluation reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 April 2006		142,682	387,885	–	1,177	3,046	319,113	51,500	674	(85,042)	821,035
Changes in fair value of available-for-sale investments		–	–	–	–	–	–	(4,345)	–	–	(4,345)
Disposal of available-for-sale investments		–	–	–	–	–	–	(53,424)	–	–	(53,424)
Total expense for the year recognised directly in equity		–	–	–	–	–	–	(57,769)	–	–	(57,769)
Loss for the year		–	–	–	–	–	–	–	–	(228,445)	(228,445)
Total expense for the year		–	–	–	–	–	–	(57,769)	–	(228,445)	(286,214)
Issue of convertible notes		–	–	44,192	–	–	–	–	–	–	44,192
Redemption of convertible notes		–	–	(6,629)	–	–	–	–	–	–	(6,629)
Conversion of convertible notes	27(a)	180,000	61,043	(33,144)	–	–	–	–	–	–	207,899
Equity-settled share option arrangements		–	–	–	–	–	–	–	6,645	–	6,645
Share options exercised	27(b)	25,588	12,289	–	–	–	–	–	(7,319)	–	30,558
At 31 March 2007		348,270	461,217*	4,419	1,177*	3,046*	319,113*	(6,269)*	–*	(313,487)*	817,486

Consolidated Statement of Changes in Equity

Year ended 31 March 2008

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

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

Consolidated Cash Flow Statement

Year ended 31 March 2008

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

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

Consolidated Cash Flow Statement

Year ended 31 March 2008

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

Balance Sheet

31 March 2008

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

Notes to Financial Statements

31 March 2008

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 include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and certain investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
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

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

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

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

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

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

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

(d) **HK(IFRIC)-Int 9** *Reassessment of Embedded Derivatives*

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

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

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

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

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

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

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

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

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2008
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2009

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

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

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

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

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

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

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

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

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

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

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

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

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 interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's interests in jointly-controlled entities. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Goodwill

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

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

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

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Impairment of non-financial assets other than goodwill

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

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

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

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

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

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

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

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

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

Investment properties

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

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

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

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

Leases

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

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

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

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively, and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

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

Fair value

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

Impairment of financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

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

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

Assets carried at cost

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

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or ''prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

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

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

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

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

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

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

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged in these financial liabilities.

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

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

Financial guarantee contracts

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

Convertible notes

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

Derecognition of financial liabilities

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

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

Derivative financial instruments

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

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

Cash and cash equivalents

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

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

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; and

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

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes Option Pricing Model, further details of which are given in note 28 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

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

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

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

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

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

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

Other employee benefits

Retirement benefit scheme

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

Borrowing costs

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

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

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

Impairment of available-for-sale investments

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

Estimation uncertainty

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

(a) Impairment of loans receivable

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

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

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

(c) *Impairment of goodwill*

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

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

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

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

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

(f) *Income taxes*

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

4. SEGMENT INFORMATION

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

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

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

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

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

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

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

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2008 and 2007.

Group

	Property investment		Investments in securities		Money lending		Investment holding		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Restated)				(Restated)				
Segment revenue												
Revenue from external customers	8,593	7,961	23,624	(115,279)	19,548	26,907	–	–	–	–	51,765	(80,411)
Other revenue and gains	220	331	622	1,626	5	4	315	195	–	–	1,162	2,156
Total	8,813	8,292	24,246	(113,653)	19,553	26,911	315	195	–	–	52,927	(78,255)
Segment results	7,074	5,350	(380,531)	(126,734)	22,072	20,317	(9,549)	(70,927)	–	–	(360,934)	(171,994)
Unallocated other income and gains											7,718	789
Unallocated expenses											(8,558)	(7,242)
Finance costs											(4,501)	(27,445)
Impairment of interests in jointly-controlled entities											–	(15,972)
Share of losses of jointly-controlled entities											–	(4,028)
Loss before tax											(366,275)	(225,892)
Tax											(1,476)	(2,553)
Loss for the year											(367,751)	(228,445)
Assets and liabilities												
Segment assets	153,562	169,188	368,663	353,901	578,466	311,870	26,124	19,389	–	–	1,126,815	854,348
Unallocated assets											228,356	147,884
Total assets											1,355,171	1,002,232
Segment liabilities	674	987	–	33,394	–	–	136	632	–	–	810	35,013
Unallocated liabilities											93,397	149,733
Total liabilities											94,207	184,746

Group

	Property investment		Investments in securities		Money lending		Investment holding		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Restated)				(Restated)				
Other segment information:												
Depreciation – unallocated											(3,774)	(4,277)
Impairment of interests in jointly-controlled entities – unallocated											–	(15,972)
Loss on disposal of available-for-sale investments, net	–	–	–	–	–	–	–	(24,411)	–	–	–	(24,411)
Gain on disposal of items of property, plant and equipment – unallocated											80	510
Gain on disposal of a subsidiary – allocated	3,284	–	–	–	–	–	–	–	–	–	3,284	–
Gain/(loss) on disposal of subsidiaries – unallocated											3,593	(410)
											6,877	(410)
Loss on disposal of an investment property	–	(620)	–	–	–	–	–	–	–	–	–	(620)
Impairment of an available-for-sale investment	–	–	–	–	–	–	(5,757)	–	–	–	(5,757)	–
Share-based payments – unallocated											–	6,645
Gains/(losses) arising from changes in fair value of investment properties, net	1,900	(2,976)	–	–	–	–	–	–	–	–	1,900	(2,976)
Fair value gains/(losses) on investments at fair value through profit or loss, net	–	–	(404,401)	18,035	–	–	–	–	–	–	(404,401)	18,035
Impairment of a loan to an investee company	–	–	–	–	–	–	–	(49,838)	–	–	–	(49,838)
Impairment of loans receivable	–	–	–	–	(4,000)	(10,000)	–	–	–	–	(4,000)	(10,000)
Impairment of loans receivable reversed	–	–	–	–	7,000	3,750	–	–	–	–	7,000	3,750
Impairment of loan interest receivables	–	–	–	–	–	(435)	–	–	–	–	–	(435)
Losses on redemption of convertible notes – unallocated											–	(5,569)
Capital expenditure – allocated	–	48,676	–	–	–	–	–	–	–	–	–	48,676
Capital expenditure – unallocated amounts											2,392	4,695
											2,392	53,371

5. REVENUE, OTHER INCOME AND GAINS

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

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

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

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

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

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

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

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

6. LOSS BEFORE TAX

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

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

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

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

7. FINANCE COSTS

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

8. DIRECTORS' REMUNERATION

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

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

During the year ended 31 March 2007, certain directors were granted share options with an aggregate fair value of approximately HK$2,423,000, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 28 to the financial statements. The fair value of such options which was recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the prior year was included in the above directors' remuneration disclosures in the prior year.

(a) Independent non-executive directors

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

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

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

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

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

(b) Executive directors

	Fees	**Salaries and allowances**	**Employee share option benefits**	**Retirement benefits scheme contributions**	**Total remuneration**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008					
Mr. Kwong Kai Sing, Benny	–	2,400	–	12	2,412
Ms. Lo Ki Yan, Karen*	–	1,080	–	12	1,092
Mr. Ong Peter	–	1,200	–	12	1,212
Ms. Poon Chi Wan	–	780	–	12	792
Mr. Chow Chi Wah, Vincent**	–	600	–	12	612
	–	6,060	–	60	6,120
2007					
Mr. Kwong Kai Sing, Benny	–	1,800	606	12	2,418
Ms. Lo Ki Yan, Karen*	–	1,200	606	12	1,818
Mr. Ong Peter	–	600	606	12	1,218
Ms. Poon Chi Wan	–	660	605	12	1,277
Mr. Chow Chi Wah, Vincent**	–	270	–	6	276
	–	4,530	2,423***	54	7,007

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

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

*** During the year ended 31 March 2007, Mr. Kwong Kai Sing, Benny, Ms. Lo Ki Yan, Karen, Mr. Ong Peter and Ms. Poon Chi Wan were granted share options with an aggregate fair value of approximately HK$2,423,000.

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

9. FIVE HIGHEST PAID EMPLOYEES

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

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

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

10. TAX

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

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

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

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

11. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the year ended 31 March 2008 includes a loss of HK$4,734,000 (2007: HK$42,450,000) which has been dealt with in the financial statements of the Company.

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

(a) Basic loss per share

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

(b) Diluted loss per share

Diluted loss per share amounts for the years ended 31 March 2008 and 2007 have not been disclosed, as the share options, warrants and convertible notes outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2008					
At 31 March 2007 and at 1 April 2007:					
Cost	21,015	2,218	3,834	9,981	37,048
Accumulated depreciation	(1,746)	(763)	(1,612)	(2,185)	(6,306)
Net carrying amount	19,269	1,455	2,222	7,796	30,742
At 1 April 2007, net of accumulated depreciation	19,269	1,455	2,222	7,796	30,742
Additions	–	–	2,392	–	2,392
Disposals	–	–	(528)	–	(528)
Disposal of a subsidiary *(note 30(a))*	(10,608)	(425)	(1,485)	–	(12,518)
Depreciation provided during the year	(783)	(386)	(310)	(2,295)	(3,774)
At 31 March 2008, net of accumulated depreciation	7,878	644	2,291	5,501	16,314
At 31 March 2008:					
Cost	9,415	1,595	3,727	9,981	24,718
Accumulated depreciation	(1,537)	(951)	(1,436)	(4,480)	(8,404)
Net carrying amount	7,878	644	2,291	5,501	16,314
31 March 2007					
At 1 April 2006:					
Cost	21,015	2,095	3,697	7,074	33,881
Accumulated depreciation	(698)	(324)	(1,103)	(339)	(2,464)
Net carrying amount	20,317	1,771	2,594	6,735	31,417
At 1 April 2006, net of accumulated depreciation	20,317	1,771	2,594	6,735	31,417
Additions	–	123	959	3,613	4,695
Disposals	–	–	–	(244)	(244)
Disposal of a subsidiary *(note 30(a))*	–	–	(621)	(228)	(849)
Depreciation provided during the year	(1,048)	(439)	(710)	(2,080)	(4,277)
At 31 March 2007, net of accumulated depreciation	19,269	1,455	2,222	7,796	30,742
At 31 March 2007:					
Cost	21,015	2,218	3,834	9,981	37,048
Accumulated depreciation	(1,746)	(763)	(1,612)	(2,185)	(6,306)
Net carrying amount	19,269	1,455	2,222	7,796	30,742

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

14. INVESTMENT PROPERTIES

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

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

The Group's investment properties were revalued on 31 March 2008 by Asset Appraisal Limited, independent professionally qualified valuers, at HK$150,500,000 (2006: HK$168,600,000) on an open market, existing use basis. The investment properties are currently or expected to be leased to third parties under operating leases, further summary details of which are included in note 32 to the financial statements.

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

Further particulars of the Group's investment properties are included on page 124 of the Company's annual report for the year ended 31 March 2008.

15. INTERESTS IN SUBSIDIARIES

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

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

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

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

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
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.

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

	2008	2007
	HK$'000	*HK$'000*
At beginning and end of year:		
Cost	2,688	2,688
Accumulated impairment	(2,688)	(2,688)
Net carrying amount	–	–

16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Cost of investments in jointly-controlled entities	20,000	20,000
Share of post-acquisition losses	(4,028)	(4,028)
	15,972	15,972
Provision for impairment	(15,972)	(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 ("New Range")*	Ordinary shares of HK$1 each	Hong Kong	20	Investment holding
上海漢基新幹線投資諮詢有限公司*^	Registered capital of RMB10,000,000	People's Republic of China ("PRC")	20	Provision of investment and management consultancy services
上海新幹線廣告有限公司*^	Registered capital of RMB1,000,000	PRC	20	Provision of advertising and related services

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

^ Subsidiaries of New Range.

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

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

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

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

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

The Group has discontinued the recognition of its share of losses of New Range and its subsidiaries because the share of losses of the jointly-controlled entities exceeded the Group's interests in the jointly-controlled entities. The amounts of the Group's unrecognised share of losses of the jointly-controlled entities for the current year and cumulatively were approximately HK$371,000 (2007: HK$108,000) and HK$479,000 (2007: HK$108,000), respectively.

During the year ended 31 March 2007, the Group recognised provision for impairment of interests in jointly-controlled entities of HK$15,972,000, based on an annual assessment of the recoverable amount for the cash-generating unit specific to the jointly-controlled entities.

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

	2008	**2007**
	HK$'000	*HK$'000*
Current assets	191	1,793
Non-current assets	32	37
Current liabilities	(2,528)	(2,007)
Net liabilities	(2,305)	(177)
Revenue	742	18
Cost of sales	(540)	(16)
Other income	26	175
	228	177
Total expenses	(2,085)	(20,856)
Loss after tax	(1,857)	(20,679)

17. AVAILABLE-FOR-SALE INVESTMENTS

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

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

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

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

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

Particulars of the Equity Investee are as follows:

Company name	Place of incorporation	Class of shares held	Percentage of the nominal value of issued ordinary share capital held by the Group	
			2008	**2007**
Found Investments International Limited (formerly Found Macau Investments International Limited ("Found Investments"))	British Virgin Islands	Ordinary	20	20

In July 2007, the Eastern Caribbean Supreme Court in the High Court of Justice of the British Virgin Islands ordered Found Investments to wind up and appointed liquidators to carry out the process. Full provision for impairment of the Group's interest in Found Investments was made in the prior year.

18. IMPAIRMENT OF A LOAN TO AN INVESTEE COMPANY

In the prior year, there was a loan to Found Investments which was carried at amortised cost using the effective interest method. Found Investments is an investment holding company incorporated in the British Virgin Islands and it originally intended to directly or indirectly invest in gaming, entertainment and related businesses in Macau. The loan is unsecured, bears interest at an effective interest rate of approximately 10.2% per annum, and is repayable after eight years from 21 March 2005 (date of drawdown). Based on available evidence (including the liquidation in progress as further detailed in note 17 to the financial statements), full provision for impairment of the loan of HK$49,838,000 was made in the prior year. No interest income in respect of the loan was recognised in the current and prior years.

19. LOANS RECEIVABLE

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

Loans receivable as at 31 March 2008 represented receivables arising from the money lending business of the Group and bear interest at rates ranging from the Prime Rate to 24% per annum (2007: ranging from the Prime Rate to 8% above the Prime Rate per annum), of which approximately HK$401 million were subsequently settled up to the date of approval of these financial statements. The granting of these loans has been approved and monitored by the Company's executive directors in charge of the Group's money lending operations.

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

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

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

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

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

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

20. CONVERTIBLE BOND

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

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

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

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

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

(i) if redemption is made on or before the first anniversary date from the issue date of the Convertible Bond, at 108% of the principal amount of the Convertible Bond to be redeemed;

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

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

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

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

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

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

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

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

21. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

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

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

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

23. INTEREST-BEARING BANK BORROWINGS

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

^ Denotes the Hong Kong Interbank Offered Rate.

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

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

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

Notes:

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

(i) mortgages over the Group's leasehold land and buildings situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK$7,878,000 (2007: HK$19,269,000);

(ii) mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK$150,500,000 (2007: HK$168,600,000);

(iii) a corporate guarantee given by the Company up to HK$112,000,000 (2007: HK$91,260,000) as at the balance sheet date; and

(iv) a personal guarantee to the extent of HK$19,000,000 as at 31 March 2007 given by a substantial beneficial shareholder of the Company. The guarantee was released upon the repayment of the relevant loan during the year.

(b) The Group's investments in listed equity securities with an aggregate carrying value at the balance sheet date of approximately HK$316,186,000 (2007: HK$285,098,000) were pledged to certain financial institutions to secure certain margin financing facilities provided to the Group which were not utilised as at 31 March 2008 and 2007 (note 21).

24. CONVERTIBLE NOTES

On 6 April 2006, the Company issued redeemable convertible notes with an aggregate principal amount of HK$300 million (the "2006 CNs") to independent third parties. The 2006 CNs were unsecured, non-interest-bearing and would mature on 5 April 2009. The 2006 CNs were convertible at the option of the noteholders into the Company's ordinary shares at a conversion price of HK$0.025 per share in amounts or integral multiples of HK$500,000 at any time from the date of issue up to seven days prior to (and excluding) the maturity date of the 2006 CNs. The Company would repay the 2006 CNs' holders on the maturity date at 120% of the outstanding principal amount of the 2006 CNs. In addition, the 2006 CNs' holders would be able to require the Company to redeem the 2006 CNs at 110% of the outstanding principal amount of the 2006 CNs during a period commencing from the first anniversary of the date of issue of the 2006 CNs to a day falling seven days after the first anniversary of the date of issue of the 2006 CNs. During the prior year, certain 2006 CNs with an aggregate principal amount of HK$225 million were converted into 9,000,000,000 ordinary shares of the Company of HK$0.02 each at a conversion price of HK$0.025 per share (note 27(a)), and certain 2006 CNs with an aggregate principal amount of HK$45 million were redeemed by the Company. During the current year, the remaining 2006 CNs with an aggregate principal amount of HK$30 million were converted into 1,200 million ordinary shares of the Company of HK$0.02 each at a conversion price of HK$0.025 per share (note 27(c)), and hence, no 2006 CNs were outstanding as at 31 March 2008.

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

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

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

25. DERIVATIVE FINANCIAL INSTRUMENT

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Buy-back option	–	557

The derivative financial instrument at 31 March 2007 represented the fair value of an option granted by the Group to an independent third party, from whom the Group acquired an available-for-sale investment during the year ended 31 March 2006, to buy back certain interest in that equity investment at a pre-determined price of NT$5.8 exercisable within a five-day period commencing from 6 January 2008. The fair value of the option was reassessed at the balance sheet date using the Black-Scholes option pricing model. Changes in the fair value of the option amounting to HK$195,000 were credited to the income statement during the year ended 31 March 2007. The option was expired during the year.

26. DEFERRED TAX LIABILITIES

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

Group

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

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

At 31 March 2008, the Group had tax losses arising in Hong Kong of approximately HK$503,022,000 (2007: HK$127,144,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose arising in Hong Kong. Deferred tax assets have not been recognised in respect of these losses as they have arisen in companies that have been loss-making for some time or due to the unpredictability of future taxable profit streams of those companies, and accordingly, in the opinion of the directors, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

27. SHARE CAPITAL

Shares

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

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

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

Notes:

(a) During the year ended 31 March 2007, 9,000,000,000 new ordinary shares of HK$0.02 each of the Company were issued upon the conversion of the 2006 CNs with face values aggregating HK$225,000,000 at a conversion price of HK$0.025 per share as further detailed in note 24 to the financial statements.

(b) During the year ended 31 March 2007, the subscription rights attaching to 566,000,000 share options granted to certain directors of the Company during that year were exercised at a subscription price of HK$0.025 per share (note 28), resulting in the issue of 566,000,000 ordinary shares of HK$0.02 each of the Company for a total cash consideration, before expenses, of approximately HK$14,150,000.

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

(c) During the year ended 31 March 2008, 1,200,000,000 new ordinary shares of HK$0.02 each of the Company were issued upon the conversion of the 2006 CNs with face values aggregating HK$30,000,000 at a conversion price of HK$0.025 per share as further detailed in note 24 to the financial statements.

(d) During the year, the Company had the following placements of share transactions:

(i) On 14 June 2007, the Company allotted and issued a total of 2,340,000,000 ordinary shares of HK$0.02 each for cash at a price of HK$0.075 per share. Further details of the placing are set out in the Company's announcement dated 14 June 2007.

(ii) On 2 August 2007, the Company allotted and issued a total of 744,530,000 ordinary shares of HK$0.10 each for cash at a price of HK$0.18 per share. Further details of the placing are set out in the Company's announcement dated 2 August 2007.

(iii) On 23 August 2007, the Company allotted and issued a total of 987,000,000 ordinary shares of HK$0.10 each for cash at a price of HK$0.10 per share. Further details of the placing are also set out in the Company's announcement dated 27 August 2007.

(iv) On 26 February 2008, the Company allotted and issued 355,000,000 ordinary shares of HK$0.10 each for cash at a price of HK$0.26 per share. Further details of the placing are set out in the Company's announcement dated 26 February 2008.

(e) The Company effected a capital reorganisation on 27 July 2007 which involved: (i) a share consolidation of every five shares in the issued and unissued ordinary share capital of the Company of HK$0.02 each into one consolidated share of HK$0.10; and (ii) an increase in the authorised share capital of the Company from HK$500,000,000 divided into 25,000,000,000 shares of HK$0.02 each to HK$5,000,000,000 divided into 50,000,000,000 consolidated shares of HK$0.10 each. Further details of the Capital Reorganisation are also set out in the Company's announcements dated 14 June 2007 and 23 July 2007.

(f) During the current year, rights issue (the "Rights Issue") of one rights share for every two existing shares held by members on the register of members on 24 September 2007 was made, at an issue price of HK$0.10 per rights share, resulting in the issue of 2,961,113,194 ordinary shares of HK$0.10 each for a total cash consideration before expenses of approximately HK$246,000,000. Further details of the Rights Issue are also set out in a prospectus of the Company dated 28 September 2007.

(g) The Company effected a capital reorganisation on 20 December 2007 which involved: (i) a reduction in the nominal value of each issued ordinary share of the Company from HK$0.10 to HK$0.02 each by the cancellation of HK$0.08 of the paid-up capital for each issued ordinary share; (ii) a transfer of the credit arising from the capital reduction of approximately HK$710,667,000 to the Company's contributed surplus account; (iii) a sub-division of every authorised but unissued ordinary capital of the Company of HK$0.10 each into five shares of HK$0.02 each; (iv) a reduction in the authorised share capital of the Company from HK$5,000,000,000 divided into 50,000,000,000 shares of HK$0.10 each to HK$1,000,000,000 divided into 50,000,000,000 shares of HK$0.02 each, before expenses, of approximately HK$246,000,000; and (v) a share consolidation of every 5 shares in the issued and unissued ordinary share capital of the Company of HK$0.02 each into one consolidated share of HK$0.10. Further details of the capital reorganisation are also set out in the Company's circular dated 26 November 2007.

Share options

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

Warrants

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

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

28. SHARE OPTION SCHEMES

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

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

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

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

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

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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

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

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

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

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

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

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

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

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

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

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

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

29. RESERVES

(a) Group

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

(b) Company

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

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

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

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries

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

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

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

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

(b) Acquisition of a subsidiary

	2008	**2007**
	HK$'000	*HK$'000*
Net assets acquired:		
Investment property *(note 14)*	–	48,676
Prepayments, deposits and other receivables	–	831
Tax payable	–	(39)
Other payables and accruals	–	(468)
	–	49,000
Satisfied by:		
Cash	–	49,000

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

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

Since its acquisition, the subsidiary acquired during the prior year contributed HK$2,638,000 to the Group's consolidated turnover and a profit after tax of HK$1,596,000 to the Group's consolidated loss after tax for the year ended 31 March 2007.

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

(c) Major non-cash transactions

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

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

31. PLEDGE OF ASSETS

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

32. OPERATING LEASE ARRANGEMENTS

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

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within one year	7,434	6,083
In the second to fifth years, inclusive	2,314	1,901
	9,748	7,984

33. COMMITMENTS

	Group	
	2008	**2007**
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Investment at fair value through profit or loss*	–	845

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

34. CONTINGENT LIABILITIES

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

	Company	
	2008	**2007**
	HK$'000	*HK$'000*
Guarantees given to banks in connection with facilities granted to subsidiaries	112,000	91,260

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

35. RELATED PARTY TRANSACTIONS

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

(a) During the year ended 31 March 2007, the Group granted a loan of HK$25,000,000 to Century Ample Finance Limited ("Century Ample"), a company incorporated in the British Virgin Islands, whose director is also a director of the Company. The loan was unsecured, bore interest at the Prime Rate and was fully repaid during the year. The amount of interest charged to Century Ample during the year was HK$648,000 (2007: HK$1,022,000).

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

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

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

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

2008

Financial assets

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

Financial liabilities

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

Group

2007

Financial assets

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

Financial liabilities

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

Company

Financial assets

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

Financial liabilities

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

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

Credit risk

The Group's major exposure to the credit risk relating to its loans receivable, convertible bond, deposits and other receivables and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group's loans receivable arise from the ordinary course of business of the Group and are closely monitored by the directors on an ongoing basis.

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

Equity price risk

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

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

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

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

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

Liquidity risk

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

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

Group

2008

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

2007

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

Company

2008

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

2007

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

Capital management

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

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

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

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

38. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

39. POST BALANCE SHEET EVENTS

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

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

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

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

40. COMPARATIVE AMOUNTS

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

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

41. APPROVAL OF THE FINANCIAL STATEMENTS

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

3. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the Group's results and financial position extracted from the annual reports of the Company for the three financial years ended 31 March 2008, 31 March 2007 and 31 March 2006 respectively.

For the year ended 31 March 2008

The Group made an after tax loss of approximately HK$368 million mainly caused by unrealised loss of approximately HK$404 million arisen from fair value losses on equity investments at fair value through profit or loss as at the year end.

The Group has the following major lines of business:

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

(b) Investment in listed securities: with the global drop in the securities market, this sector suffered an unrealised loss of approximately HK$404 million this year. The current market conditions remain weak and a swift recovery in share prices is not expected in the near term. However, it appears that the market has bottomed out and has dropped to a relatively low level. It is hopeful that the market would gradually recover and the loss would be minimised.

(c) Money lending business: the money lending business continues to be profitable with a segment profit of approximately HK$22.1 million, net of provision. This line of business serves to provide reasonable return for the Group's surplus cash with manageable risk. As at 31 March 2008, the outstanding loans receivable amounted to HK$573.6 million, net of impairment provision, of which approximately HK$401 million has been settled up to 24 July 2008.

(d) Investment in lottery related business in the People's Republic of China (the "PRC"): the Group has a 20% interest in a company engaging in lottery related business in the PRC. While this investment has yet to provide positive contribution to the Group, it is gradually expanding its lottery shops management business. More lottery shops are expected to be under the Group's management and are planned to expand its market share in Mainland China.

(e) Opportunities in gaming related business in Macau: competitions are becoming very keen in Macau and the Group is very cautious in entering into new contracts to provide management services to casinos in Macau. However, the Group is still keen to do business in this market and would continue to look for opportunities in this area.

Prospect

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

Liquidity, financial resources and capital structure

As at 31 March 2008, the Group's total assets and bank borrowings were HK$1,355,171,000 and HK$79,006,000, respectively. A majority of the bank borrowings of the Group carried floating interest rates with reference to the Hong Kong dollar prime rate/HIBOR and were denominated in Hong Kong dollar, and thus, there is no exposure to fluctuations in exchange rate. The gearing ratio (total bank borrowings/total assets) was approximately 6%. As at 31 March 2008, investment properties and leasehold properties amounted to HK$150,500,000 and HK$7,878,000, respectively, were pledged to banks to secure certain loan facilities granted to the Group and investments in securities with carrying amount of HK$316,186,000 were pledged to certain financial institutes to secure certain margin financing facilities provided to the Group.

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.

The Group has the following major lines of business:

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

(b) Investments in listed/unlisted securities: the loss on disposal of available-for-sale investments amount to HK$24.4 million 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 and the Group's securities portfolio has recorded in the income statement an unrealized gain of over HK$18 million for the 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.

(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 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 manage four shops in Hangzhou which are primarily involved in selling lottery tickets and acting as distributing center of lottery tickets within its respective district. More shops are expected to be under management of the Joint Venture to increase its market share in the region.

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

Prospect

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

Liquidity, financial resources and capital structure

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

For the year ended 31 March 2006

The Group has the following major lines of business:

(a) Real estate investment: the Group has a total of three floors of an office building in Hong Kong, one of which was purchased after the year end at a consideration of HK$49 million. A large part of the office space is currently leased out with a small portion retained as the principal office of the Group. In addition, the Group owns two shop spaces in North Point one of which was sold subsequent to the year end. The total value of the Group's portfolio stood at HK$154 million as at year end.

(b) Investment in listed securities: the Group's fair value gain of listed securities investments through profit or loss was HK$77.4 million. Since part of the investments is long term in nature, another HK$53 million fair value gain went to reserve for the current fiscal year. The total portfolio value of this sector stood at HK$308 million as at year end.

(c) Money lending business: the Group's money lending business has been profitable though the profitability was affected by provision against doubtful receivables of approximately HK$4.7 million. As at fiscal year end, the Group's loan portfolio was HK$202 million.

(d) Investment in media business in the PRC: in late 2005, the Group announced that it would invest a maximum of HK$40 million in a new line of business, media business in the PRC. The proposed investment was approved by shareholders in a shareholders meeting but the investment was only made subsequent to the fiscal year end as the investee company underwent a restructuring exercise to prepare itself for a possible listing in the near future. The management is very excited about this new venture as the investee company, Shanghai Newline Advertising Inc., has an exclusive agreement with China Welfare Lottery Issuance Centre to renovate the latter's 50,000 existing lottery ticket selling booths, counters and stands located all over the country in return for the advertising right outside those selling media. This would turn out to be a very extensive and powerful outdoor advertising network nationwide, in particular the number of selling media is expected to grow to 150,000 within the next 5 years time. In addition, since each selling media is Internet enabled, there can be plenty of rooms to add on other interactive content to enhance profitability. Through its close liaison with the China Welfare Lottery Issuance Centre, the investee company's management has established a very cordial relationship with top officials of the Centre which would open up plenty of other investment opportunities within the lottery industry in the PRC. Independent business valuation of this business prepared by professional valuer as at 31 December 2005, before our new subscription of shares, was HK$600 million.

Prospect

During the year, the Group has further strengthened its equity base through a series of fund raising exercises. As at fiscal year end, the Group's consolidated equity base stood at HK$821 million. Subsequent to fiscal year end, the Group has also completed a HK$300 million issuance of convertible bonds. The subscribers include major institutional investor which further reflects the Group's improved rating within the investment community. With the additional cash resources, the Group is in a very strong position to take on new investment opportunities as and when they arise.

Liquidity, financial resources and capital structure

As at 31 March 2006, the Group's total assets and borrowings were HK$904,939,000 and HK$59,075,000 respectively. The borrowings of the Group carried floating interest rates with reference to the Hong Kong dollar prime rate and were made in Hong Kong dollar, and thus, there is no exposure to fluctuations in exchange rate. The gearing ratio (total borrowings/total assets) was 6.53%. As at 31 March 2006, investment properties and leasehold property amounted to HK$133,800,000 and HK$20,317,000, respectively, were pledged to a bank to secure certain loan facilities granted to the Group and investments in securities with carrying amount of HK$411,808,000 were pledged to certain financial institutes to secure margin financing facilities provided to the Group.

4. WORKING CAPITAL

The Directors are satisfied after due and careful enquiry that taking into account the present internal financial resources of the Group and the available credit facilities, 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 this circular.

5. INDEBTEDNESS

Borrowings

At the close of business on 31 August 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had aggregate outstanding borrowings comprising secured bank loans of approximately HK$44,861,000.

The Group's bank loans were secured by the first legal charges over the Group's investment properties.

Contingent liabilities

At the close of business on 31 August 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had no material contingent liabilities.

Disclaimers

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 August 2008.

No material changes

The Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group since 31 August 2008.

6. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in property related investments, investment in securities, investment in advertising and lottery related businesses and money-lending businesses. With the global drop in the securities market, the Group has also been affected. The current market conditions remain weak and a swift recovery is not expected in the near term. However, it appears that the market has bottomed out and has dropped to a relatively low level. It is hopeful that the market would gradually recover and the loss would be minimised. As mentioned in the section headed "Reasons for, and benefits of, the Subscription" in the Letter from the Board of this circular, the Subscription provides the Group with a good opportunity to acquire Willie Shares at a comparatively reasonable price and hopefully would enable the Group to benefit from the growth of Willie or an increase in market price.

During the year the Group has further strengthened its equity base through a series of fund raising exercises. With the additional cash resources, the Group is in a very strong position to take on new investment opportunities as and when they arise. It is anticipated that the stock market will remain volatile in the foreseeable future and accordingly the Board will exercise extreme caution and adopt a prudent approach in conducting investment activities.

7. MATERIAL ADVERSE CHANGE

Save as disclosed in the announcement of the Company dated 27 October 2008, as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2008, the date to which the latest published audited consolidated financial statements of the Group were made up.

1. SUMMARY OF THE FINANCIAL INFORMATION OF THE WILLIE GROUP

Set out below is a summary of the audited financial information of the Willie Group for the three years ended 31 December 2007 and the unaudited financial information of the Willie Group for the six months ended 30 June 2008 and six months ended 30 June 2007 extracted from the relevant annual and interim reports of Willie.

Consolidated Income Statement

	Unaudited Six months ended 30 June		**Audited Year ended 31 December**		
	2008	**2007**	**2007**	**2006**	**2005**
	HK$'000	*HK$'000* (restated)	*HK$'000*	*HK$'000* (restated)	*HK$'000*
Turnover	405,886	787,911	1,448,876	295,508	124,477
Other income	3,002	3,349	49,377	2,677	8,605
Cost of investments held for trading sold	(472,823)	(678,411)	(1,343,948)	(293,316)	(133,475)
Depreciation and amortisation expenses	(4,351)	(1,080)	(4,373)	(1,155)	(1,307)
Employee benefits expense	(6,006)	(5,581)	(13,353)	(13,304)	(9,565)
Other operating expenses	(31,370)	(6,378)	(32,193)	(11,084)	(27,500)
Reversal of impairment loss on interest in an associate	–	–	–	–	75,036
Impairment loss on amount due from an associate	–	–	–	–	(75,000)
Gain (Loss) on disposal of interest in a subsidiary	545	–	–	(143)	5,925
Profit on deemed disposal of interest in an associate	–	21,087	21,087	8,429	1,406
Loss on deemed acquisition of interest in an associate	–	–	–	–	(13,331)
Loss on disposal of interest in an associate	–	(12,520)	(20,853)	(31,000)	–
Share of profit (loss) of associates	–	7,522	10,347	(79,010)	(99,351)
Net unrealised (loss) gain on investments held for trading	(195,130)	42,149	(300,817)	10,017	20,528
Net unrealised loss on investments designated as at fair value upon initial recognition	(863)	–	(6,915)	–	–
Finance costs	(3,409)	(1,067)	(4,817)	(2,380)	(8,163)
(Loss) Profit before taxation	(304,519)	156,981	(197,582)	(114,761)	(131,715)
Taxation	–	(21,000)	–	–	–
(Loss) Profit for the period/year	(304,519)	135,981	(197,582)	(114,761)	(131,715)
(Loss) Profit attributable to equity holders	(304,519)	135,981	(197,582)	(114,761)	(131,715)
(Loss) Earnings per share – Basic	HK$(0.4228)	HK$0.8416	(17.6 cents)	(33.1 cents)	(6.4 cents)
(Loss) Earnings per share – Diluted	N/A	HK$0.8328	N/A	N/A	N/A

Consolidated Balance Sheet

	Unaudited At 30 June		Audited At 31 December		
	2008	**2007**	**2007**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Non-current assets					
Investment properties	360,723	175,100	326,500	7,200	9,650
Property, plant and equipment	136,486	29,482	35,049	22,977	22,391
Intangible assets	133,252	–	134,626	–	–
Interests in associates	–	100,009	–	98,118	238,549
Other investments	135,082	39,934	113,965	–	7,143
Prepayments for acquisition of investment properties	8,656	53,459	8,656	–	–
	774,199	397,984	618,796	128,295	277,733
Current assets					
Investments held for trading	410,947	607,932	537,370	118,818	13,626
Loans receivable	442,030	230,829	335,637	103,529	40,280
Other receivables	111,080	3,904	52,160	1,631	1,138
Cash and cash equivalents	68,088	260,666	304,355	8,878	11,420
	1,032,145	1,103,331	1,229,522	232,856	66,464
Current liabilities					
Other payables	2,126	54,031	13,290	8,242	14,231
Financial liabilities at fair value through profit or loss	12,917	–	6,915	–	–
Tax payable	–	21,000	–	–	–
Current portion of interest-bearing borrowings	17,575	4,155	160,992	7,507	4,629
	32,618	79,186	181,197	15,749	18,860
Net current assets	999,527	1,024,145	1,048,325	217,107	47,604
Total assets less current liabilities	1,773,726	1,422,129	1,667,121	345,402	325,337
Non-current liabilities					
Long-term interest-bearing borrowings	196,011	69,232	180,656	15,788	13,770
NET ASSETS	1,577,715	1,352,897	1,486,465	329,614	311,567
CAPITAL AND RESERVES					
Share capital	349,944	1,167,731	151,793	350,649	303,209
Reserves	1,227,771	185,166	1,334,672	(21,035)	8,358
TOTAL EQUITY	1,577,715	1,352,897	1,486,465	329,614	311,567

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE WILLIE GROUP FOR THE YEAR ENDED 31 DECEMBER 2007

Set out below are the audited consolidated financial statements of the Willie Group for the year ended 31 December 2007 together with accompanying notes as extracted from the annual report of Willie for the year ended 31 December 2007.

Consolidated Income Statement
Year ended 31 December 2007

	Notes	**2007** *HK$'000*	**2006** *HK$'000* (restated)
Turnover	5	1,448,876	295,508
Other income	6	49,377	2,677
Cost of investments held for trading sold		(1,343,948)	(293,316)
Depreciation and amortisation expense		(4,373)	(1,155)
Employee benefits expense		(13,353)	(13,304)
Other operating expenses		(32,193)	(11,084)
Loss on disposal of interest in a subsidiary		–	(143)
Loss on disposal of interests in associates	18(a)(i)&(ii)	(20,853)	–
Loss on disposal of convertible note issued by an associate		–	(31,000)
Net unrealised holding (loss) gain on investments held for trading		(300,817)	10,017
Fair value loss on derivative financial instruments		(6,915)	–
Profit on deemed disposal of interest in an associate	18(a)(i)	21,087	8,429
Share of profit (loss) of associates		10,347	(79,010)
Finance costs	8	(4,817)	(2,380)
Loss before taxation	9	(197,582)	(114,761)
Taxation	11	–	–
Loss for the year	12	(197,582)	(114,761)
Loss attributable to equity holders		(197,582)	(114,761)
Loss per share – Basic	13	(17.6 cents)	(33.1 cents)

Consolidated Statement of Changes in Equity
Year ended 31 December 2007

	2007	**2006**
	HK$'000	*HK$'000*
Opening balance – Total equity at 1 January	329,614	311,567
Issue of new shares, net of expenses	699,315	66,150
Issue of warrants, net of expenses	72,278	–
Issue of shares on conversion of convertible notes, net of expenses	341,250	–
Issue of shares under share option scheme	246,888	60,759
Equity-settled share-based payment	5,656	5,899
Capital reserve realised upon disposal of an associate	(8,198)	–
Capital reorganisation expenses	(2,756)	–
Loss for the year	(197,582)	(114,761)
Closing balance – Total equity at 31 December	1,486,465	329,614

Consolidated Balance Sheet
At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	14	326,500	7,200
Property, plant and equipment	15	35,049	22,977
Intangible assets	17	134,626	–
Interests in associates	18	–	98,118
Other investments	19	113,965	–
Prepayments for acquisition of investment properties		8,656	–
		618,796	128,295
Current assets			
Investments held for trading	20	537,370	118,818
Loans receivable	21	335,637	103,529
Other receivables		52,160	1,631
Cash and cash equivalents		304,355	8,878
		1,229,522	232,856
Current liabilities			
Other payables	22	13,290	8,242
Financial liabilities at fair value through profit or loss	20	6,915	–
Current portion of interest-bearing borrowings	23	160,992	7,507
		181,197	15,749
Net current assets		1,048,325	217,107
Total assets less current liabilities		1,667,121	345,402
Non-current liabilities			
Long-term interest-bearing borrowings	23	180,656	15,788
NET ASSETS		1,486,465	329,614
CAPITAL AND RESERVES			
Share capital	25	151,793	350,649
Reserves	26	1,334,672	(21,035)
TOTAL EQUITY		1,486,465	329,614

Balance Sheet
At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	16	1,255,428	234,227
Current assets			
Loans receivable	21	–	19,330
Other receivables		25	579
Cash and cash equivalents		286,355	8,425
		286,380	28,334
Current liabilities			
Other payables		2,626	1,495
Due to subsidiaries	16	9,518	16,775
Interest-bearing borrowings	23	–	5,000
		12,144	23,270
Net current assets		274,236	5,064
NET ASSETS		1,529,664	239,291
CAPITAL AND RESERVES			
Share capital	25	151,793	350,649
Reserves	26	1,377,871	(111,358)
TOTAL EQUITY		1,529,664	239,291

Consolidated Cash Flow Statement
Year ended 31 December 2007

	2007	2006
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Loss before taxation	(197,582)	(114,761)
Depreciation and amortisation expense	4,373	1,155
Increase in fair value of investment properties	(40,695)	(570)
Interest expenses on bank and other borrowings	4,817	2,380
Interest income on convertible note issued by an associate	–	(4,680)
Interest income on bank and other balances	(7,452)	(27)
Gain on disposal of property, plant and equipment	–	(291)
Loss on disposal of investment properties	–	490
Profit on deemed disposal of interest in an associate	(21,087)	(8,429)
Loss on disposal of interests in subsidiaries	–	143
Loss on disposal of interests in associates	20,853	–
Loss on disposal of convertible note issued by an associate	–	31,000
Fair value loss on derivative financial instruments	6,915	–
Equity-settled share-based payment	5,656	5,899
Share of (profit) loss of associates	(10,347)	79,010
Discount on acquisition of subsidiaries	(74)	–
Allowance for doubtful debts	14,000	–
Changes in working capital:		
Loans receivable	(246,108)	(63,249)
Other receivables	(38,328)	(493)
Investments held for trading	(418,552)	(105,192)
Other payables	5,111	(6,163)
Cash used in operations	(918,500)	(183,778)
Interest income received on convertible note issued by an associate	–	4,680
Interest income received from bank and other institutions	7,452	27
Net cash used in operating activities	(911,048)	(179,071)

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Note	2007 HK$'000	2006 HK$'000
INVESTING ACTIVITIES			
Purchase of interest in an associate		–	(69,900)
Purchase of property, plant and equipment		(13,586)	(2,025)
Purchase of investment properties		(143,705)	–
Prepayment for acquisition of investment properties		(8,656)	–
Purchase of other investments		(113,965)	–
Acquisition of subsidiaries, net of cash acquired	28	(266,009)	–
Proceeds from disposal of property, plant and equipment		–	575
Proceeds from disposal of investment properties		2,700	2,530
Proceeds from disposal of subsidiaries		–	7,000
Proceeds from disposal of convertible note issued by an associate		–	100,000
Proceeds from disposal of interests in associates		100,501	75,000
Net cash (used in) generated from investing activities		(442,720)	113,180
FINANCING ACTIVITIES			
Issue cost of shares for acquisition of interest in an associate		–	(100)
Issue of shares, net of expenses		699,315	–
Issue of shares under share option scheme		246,888	60,759
Issue of shares on conversion of convertible notes, net of expenses		341,250	–
New bank loans raised		173,048	5,600
New other loans raised		150,000	45,000
Repayment of bank loans		(20,870)	(5,704)
Repayment of other loans		(5,000)	(40,000)
Interest paid on bank and other borrowings		(4,908)	(2,206)
Capital reorganisation expenses		(2,756)	–
Issue of warrants, net of expenses		72,278	–
Net cash generated from financing activities		1,649,245	63,349
Net increase (decrease) in cash and cash equivalents		295,477	(2,542)
Cash and cash equivalents at beginning of year		8,878	11,420
Cash and cash equivalents at end of year		304,355	8,878

Notes to the Financial Statements

Year ended 31 December 2007

1. GENERAL INFORMATION

Willie International Holdings Limited (the "Company") is a public company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The accounting policies adopted in the preparation of the financial statements of the current year are consistent with those of the previous year except for the adoption of Hong Kong Accounting Standard ("HKAS") 1 (Amendment): Capital disclosures and Hong Kong Financial Reporting Standard ("HKFRS") 7: Financial instruments: Disclosures, which have become effective for the current year and management considers being most relevant to the Group's current operations:

HKAS 1 (Amendment): Capital disclosures

The amendment requires financial statements to provide additional disclosures in relation to the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 33 to the financial statements.

HKFRS 7: Financial instruments: Disclosures

HKFRS 7 superseded HKAS 30: Disclosures in the financial statements of banks and similar financial institutions and incorporated all the disclosure requirements previously in HKAS 32, while the presentation requirements in HKAS 32 remain unchanged. HKFRS 7 requires financial statements to disclose information for the purpose of evaluating the significance of the Group's financial instruments, the nature and risks arising from those financial instruments to which the Group is exposed to and how the Group manages them. The new disclosures are included throughout the financial statements.

Both HKAS 1 (Amendment) and HKFRS 7 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

At the date of authorisation of these financial statements, the Group has not early adopted the new/revised standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are not yet effective for the current year. The Group has already commenced an assessment of impact of these new/revised standards and interpretations but is not yet in a position to state whether they would significantly impact on its results of operations and financial position.

3. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with HKFRS, which collective term includes all applicable individual HKFRS, HKAS and Interpretations issued by HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

Basis of measurement

The measurement basis used in the preparation of these financial statements is historical cost, except for investment properties, investments held for trading and financial liabilities at fair value through profit or loss, which are measured at fair value as explained in the principal accounting policies set out below.

Business combination

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. The acquirer is the entity that obtains control of the other entities participating in the combination at the acquisition date, and the other entities participating in the combination are the acquirees. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The cost of acquisition is measured as the aggregate of the fair values of the assets given, liabilities incurred or assumed, equity instruments issued by the acquirer at the acquisition date, and all the costs incurred directly attributable to the acquisition, in exchange for control of the acquiree.

The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 December each year. The financial statements of its subsidiaries are prepared for the same reporting year and using consistent accounting policies as the Company.

All intra-group balances, transactions, incomes and expenses and profits and losses resulting from intragroup transactions are eliminated in full.

For subsidiaries acquired through a business combination not involving entities under common control, the operating result and cash flow of the acquiree will be recognised in the consolidated financial statements from the date the Group effectively obtains the control until the date that control is terminated. When the consolidated financial statements are prepared, the subsidiaries' financial statements will be adjusted based on the fair values of the identifiable assets, liabilities and contingent liabilities at the acquisition date.

For subsidiaries acquired through a business combination involving entities under common control, the operating result and cash flow of the acquiree will be recognised in the consolidated financial statements from the beginning of the period during which the combination occurs.

Subsidiaries

A subsidiary is an entity in which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's balance sheet, investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investments is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, less any impairment in the value of individual investments. When the Group's share of losses of an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or guaranteed obligations in respect of the associate.

Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill on acquisitions of subsidiaries is recognised as a separate asset. Goodwill on acquisitions of associates or jointly controlled entities is included in interests in associates or jointly controlled entities. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing and determination of gain or loss on disposal. An impairment loss on goodwill is not reversed.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in the consolidated income statement.

Intangible assets

Intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to the income statement on a straight-line basis over the assets' estimated useful lives which are determined by the period over which it is expected to bring economic benefits to the Group. The intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives of 49.5 years.

The Group reviews the estimated useful lives and amortisation method for these intangible assets annually and makes adjustment when necessary.

Investment properties

Investment properties are land and/or building which are held by owner or lessee under finance lease to earn rental income and/or for capital appreciation and are stated at their fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in the income statement for the period in which they arise.

A property interest held under operating lease is classified and accounted for as investment property when the Group holds it to earn rental income and/or capital appreciation and applies the fair value model.

The fair value of investment properties is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued, or based on market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

Other investments

Other investments are stated at cost less accumulated impairment losses.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated 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. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

The gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between the estimated net sales proceeds and the carrying amount of the assets and is recognised as income or expense in the income statement.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land	Over the unexpired term of lease
Buildings	4%
Leasehold improvements	10% – 20%
Furniture and fixtures	10% – 20%
Office equipment	$33^1/_3$%
Motor vehicles	25%

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets or financial liabilities at fair value through profit or loss include financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss.

Financial assets and financial liabilities are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not designated and effective hedging instruments.

Financial assets and financial liabilities are designated at initial recognition as at fair value through profit or loss if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income statement.

Impairment of financial assets

At each balance sheet date, the Company assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through the income statement when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

The Group's financial liabilities include other payables, derivatives, bank loans and other borrowings. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definition of an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issuing costs, upon their issuance.

Convertible notes

On the issue of convertible notes, the proceeds are split into liability and equity components. The fair value of the liability component is determined using a market rate for an equivalent non-convertible notes; and this amount, net of transaction costs, is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option and is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within trade and other payable at fair value, where such information is available, otherwise, it is recognised at consideration received and receivable. Subsequently, it is measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that is required to settle the commitment at the balance sheet date.

Revenue recognition

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

Proceeds from sale of investments held for trading are recognised on the transaction date when the relevant sale and purchase contract is entered into.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Rental income under operating leases is recognised when the properties are let out and on the straight-line basis over the lease terms.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Borrowing costs

Borrowing costs are recognised as expenses when incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Impairment of non-financial assets

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amounts of its property, plant and equipment, intangible assets, other investments and investments in subsidiaries have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately.

Employee benefits

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in the income statement as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are nonassessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 in the financial statements. Deferred tax liabilities or assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

No deferred tax is provided for temporary differences arising from goodwill, the initial recognition of assets or liabilities in a transaction other than a business combination and that affecting neither accounting nor taxable profits, and investment in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Foreign currencies

Transactions involving foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange ruling at that date. Translation differences are included in the income statement.

Share-based payment

The Company issues equity-settled share-based payments to eligible employees including directors of the Company and its subsidiaries, any other persons including consultants, advisors, agents, customers, suppliers etc. to subscribe for shares in the Company. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effort of non market-based vesting conditions.

Related parties

A party is related to the Group if

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

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

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

(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 employees of the Group, or of any entity that is a related party of the Group.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, net of bank overdrafts. For the balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment as the secondary reporting format for the purpose of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Fair value estimation

The Group uses the discounted cash flows valuation method to determine the carrying amount of loans receivable at the balance sheet date. This valuation requires the Group to make estimates about expected cash flows and discount rates, and hence they are subject to uncertainty.

Impairment of investments

The Company assesses annually if interests in subsidiaries have suffered any impairment in accordance with HKAS 36 and follow the guidance of HKAS 39 in determining whether amounts due from those entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

Allowance for bad and doubtful debts

The provision policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the loans receivable. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each borrower. If the financial conditions of these borrowers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

5. TURNOVER

Turnover recognised from the principal activities of the Group during the year including investment holding, trading of investments, property investment and provision of financial services are as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Proceeds from sale of investments held for trading	1,426,764	283,735
Interest income	18,188	10,950
Dividend income from listed investments	3,399	801
Rental income	525	22
	1,448,876	295,508

6. OTHER INCOME

	2007	2006
	HK$'000	*HK$'000*
		(restated)
Write back of other payables	–	1,900
Increase in fair value of investment properties	40,695	570
Bank interest income	6,920	27
Other interest income	532	–
Others	1,230	180
	49,377	2,677

7. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segment is its primary reporting format and no geographical segment has been presented as the Group's operations and assets are principally located in Hong Kong for the years ended 31 December 2007 and 2006.

Business segments

Business segments of the Group comprise the following:

Trading of investments:	Purchase and sale of securities
Provision of financial services:	Provision of securities brokerage, financial advisory and loan financing services
Property investment:	Holding properties for rental and capital appreciation
Investment holding:	Holding investments for dividend and investment income and capital appreciation

The following tables show segment information for the years ended 31 December 2007 and 2006.

Year ended 31 December 2007

Segment income	Trading of investments *HK$'000*	Provision of financial services *HK$'000*	Property investment *HK$'000*	Investment holding *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Turnover and revenue	1,430,314	17,867	525	170	–	1,448,876
Other income	532	840	40,699	7,296	10	49,377
Total income	1,430,846	18,707	41,224	7,466	10	1,498,253
Segment results	(221,307)	1,764	37,267	(6,848)	(14,222)	(203,346)
Loss on disposal of interests in associates	–	–	–	(20,853)	–	(20,853)
Profit on deemed disposal of interest in an associate	–	–	–	21,087	–	21,087
Share of profit of associates	9,165	1,110	–	72	–	10,347
Finance costs	–	–	–	–	(4,817)	(4,817)
Loss for the year						(197,582)

Year ended 31 December 2006

Segment income	**Trading of investments** *HK$'000*	**Provision of financial services** *HK$'000*	**Property investment** *HK$'000*	**Investment holding** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Turnover and revenue	284,665	10,821	22	–	–	295,508
Other income	–	–	570	–	2,107	2,677
Total income	284,665	10,821	592	–	2,107	298,185
Segment results	1,359	10,655	(840)	(23,653)	1,822	(10,657)
Loss on disposal of interest in a subsidiary	–	–	–	(143)	–	(143)
Loss on disposal of convertible note issued by an associate	–	–	–	(31,000)	–	(31,000)
Profit on deemed disposal of interest in an associate	–	–	–	8,429	–	8,429
Share of loss of associates	656	(34,253)	–	(45,271)	(142)	(79,010)
Finance costs	–	–	–	–	(2,380)	(2,380)
Loss for the year						(114,761)

Assets and liabilities as at 31 December 2007

	Trading of investments *HK$'000*	**Provision of financial services** *HK$'000*	**Property investment** *HK$'000*	**Investment holding** *HK$'000*	**Total** *HK$'000*
Assets					
Segment assets	581,115	335,756	352,411	553,856	1,823,138
Unallocated assets	–	–	–	–	25,180
Total assets					1,848,318
Liabilities					
Segment liabilities	14,308	–	165,383	164,998	344,689
Unallocated liabilities	–	–	–	–	17,164
Total liabilities					361,853

Assets and liabilities as at 31 December 2006

	Trading of investments	Provision of financial services	Property investment	Investment holding	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Segment assets	118,940	103,724	7,517	10,792	240,973
Interests in associates	–	–	–	98,118	98,118
Unallocated assets	–	–	–	–	22,060
Total assets					361,151
Liabilities					
Segment liabilities	6,071	–	270	11,062	17,403
Unallocated liabilities	–	–	–	–	14,134
Total liabilities					31,537

Other segment information for the year ended 31 December 2007

	Trading of investments	Provision of financial services	Property investment	Investment holding	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	–	–	293,516	249,965	2,860	546,341
Amortisation expense	–	–	–	1,374	–	1,374
Depreciation expense	–	–	2,586	–	413	2,999
Increase in fair value of investment properties	–	–	(40,695)	–	–	(40,695)
Allowance for doubtful debts	–	14,000	–	–	–	14,000

Other segment information for the year ended 31 December 2006

	Trading of investments	Provision of financial services	Property investment	Investment holding	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	–	–	124	512	1,389	2,025
Depreciation expense	–	–	26	356	773	1,155
Impairment loss on goodwill arising from acquisition of interest in an associate (included in share of loss of associates)	–	–	–	34,742	–	34,742
Increase in fair value of investment properties	–	–	(570)	–	–	(570)

8. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest on:		
Bank and other borrowings wholly repayable within five years	279	975
Bank and other borrowings wholly repayable over five years	4,538	1,405
	4,817	2,380

9. LOSS BEFORE TAXATION

	2007	2006
	HK$'000	*HK$'000*
This is stated after charging:		
Auditors' remuneration	1,372	1,135
Contributions to MPF Scheme	236	214
Depreciation of property, plant and equipment	2,999	1,155
Amortisation of intangible assets	1,374	–
Operating lease charges:		
Equipment	93	72
Office premises	1,362	1,042
Equity-settled share-based payment	5,656	5,899
Allowance for doubtful debts	14,000	–

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The aggregate amount of emoluments received or receivable by the Company's directors are as follows:

2007

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Chuang Yueheng, Henry	–	2,400	12	2,412
Lo Kan Sun	–	855	12	867
King Phillip	–	600	12	612
Wong Ying Seung, Asiong	–	618	12	630
Wang Lin	–	240	12	252
Independent non-executive directors				
Lin Wai Yi	120	–	–	120
Liu Jian	120	–	–	120
Miu Frank H. (resigned on 27 March 2007)	30	–	–	30
Nakajima, Toshiharu	24	–	–	24
Shum Ming Choy	120	–	–	120
Yau Yan Ming, Raymond	120	–	–	120
	534	4,713	60	5,307

2006

	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Retirement scheme contributions *HK$'000*	Total *HK$'000*
Executive directors				
Chuang Yueheng, Henry	–	2,400	12	2,412
Lo Kan Sun	–	810	12	822
King Phillip	–	900	12	912
Wong Ying Seung, Asiong	–	336	12	348
Wang Lin	–	160	8	168
Non-executive director				
Lau Da Yip (resigned on 25 January 2006)	2	–	–	2
Independent non-executive directors				
Lam Ping Cheung (resigned on 26 June 2006)	60	–	–	60
Lin Wai Yi	120	–	–	120
Liu Jian	110	–	–	110
Miu Frank H.	120	–	–	120
Nakajima, Toshiharu	24	–	–	24
Shum Ming Choy	50	–	–	50
Yau Yan Ming, Raymond	25	–	–	25
	511	4,606	56	5,173

Employees' emoluments

The five highest paid employees of the Group during the year included four (2006: three) directors, details of whose emoluments are set out above. The emoluments of the remaining one (2006: two) highest paid employee is as follows:

	2007 *HK$'000*	**2006** *HK$'000*
Salaries, allowances and benefits in kind	568	1,071
Retirement scheme contributions	12	21
	580	1,092

	2007	**2006**
Nil to HK$1,000,000	1	2

11. TAXATION

Hong Kong Profits Tax has not been provided as the companies in the Group either incurred a loss for taxation purposes or their estimated assessable profits for the year ended 31 December 2007 were wholly absorbed by unutilised tax losses brought forward from previous years (2006: Nil).

	2007	**2006**
	HK$'000	*HK$'000*
Reconciliation of tax expense		
Loss before taxation	(197,582)	(114,761)
Income tax at applicable tax rate of 17.5% (2006: 17.5%)	(34,577)	(20,083)
Non-deductible expenses	276	7,022
Tax exempt revenue	(9,027)	(2,557)
Unrecognised tax losses	47,280	2,017
Unrecognised temporary differences	(1,997)	(226)
Utilisation of previously unrecognised tax losses	(39)	–
Effect on share of (profit) loss of associates	(1,852)	13,827
Others	(64)	–
Tax expense for the year	–	–

The applicable tax rate is the Hong Kong Profits Tax rate of 17.5% (2006: 17.5%).

12. LOSS FOR THE YEAR

Of the Group's loss for the year of HK$197,582,000 (2006: HK$114,761,000), a loss of HK$72,258,000 (2006: HK$243,345,000) has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE

The calculation of the basic loss per share for the year of 2007 is based on the loss for the year of HK$197,582,000 (2006: HK$114,761,000) and the weighted average number of 1,123,396,624 shares (2006 (restated): 345,873,000 shares) in issue during the year.

No diluted loss per share is presented for the year of 2007 as the potential ordinary shares under the convertible notes, warrants and share option scheme have anti-dilutive effect. No diluted loss per share was presented for the year of 2006 as the potential ordinary shares under the share option scheme had antidilutive effect.

The weighted average number of ordinary shares adopted in the calculation of the basic loss per share for the years of 2007 and 2006 has been adjusted to reflect the impact of the share consolidation effected during the year and the rights issue effected subsequent to the balance sheet date.

14. INVESTMENT PROPERTIES

	2007	**2006**
	HK$'000	*HK$'000*
Fair value		
At beginning of year	7,200	9,650
Addition – acquisition	143,705	–
Addition – acquisition of subsidiaries *(note 28)*	137,600	–
Disposals	(2,700)	(3,020)
Increase in fair value during the year	40,695	570
At balance sheet date	326,500	7,200

The carrying value of investment properties held by the Group at the balance sheet date comprised:

	2007	2006
	HK$'000	*HK$'000*
Land in Hong Kong:		
Long lease	140,500	4,500
Medium-term lease	186,000	2,700
	326,500	7,200

The Group's investment properties as at the balance sheet date have been revaluated by an independent qualified professional valuer, Asset Appraisal Limited, on the market value basis.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reconciliation of carrying amount – year ended 31 December 2006						
At beginning of year	21,190	755	226	220	–	22,391
Additions	–	1,005	831	189	–	2,025
Disposals	–	(247)	–	(37)	–	(284)
Depreciation	(659)	(199)	(163)	(134)	–	(1,155)
At balance sheet date	20,531	1,314	894	238	–	22,977
Reconciliation of carrying amount – year ended 31 December 2007						
At beginning of year	20,531	1,314	894	238	–	22,977
Addition – acquisition	–	3,455	1,730	220	8,181	13,586
Addition – acquisition of subsidiaries *(note 28)*	–	–	1,485	–	–	1,485
Depreciation	(659)	(412)	(718)	(189)	(1,021)	(2,999)
At balance sheet date	19,872	4,357	3,391	269	7,160	35,049
At 1 January 2007						
Cost	25,758	6,577	1,733	2,084	–	36,152
Accumulated depreciation and impairment losses	(5,227)	(5,263)	(839)	(1,846)	–	(13,175)
	20,531	1,314	894	238	–	22,977
At 31 December 2007						
Cost	25,758	10,032	4,948	2,304	8,181	51,223
Accumulated depreciation and impairment losses	(5,886)	(5,675)	(1,557)	(2,035)	(1,021)	(16,174)
	19,872	4,357	3,391	269	7,160	35,049

The leasehold land and buildings with a net book value of HK$19,872,000 at the balance sheet date (2006: HK$20,531,000) are held by the Group under medium-term lease in Hong Kong.

16. INTERESTS IN SUBSIDIARIES

	The Company	
	2007	**2006**
	HK$'000	*HK$'000*
		(restated)
Unlisted shares, at cost	776,612	51,055
Due from subsidiaries	760,819	438,929
	1,537,431	489,984
Impairment loss	(282,003)	(255,757)
	1,255,428	234,227

The amounts due from (to) subsidiaries are unsecured and have no fixed repayment term. At the balance sheet date, the amount due from a subsidiary of HK$315,207,000 (2006: Nil) bears interest at effective interest rate of 1.5% per annum and the amounts due from (to) other subsidiaries are interest-free. The carrying amount of the amounts due approximates their fair value.

In the opinion of the directors, a complete list of the particulars of all subsidiaries will be of excessive length and therefore the table below lists the principal subsidiaries at the balance sheet date which materially affect the result or assets of the Group.

Name of subsidiary	Place of incorporation and operations	Particulars of issued ordinary and paid up capital *(Note)*	Proportion of nominal value of issued capital held by the Company Directly	Indirectly	Principal activities
Allied Loyal International Investments Limited	British Virgin Islands	50,000 shares of no par value	–	100	Investment holding
Apex Novel Limited	British Virgin Islands	1 share of US$1 each	–	100	Property investment
Bestford Properties Limited	Hong Kong	100 shares of HK$1 each	–	100	Property investment
Clear Point Limited	British Virgin Islands	1 share of US$1 each	–	100	Property investment
Cordoba Homes Limited	British Virgin Islands	10,001 shares of US$1 each	100	–	Investment holding
China United International Administrative Services Limited	Hong Kong	53,000 shares of HK$100 each	100	–	Provision of administrative services
Earn Best Investments Limited	British Virgin Islands	1 share of US$1 each	–	100	Property investment

Name of subsidiary	Place of incorporation and operations	Particulars of issued ordinary and paid up capital *(Note)*	Proportion of nominal value of issued capital held by the Company Directly	Indirectly	Principal activities
International Stamps & Coins Exchange Gallery Limited	Hong Kong	20,200 shares of HK$1 each	–	100	Property investment
Longtop Enterprises Limited	Hong Kong	1 share of HK$1 each	–	100	Property investment
Million Regal Investment Limited	Hong Kong	1,000 shares of HK$1 each	–	100	Property investment
Pearl Decade Limited	British Virgin Islands	9,615,386 shares of US$1 each	–	100	Trading of investments
Portstar Investments Limited	British Virgin Islands	1 share of US$1 each	–	100	Property investment
Radford Portfolio Management Limited	Hong Kong	10,000 shares of HK$1 each	–	100	Property holding
Startech Business Limited	British Virgin Islands	1 share of US$1 each	–	100	Property investment
Trade Well Investments Limited	British Virgin Islands	1 share of US$1 each	–	100	Property investment
United Goal Investments Limited	British Virgin Islands	1 share of US$1 each	–	100	Investment holding
Wealth Elegant Investments Limited	British Virgin Islands	1 share of US$1 each	–	100	Property investment
Willie Financing Limited	Hong Kong	1 share of HK$1 each	100	–	Money lending
Willie Resources Incorporated	Cayman Islands	4,951,408,325 shares of HK$0.10 each	100	–	Investment holding
Winsy Investments Limited	British Virgin Islands	1 share of US$1 each	–	100	Property investment

All of the above subsidiaries operate principally in Hong Kong.

Note: No loan capital has been issued by any of the subsidiaries.

17. INTANGIBLE ASSETS

	2007 *HK$'000*	2006 *HK$'000*
At cost		
Addition – acquisition of a subsidiary *(note 28)*	136,000	–
Amortisation	(1,374)	–
At balance sheet date	134,626	–

During the year, the Group acquired the entire issued share capital of a company which owns the rights to (i) obtain 50% of forestry land use rights and forestry trees entitlement of three forestry sites in Simao District, Puer City, Yunnan Province, the People's Republic of China (the "PRC") and (ii) share 50% of distributable profits of these forests.

The carrying amount of these rights before the acquisition was HK$33.9 million. At the date of acquisition, the fair value of these rights was assessed at HK$136 million with reference to the valuation on the forestry land use rights and forestry trees entitlement of these forests conducted by an independent qualified professional valuer, LCH (Asia-Pacific) Surveyors Limited, on the market approach which considers prices recently paid for similar assets.

The forestry land use rights and forestry trees entitlement of these three forestry sites are 50 years from 24 January 2007 to 23 January 2057.

18. INTERESTS IN ASSOCIATES

	Notes	2007 *HK$'000*	2006 *HK$'000*
Share of net assets	(a)	–	14,904
Goodwill	(b)	–	83,214
		–	98,118

Notes:

(a) During the year, the Group disposed of all its interests in associates:

(i) The Group's interest in Hennabun Management International Limited ("HMIL") (currently known as Hennabun Capital Group Limited) was firstly reduced from 35.55% to 29.74% as a result of HMIL's issue of new shares to third parties and then further reduced from 29.74% to 16.17% after a shareholder of HMIL had the convertible note converted into 873,333,333 ordinary shares of HMIL.

As a result of the above changes in the Group's shareholding in HMIL, a profit on deemed disposal of HK$21 million was recognised in the income statement.

In April 2007, the Group entered into agreements with third parties to dispose of the Group's remaining 16.17% interest in HMIL, leading to a loss on disposal of HK$12.5 million recognised in the income statement.

(ii) Pursuant to the sale and purchase agreement dated 3 September 2007, the Group disposed of its 50% interest in Amerinvest Coal Industry Holding Company Limited ("Amerinvest") to a third party with a loss on disposal of HK$8.3 million recognised in the income statement.

(b) Goodwill on acquisition was attributable to Amerinvest's investment in coking and chemical projects in the PRC, which has been included in the determination of the loss on disposal of Amerinvest of HK$8.3 million as mentioned above.

19. OTHER INVESTMENTS

	2007	2006
	HK$'000	*HK$'000*
At cost		
Additions and **at balance sheet date**	113,965	–

Other investments represent rare precious stone and artwork acquired by the Group for long-term investment purposes.

20. INVESTMENTS HELD FOR TRADING/FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

		2007	2006
	Notes	*HK$'000*	*HK$'000*
Analysis of investments held for trading			
Equity securities			
Listed in Hong Kong		520,530	110,118
Listed overseas		16,840	–
	(a)	537,370	110,118
Convertible note		–	8,700
		537,370	118,818
Analysis of financial liabilities at fair value through profit or loss:			
Derivative financial instruments	(b)	6,915	–

Notes:

(a) The fair value of listed equity securities is based on quoted market prices in active markets at the balance sheet date.

(b) The fair value of derivative financial instruments is measured by reference to open market value at the balance sheet date provided by a securities broker.

21. LOANS RECEIVABLE

Loans granted to borrowers are repayable according to repayment schedules. The balance comprises loans receivable from:

		The Group		The Company	
		2007	**2006**	**2007**	**2006**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Third parties		349,637	89,470	–	19,330
A related company		–	14,059	–	–
	(a)	349,637	103,529	–	19,330
Allowance for doubtful debts	(b)	(14,000)	–	–	–
Balances due within one year included in current assets		335,637	103,529	–	19,330
Short term loans, net of provision		335,637	19,330	–	19,330
Instalment loans		–	84,199	–	–
		335,637	103,529	–	19,330

Notes:

(a) At the balance sheet date, loans receivable (1) carry effective interest rates ranging from prime rate to prime rate plus 5% (2006: from prime rate to prime rate plus 2%); (2) are within the respective maturity dates (2006: within maturity dates); and (3) are not secured by any collaterals (2006: None).

(b) The directors assessed the collectability of loans receivable at the balance sheet date individually with reference to borrowers' past collection history and current creditworthiness. An amount of HK$14,000,000 (2006: Nil) in respect of two loans was determined to be impaired as a result of the assessment. In the directors' opinion, there was no indication of deterioration in the collectability of the remaining amount of HK$335,637,000 and thus no additional allowance was considered necessary.

22. OTHER PAYABLES

Included in other payables is an amount of HK$7,393,000 (2006: HK$6,072,000) payable to a securities broker of which the settlement term is two days after trade date.

23. INTEREST-BEARING BORROWINGS

	The Group		The Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank loans *(Note a)*	191,648	18,295	–	–
Unsecured other loan *(Notes a & b)*	150,000	5,000	–	5,000
	341,648	23,295	–	5,000

Maturity of the above borrowings is as follows:

	The Group		The Company	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	160,992	7,507	–	5,000
In the second year	11,356	2,727	–	–
In the third year	11,735	2,966	–	–
In the forth year	12,131	3,226	–	–
In the fifth year	12,545	1,374	–	–
Over five years	132,889	5,495	–	–
	180,656	15,788	–	–
	341,648	23,295	–	5,000

Notes:

(a) Bank loans are variable rate borrowings which carry interest rates ranging from prime rate minus 3.15% to prime rate minus 0.5% for the year of 2007 (2006: prime rate plus 0.5% to prime rate plus 1%). Other loan has one-month loan period and interest rate at 5% for the year of 2007 (2006: repayable on demand and interest rates ranging from prime rate to prime rate plus 1%).

(b) Movements in other loan are as follows:

	The Group		The Company	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year	5,000	–	5,000	–
Addition	150,000	45,000	–	45,000
Repayment	(5,000)	(40,000)	(5,000)	(40,000)
At balance sheet date	150,000	5,000	–	5,000

24. DEFERRED TAXATION

Unrecognised deferred tax assets

	2007	2006
	HK$'000	*HK$'000*
Deductible temporary differences	1,568	8,438
Tax losses	467,804	194,730
At balance sheet date	469,372	203,168

Both the tax losses and the deductible temporary differences have no expiry date under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

25. SHARE CAPITAL

		2007		2006	
		Number of ordinary shares	**Nominal value**	**Number of ordinary shares**	**Nominal value**
	Notes		*HK$'000*		*HK$'000*
Authorised ordinary shares of HK$0.1 each:					
At beginning of year		20,000,000,000	2,000,000	20,000,000,000	2,000,000
Increase during the year	(a)	30,000,000,000	3,000,000	–	–
Capital Reorganisation	(e)	(45,000,000,000)	(4,500,000)	–	–
At balance sheet date		5,000,000,000	500,000	20,000,000,000	2,000,000
Issued and fully paid ordinary shares of HK$0.1 each:					
At beginning of year		3,506,494,988	350,649	3,032,086,353	303,209
Issue of shares	(b)	6,154,218,000	615,422	250,000,000	25,000
Issue of shares under share option scheme	(c)	2,018,600,000	201,860	224,408,635	22,440
Issue of shares on conversion of convertible notes	(d)	3,500,000,000	350,000	–	–
Repurchase of share	(e)	(8)	–	–	–
Capital Reorganisation	(e)	(13,661,381,682)	(1,366,138)	–	–
At balance sheet date		1,517,931,298	151,793	3,506,494,988	350,649

Notes:

(a) Pursuant to the ordinary resolution passed on 12 July 2007, the authorised share capital of the Company was increased to HK$5,000,000,000 by the creation of an additional 30,000,000,000 ordinary shares of HK$0.1 each.

(b) Pursuant to the placing agreements signed during the year, an aggregate of 6,154,218,000 new shares of HK$0.1 each of the Company were issued to certain individuals at the placing prices ranging from HK$0.11 to HK$0.126 each.

(c) Pursuant to the ordinary resolutions passed during the year, an aggregate of 2,018,600,000 new shares of HK$0.1 each of the Company were issued to certain individuals under the share option scheme at the exercise prices ranging from HK$0.103 to HK$0.134 each.

(d) Pursuant to the ordinary resolutions passed during the year, the Company issued two 2-year new convertible notes ("CNs") with an aggregate principal amount of HK$350,000,000 to third parties. The CNs are non-interest bearing and could be converted into ordinary shares of the Company at HK$0.1 per share in whole or any part. During the year, the CNs were fully converted into 3,500,000,000 shares of the Company of HK$0.1 each.

(e) At the extraordinary general meeting of the Company held on 28 December 2007, the resolution in respect of the share consolidation and the capital reduction of the Company (the "Capital Reorganisation") were approved by the shareholders. The effects of the Capital Reorganisation were as follows:

(i) Prior to the effective date of the Capital Reorganisation, the Company acquired 8 issued shares of HK$0.1 each from the market pursuant to the powers granted to the directors under the repurchase mandate for the purpose of rounding down the then 15,179,312,988 issued shares to 15,179,312,980 issued shares so as to facilitate the Capital Reorganisation.

(ii) Under the share consolidation, every 10 issued and unissued shares of HK$0.1 each was consolidated into one issued and unissued consolidated share of HK$1 each. As a result, the number of authorised and issued shares of the Company was reduced from 50,000,000,000 shares of HK$0.1 each and 15,179,312,980 shares of HK$0.1 each to 5,000,000,000 shares of HK$1 each and 1,517,931,298 shares of HK$1 each respectively.

(iii) Immediately after the share consolidation, the capital reduction was effected by cancelling HK$0.9 of the paid up capital on each issued share and by reducing the nominal value of each authorised and issued share from HK$1 to HK$0.1. As a result of the capital reduction, the authorised capital of the Company was reduced from HK$5,000,000,000 divided into 5,000,000,000 shares of HK$1 each to HK$500,000,000 divided into 5,000,000,000 shares of HK$0.1 each while the issued and paid up capital of the Company was reduced from HK$1,517,931,298 divided into 1,517,931,298 shares of HK$1 each to HK$151,793,129.80 divided into 1,517,931,298 shares of HK$0.1 each.

(iv) The amount of HK$1,366,138,000 arising from the capital reduction, after the deduction of expenses related to the Capital Reorganisation amounting to HK$2,756,000, was credited to the share premium account of the Company.

All these shares issued during the year rank pari passu in all respects with the then existing shares.

26. RESERVES

Group

	Share premium HK$'000 (Note a)	Capital reserve HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000 (Note b)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2006	210,046	18,273	–	–	(219,961)	8,358
Equity-settled share-based payment	–	–	5,899	–	–	5,899
Shares issued under share option scheme	40,071	–	(1,752)	–	–	38,319
Shares issued at premium, net of issuing expenses	41,150	–	–	–	–	41,150
Surrender of share option	–	–	(832)	–	832	–
Loss for the year	–	–	–	–	(114,761)	(114,761)
At 31 December 2006	291,267	18,273	3,315	–	(333,890)	(21,035)
At 1 January 2007	291,267	18,273	3,315	–	(333,890)	(21,035)
Equity-settled share-based payment	–	–	5,656	–	–	5,656
Shares issued under share option scheme	53,999	–	(8,971)	–	–	45,028
Shares issued at premium, net of issuing expenses	83,893	–	–	–	–	83,893
Issue of warrant, net of expenses	–	–	–	72,278	–	72,278
Capital Reorganisation, net of expenses	1,363,382	–	–	–	–	1,363,382
Realised on disposal of an associate	–	(8,198)	–	–	–	(8,198)
Expenses relating to issue and conversion of convertible notes	(8,750)	–	–	–	–	(8,750)
Loss for the year	–	–	–	–	(197,582)	(197,582)
At 31 December 2007	1,783,791	10,075	–	72,278	(531,472)	1,334,672

Company

	Share premium *HK$'000* *(Note a)*	Share option reserve *HK$'000*	Warrant reserve *HK$'000* *(Note b)*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2006	210,046	–	–	(163,427)	46,619
Equity-settled share-based payment	–	5,899	–	–	5,899
Shares issued under share option scheme	40,071	(1,752)	–	–	38,319
Shares issued at premium, net of issuing expenses	41,150	–	–	–	41,150
Surrender of share option	–	(832)	–	832	–
Loss for the year	–	–	–	(243,345)	(243,345)
At 31 December 2006	291,267	3,315	–	(405,940)	(111,358)
At 1 January 2007	291,267	3,315	–	(405,940)	(111,358)
Equity-settled share-based payment	–	5,656	–	–	5,656
Shares issued under share option scheme	53,999	(8,971)	–	–	45,028
Shares issued at premium, net of issuing expenses	83,893	–	–	–	83,893
Issue of warrants, net of expenses	–	–	72,278	–	72,278
Expenses relating to issue and conversion of convertible notes	(8,750)	–	–	–	(8,750)
Capital Reorganisation, net of expenses	1,363,382	–	–	–	1,363,382
Loss for the year	–	–	–	(72,258)	(72,258)
At 31 December 2007	1,783,791	–	72,278	(478,198)	1,377,871

Notes:

(a) The application of the Company's share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

(b) Pursuant to the warrants instrument executed by the Company on 11 October 2007, the Company issued 3,000,000,000 listed warrants conferring rights to subscribe in aggregate for 3,000,000,000 shares of the Company at the subscription price of HK$0.1 each, which was subsequently adjusted to 300,000,000 shares of the Company at the subscription price of HK0.67 each after the Capital Reorganisation and the placing of shares on 21 February 2008. The warrants are exercisable for a 18-month period commencing from 11 October 2007.

The Company has received a net proceed of HK$72,278,000 after deducting related expenses of HK$2,722,000 as consideration for the issue of warrants and has been permitted by the Stock Exchange to have the listing of such warrants and to deal in the shares to be allotted and issued upon the exercise of the subscription rights attached to the warrants.

During the year, no warrant was exercised by the warrant holders.

(c) At the balance sheet date, the Company has no reserves available for distribution to the shareholders.

27. SHARE OPTION SCHEME

Pursuant to the Group Reorganisation during 2002, a share option scheme ("New Scheme") of the Company was approved on 20 November 2002 by the shareholders of the Company and became effective on 3 January 2003. The New Scheme is valid and effective for a period of ten years. The board of directors of the Company may grant options to eligible employees including directors of the Company and its subsidiaries and any other persons including consultants, advisors, agents, customers, suppliers, etc. to subscribe for shares in the Company. The purpose of the New Scheme is to provide incentives to award the participants who have made contributions to the Group.

The total number of shares in respect of which options may be granted under the New Scheme is not permitted to exceed 30% of the shares of the Company in issue from time to time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any 12 months period is not permitted to exceed 1% of the shares of the Company in issue from time to time, without prior approval from the Company's shareholders. Options granted to any director, chief executive or substantial shareholder of the Company or any of their respective associates in excess of 0.1% of the Company's share capital in issue and having an aggregate value in excess of HK$5 million must be subject to prior approval by the Company's shareholders.

An amount of HK$1 is payable on the grant of an option. Options may be exercised no later than ten years from the date of grant of the share option or the expiry date of the New Scheme, if earlier. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the shares on the date of grant.

(a) Movement in share option scheme during the year ended 31 December 2007:

Name of category of participant	Date of grant	As at 1 January 2007	Granted during the year	Exercised during the year	As at 31 December 2007	Exercise price *HK$*	Share price at the date of grant *(note i)* *HK$*	Share price at the date of exercise *(note ii)* *HK$*
Employees in aggregate	29 November 2006	169,000,000	–	(169,000,000)	–	0.1030	0.1000	0.1210
	3 May 2007	–	278,600,000	(278,600,000)	–	0.1340	0.1310	0.1320-0.1340
	12 July 2007	–	825,000,000	(825,000,000)	–	0.1206	0.1170	0.1230
Other in aggregate	29 November 2006	88,000,000	–	(88,000,000)	–	0.1030	0.1000	0.1210
	3 May 2007	–	316,000,000	(316,000,000)	–	0.1340	0.1310	0.1320-0.1340
	12 July 2007	–	342,000,000	(342,000,000)	–	0.1206	0.1170	0.1230
		257,000,000	1,761,600,000	(2,018,600,000)	–			

Notes:

(i) The share price at the date of grant is the closing price on the trading day immediately prior to the date of the grant of the options.

(ii) The share price at the date of exercise is the weighted average closing price of the shares immediately before the dates on which the options were exercised.

(b) Fair value of share options and assumptions

The fair value of share options granted under the share option scheme at the grant dates was ranged from HK$0.0011 to HK$0.0038 per share option, which was calculated using the Black-Scholes option pricing model with the following inputs:

Average share price	HK$0.1206 – HK$0.1340
Weighted average exercise price	HK$0.1206 – HK$0.1340
Expected volatility	35.47% – 47.80%
Expected life	1 – 15 days
Risk free rate	2.5%

The expected volatility is based on the historic volatility of share prices of the Company. Changes in the subjective input assumptions could materially affect the fair value of the share options granted.

28. ACQUISITION OF SUBSIDIARIES

During the year, the Group acquired the entire equity interests in the following companies.

Acquisition date	Name of acquired companies	Place of incorporation	Principal activities	Cash consideration *HK$'000*
4 May 2007	Clear Point Limited	British Virgin Islands	Property investment	999
4 May 2007	Million Regal Investment Limited	Hong Kong	Property investment	*Note*
14 May 2007	Top Trinity Assets Limited (with its subsidiary, Bestford Properties Limited incorporated in Hong Kong)	British Virgin Islands	Investment holding and property investment	20,828
6 June 2007	Longtop Enterprises Limited	Hong Kong	Property investment	*Note*
18 June 2007	Apex Novel Limited	British Virgin Islands	Property investment	14,900
11 July 2007	Allied Loyal International Investments Limited	British Virgin Islands	Investment holding	102,469
21 September 2007	Startech Business Limited	British Virgin Islands	Property investment	399
16 October 2007	Earn Best Investments Limited	British Virgin Islands	Property investment	*Note*

Note:

The Group acquired these companies at cash consideration of HK$1 respectively.

The aggregate fair value of the identifiable assets and liabilities of the acquired subsidiaries as at the dates of acquisition and their carrying value determined in accordance with HKFRS immediately before the acquisition are as follows:

	Carrying value	**Fair value**
	HK$'000	*HK$'000*
Investment properties	120,500	137,600
Property, plant and equipment	13,414	1,485
Intangible assets	33,900	136,000
Cash and cash equivalents	16	16
Other receivables	12,201	12,201
Other payables	(194,989)	(28)
Interest-bearing borrowings	(26,150)	(21,175)
Deferred tax liabilities	(416)	–
	(41,524)	266,099
Discount on acquisition		(74)
Total consideration, satisfied by cash		266,025
Net cash acquired from the subsidiary		16
Cash paid for share costs		(139,595)
Loan consideration		(126,430)
Net cash outflow		(266,009)

Since the acquisition, the acquired subsidiaries made no significant contribution to the revenue and results of the Group.

If the acquisition of subsidiaries effected during the year had been taken place at the beginning of the year, the revenue and loss for the Group would have been HK$1,449,026,000 and HK$200,846,000 respectively.

29. COMMITMENTS

Capital expenditure commitments

	2007	2006
	HK$'000	*HK$'000*
Contracted but not provided net of deposit paid in the financial statements	58,306	–

Commitments under operating leases – the Group as lessee

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases in respect of office premises and equipment, which are payable as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	466	1,434
In the second to fifth years inclusive	178	476
	644	1,910

Commitments under operating leases – the Group as lessor

At the balance sheet date, the future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	285	–

30. CONTINGENT LIABILITIES

At the balance sheet date, the Company had provided corporate guarantees for banking facilities amounting to HK$216,920,000 (2006: HK$38,000,000) granted to its subsidiaries, which were utilised to the extent of HK$191,648,000 (2006: HK$18,300,000). The directors assessed the overall exposure of the corporate guarantees granted by the Company and considered that the fair value of such corporate guarantees is immaterial in the financial statements of the Company.

31. PLEDGE OF ASSETS

At the balance sheet date, certain assets of the Group with the following carrying values have been pledged to secure general banking facilities granted to the Group:

	2007	2006
	HK$'000	*HK$'000*
Leasehold land and buildings	19,872	20,531
Investment properties	324,000	7,200
	343,872	27,731

32. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the financial statements, the following related party transactions were entered into by the Group during the year:

(a) A property of the Group with net book value of HK$19,872,000 (2006: HK$20,531,000) is occupied by a brother of a director of the Company for free.

(b) Details of the securities margin loans granted by HMIL Group to the executive directors of the Company up to the last disposal date of HMIL are as follows:

Name of director	Granted by	Balance at 24 April 2007	Balance at 1 January 2007	Maximum amount outstanding during the period	Maturity	Interest rate per annum
		HK$'000	*HK$'000*	*HK$'000*		
Chuang Yueheng, Henry						
– margin loan	HMIL Group	–	–	2,802	N/A	5%
King, Phillip						
– margin loan	HMIL Group	1,236	2,365	17,365	N/A	5%
Wong Ying Seung, Asiong						
– margin loan	HMIL Group	–	8,127	17,650	N/A	5%
		1,236	10,492			

(c) Compensation of key management personnel

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

	2007	2006
	HK$'000	*HK$'000* (restated)
Salaries, allowances and benefits in kind	4,713	4,606
Contributions to MPF Scheme	60	56
	4,773	4,662

The remuneration of directors and key executives is reviewed by the Remuneration Committee having regard to the performance of individuals and market trends.

(d) During the year, the Group granted an unsecured short term loan of HK$19 million (2006: HK$15 million) to a subsidiary of HMIL, which was fully settled before the balance sheet date.

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise of bank and other interest-bearing loans, cash and short-term deposits. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as loans receivable, other receivables and payables, investments held for trading and financial liabilities at fair value through profit or loss, which arise directly from its business activities.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, equity price risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines except for lending and investment policies. However, the board of directors generally adopts conservative strategies on its risk management and limit the Group's exposure to these risks to a minimum. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's cash and short-term deposits, interest-bearing bank and other borrowings and loans receivable. The Group does not use derivative financial instruments to hedge its interest rate risk.

At the balance sheet date, if interest rates had been 150 basis point higher or lower while all other variables were held constant, the Group's net loss would increase or decrease by HK$2,664,000 respectively (2006: HK$1,370,000 respectively).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for all financial instruments in existence at that date. The 150 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

Foreign currency risk

The Group is exposed to foreign currency risk because of securities investments listed outside Hong Kong, derivatives financial instruments and other receivables from securities brokers, which are denominated in foreign currencies, principally the US dollar. Management considers that the Group has limited exposure to foreign currency risk since such financial instruments are not significant at the balance sheet date.

Equity price risk

The Group is exposed to equity price risk arising from trading of listed securities classified as investments held for trading in the balance sheet. The sensitivity analysis has been determined based on the exposure to equity price risk.

At the balance sheet date, if the quoted market prices had been 5% higher or lower while all other variables were held constant, the Group's net loss would decrease or increase by HK$26,867,000 (2006: HK$5,506,000) as a result of changes in fair value of investments. The Group's sensitivity to equity price has changed significantly from the prior year.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the balance sheet date and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the Group's investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the Group's securities investments would be considered impaired as a result of a reasonably possible decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

Credit risk

The Group's credit risk is primarily attributable to loans receivable. The carrying amount of these balances substantially represent the Group's maximum exposure to credit risk at the balance sheet date.

Management has lending policies in place and the exposure to the credit risk is monitored on an ongoing basis. The Group provides financial services only with recognised, creditworthy third parties. It is the Group's policy that all borrowers who wish to borrow money are subject to credit verification procedures.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each borrower. The default risk of the industry and country in which borrowers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group had a concentration of credit risk as 57% (2006: 70%) of the total loans receivable was due from the Group's five largest borrowers.

The Group has limited credit risk with its money deposited in financial institutions and securities brokers, which are leading and reputable and are assessed as having low credit risk. The Group has not had any significant loss arising from non-performance by these parties in the past and management does not expect so in the future.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. The Group closely monitors its exposure to liquidity risk by reviewing the cash position report daily. It analyses efficiency of fund management. The maturity profile of the Group's financial liabilities at the balance sheet date based on contractual undiscounted payments are summarised below:

	On demand	**Less than 3 months**	**3-12 months**	**2-5 years**	**Over 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2007						
Interest-bearing borrowings	–	153,212	15,588	73,972	160,644	403,416
Derivative financial instruments						
– Securities derivatives	–	15,313	61,818	–	–	77,131
– Forward foreign exchange contracts						
Cash outflow	–	2,281	2,787	–	–	5,068
Cash inflow	–	(2,370)	(2,896)	–	–	(5,266)
Other payables	3,638	9,652	–	–	–	13,290
	3,638	178,088	77,297	73,972	160,644	493,639

	On demand	**Less than 3 months**	**3-12 months**	**2-5 years**	**Over 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2006						
Interest-bearing borrowings	–	5,831	3,288	13,714	6,604	29,437
Other payables	8,242	–	–	–	–	8,242
	8,242	5,831	3,288	13,714	6,604	37,679

Capital management

The objectives of the Group's capital management are to safeguard the entity's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 2006.

The Group monitors capital on the basis of gearing ratio, which is net debt divided by total equity. The Group's policy is to maintain a stable gearing ratio. The gearing ratios at the balance sheet date were as follows:

	2007	**2006**
	HK$'000	*HK$'000*
Interest-bearing borrowings	341,648	23,295
Less: Cash and cash equivalents	(304,355)	(8,878)
Net debt	37,293	14,417
Total equity	1,486,465	329,614
Gearing ratio	2.5%	4.4%

34. POST BALANCE SHEET EVENTS

Other than disclosed elsewhere in the financial statements, the following post balance sheet events were conducted:

(a) Pursuant to the Placing Agreement dated 15 February 2008, the Company agreed to conditionally place 303,580,000 ordinary shares of HK$0.10 each of the Company on a fully underwritten basis to independent investors at the placing price of HK$0.17 per share.

On 21 February 2008, an aggregate of 303,580,000 new ordinary shares of HK$0.10 each of the Company were issued to third parties at the placing price of HK$0.17 per share by cash.

(b) Pursuant to the ordinary resolution passed on 28 December 2007, the Company agreed to issue 1,517,931,298 rights shares on the basis of one rights share for every then existing issued and paid up share at a subscription price of HK$0.22 per Rights Share.

On 29 January 2008, an aggregate of 1,517,931,298 rights shares of the Company were issued at the subscription price of HK$0.22 per rights share.

(c) On 14 April 2008, the Group entered into an agreement with a third party to conditionally agree the acquisition of a company which owns properties in Hong Kong at a consideration of HK$20,160,000, which shall be satisfied by the issue and allotment of 160,000,000 shares of the Company at HK$0.126 per share to the vendor.

35. COMPARATIVE FIGURES

Other than comparative information restated or reproduced following the adoption of new or revised HKFRS as set out in note 2, certain comparative figures regarding dividend and interest income in the consolidated cash flow statement, other income, employee benefits expense and other operating expenses in the consolidated income statement, interests in subsidiaries in note 16 and compensation of key management personnel in note 32(c) have been reclassified to conform with the current year's presentation.

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE WILLIE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2008

Set out below are the unaudited consolidated financial statements of the Willie Group for the six months ended 30 June 2008 together with the accompanying notes as extracted from the interim report of Willie for the six months ended 30 June 2008.

Condensed Consolidated Income Statement
For the six months ended 30 June 2008

		Unaudited Six months ended 30 June	
		2008	**2007**
	Notes	*HK$'000*	*HK$'000* (restated)
Turnover	2	405,886	787,911
Other income	2	3,002	3,349
Cost of investments held for trading sold		(472,823)	(678,411)
Depreciation and amortisation expenses		(4,351)	(1,080)
Employee benefits expense		(6,006)	(5,581)
Other operating expenses		(31,370)	(6,378)
Gain on disposal of interest in a subsidiary		545	–
Profit on deemed disposal of interest in an associate		–	21,087
Loss on disposal of interest in an associate		–	(12,520)
Share of profit of associates		–	7,522
Net unrealised (loss) gain on investments held for trading		(195,130)	42,149
Net unrealised loss on investments designated as at fair value upon initial recognition		(863)	–
Finance costs		(3,409)	(1,067)
(Loss) Profit before taxation		(304,519)	156,981
Taxation	3	–	(21,000)
(Loss) Profit for the period		(304,519)	135,981
(Loss) Profit attributable to equity holders		(304,519)	135,981
(Loss) Earnings per share – Basic	4	HK$(0.4228)	HK$0.8416
(Loss) Earnings per share – Diluted	4	N/A	HK$0.8328

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2008

	Six months ended 30 June	
	2008	**2007**
	HK$'000	*HK$'000*
Opening balance – Total equity at 1 January (audited)	1,486,465	329,614
Equity-settled share-based payment	–	1,492
Issue of new shares, net of expenses	395,769	437,860
Issue of shares on conversion of convertible notes	–	350,000
Issue of shares under share option scheme	–	106,148
Realised on disposal of an associate	–	(8,198)
(Loss) Profit for the period	(304,519)	135,981
Closing balance – Total equity at 30 June (unaudited)	1,577,715	1,352,897

Condensed Consolidated Balance Sheet
As at 30 June 2008 and 31 December 2007

	Notes	Unaudited At 30 June 2008 HK$'000	Audited At 31 December 2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		360,723	326,500
Property, plant and equipment		136,486	35,049
Intangible assets		133,252	134,626
Other investments	5	135,082	113,965
Prepayments for acquisition of investment properties		8,656	8,656
		774,199	618,796
Current assets			
Financial assets at fair value through profit or loss	6	410,947	537,370
Loans receivable	7	442,030	335,637
Other receivables	8	111,080	52,160
Cash and cash equivalents		68,088	304,355
		1,032,145	1,229,522
Current liabilities			
Other payables		2,126	13,290
Financial liabilities at fair value through profit or loss	6	12,917	6,915
Current portion of interest-bearing borrowings	9	17,575	160,992
		32,618	181,197
Net current assets		999,527	1,048,325
Total assets less current liabilities		1,773,726	1,667,121
Non-current liabilities			
Long-term interest-bearing borrowings	9	196,011	180,656
NET ASSETS		1,577,715	1,486,465
CAPITAL AND RESERVES			
Share capital	10	349,944	151,793
Reserves	11	1,227,771	1,334,672
TOTAL EQUITY		1,577,715	1,486,465

Condensed Consolidated Cash Flow Statement
For the six months ended 30 June 2008

	Unaudited Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Net cash used in operating activities	(320,981)	(509,406)
Net cash used in investing activities	(124,712)	(182,906)
Net cash from financing activities	209,426	944,100
Net (decrease) increase in cash and cash equivalents	(236,267)	251,788
Cash and cash equivalents at beginning of period	304,355	8,878
Cash and cash equivalents at end of period	68,088	260,666

Notes to the Interim Financial Statements

For the six months ended 30 June 2008

1. BASIS OF PREPARATION

The unaudited interim financial statements for the six months ended 30 June 2008 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

These interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2007. They have been prepared on the historical cost basis, except for investment properties and financial assets/liabilities at fair value through profit or loss, which are measured at fair value.

The accounting policies applied in preparing these interim financial statements are consistent with those applied in preparing the Group's financial statements for the year ended 31 December 2007. The new/revised Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, HKAS and Interpretations issued by the HKICPA, that are effective from the current period did not have any significant effect on the financial position or performance of the Group.

The Group has not early adopted the new/revised HKFRS issued by the HKICPA that are not yet effective for the current period. The Group has already commenced an assessment of the impact of these new/revised HKFRS but is not yet in a position to state whether they would have any significant impact on its results of operations and financial position.

2. TURNOVER AND SEGMENT INFORMATION

The analysis of the Group's revenue and results by business segments is as follows:

Six months ended 30 June 2008 (unaudited)

	Trading of investments	Provision of financial services	Property investment	Investment holding	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue						
Turnover	392,937	12,465	451	33	–	405,886
Other income	1,889	182	–	931	–	3,002
Total revenue	394,826	12,647	451	964	–	408,888
Segment results	(274,761)	(10,335)	(3,386)	(2,420)	(10,753)	(301,655)
Gain on disposal of interest in a subsidiary						545
Finance costs						(3,409)
Loss for the Period						(304,519)

Six months ended 30 June 2007 (unaudited)

	Trading of investments	Provision of financial services	Property investment	Investment holding	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(restated)					(restated)
Segment revenue						
Turnover	781,482	6,429	–	–	–	787,911
Other income	–	–	–	–	3,349	3,349
Total revenue	781,482	6,429	–	–	3,349	791,260
Segment results	145,215	6,991	(986)	(1,214)	(8,047)	141,959
Profit on deemed disposal of interest in an associate						21,087
Loss on disposal of interest in an associate						(12,520)
Share of profit of associates	240	2,243	–	4,839	200	7,522
Finance costs						(1,067)
Taxation						(21,000)
Profit for the period						135,981

3. **TAXATION**

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the Period but it has been provided at the rate of 17.5% on the entities' estimated assessable profits for the corresponding period in 2007.

4. **(LOSS) EARNINGS PER SHARE**

The calculation of basic (loss) earnings per share is based on the loss attributable to equity holders of the Company for the Period of HK$304,519,000 (2007: profit of HK$135,981,000) and the weighted average number of ordinary shares of 720,308,212 (2007 (restated): 161,564,825) shares in issue during the Period.

No diluted loss per share is presented for the Period as there were no dilutive potential ordinary shares in issue during the Period. The calculation of diluted earnings per share for the six months ended 30 June 2007 is based on the profit attributable to equity holders of HK$135,981,000 and the weighted average number of ordinary shares of 163,284,200 shares (restated) in issue during the period as adjusted for the number of dilutive potential shares under the share option scheme and the convertible notes of the Company.

Both the weighted average number of ordinary shares adopted in the calculations of the basic and diluted earnings per share for the six months ended 30 June 2008 and 30 June 2007 have been adjusted to reflect the impact of the share consolidation effected in August 2008 and rights issue effected in January and August 2008.

5. **OTHER INVESTMENTS**

Other investments represent rare precious stone and artwork acquired by the Group for long-term investment purposes.

6. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Analysis of financial assets at fair value through profit or loss:

	Unaudited At 30 June 2008 *HK$'000*	Audited At 31 December 2007 *HK$'000*
Investments held for trading		
Equity securities		
Listed in Hong Kong	377,860	520,530
Listed overseas	18,411	16,840
	396,271	537,370
Investments designated upon initial recognition		
Unlisted investments	14,676	–
	410,947	537,370

Analysis of financial liabilities at fair value through profit or loss:

	Unaudited At 30 June 2008 *HK$'000*	Audited At 31 December 2007 *HK$'000*
Investments held for trading		
Derivative financial instruments	12,917	6,915

7. LOANS RECEIVABLE

Loans granted to borrowers are repayable according to pre-agreed repayment schedules. The balance represents:

	Unaudited At 30 June 2008 *HK$'000*	Audited At 31 December 2007 *HK$'000*
Loans receivable from third parties	479,030	349,637
Allowance for bad and doubtful debts *(note 7(a))*	(37,000)	(14,000)
	442,030	335,637

An aging analysis of loans receivable, net of allowance for bad and doubtful debts, is set out below:

	Unaudited At 30 June 2008 *HK$'000*	Audited At 31 December 2007 *HK$'000*
Within maturity dates	442,030	335,637

7(a). ALLOWANCE FOR BAD AND DOUBTFUL DEBTS

	Unaudited At 30 June 2008	Audited At 31 December 2007
	HK$'000	*HK$'000*
At beginning of period/year	14,000	–
Increase in allowances	23,000	14,000
	37,000	14,000

The directors assessed the collectability of loans receivable at the balance sheet date individually with reference to the borrowers' past collection history and current creditworthiness. An amount of HK$23,000,000 (31 December 2007: HK$14,000,000) was determined to be impaired as a result of the assessment. In the directors' opinion, there was no indication of deterioration in the collectability of the remaining amount of HK$442,030,000 (31 December 2007: HK$335,637,000) and thus, no additional allowance was considered necessary.

8. OTHER RECEIVABLES

Included in other receivables is an aggregate amount of HK$93,126,000 (31 December 2007: HK$36,349,000) deposited in securities brokers for future investment purposes.

9. INTEREST-BEARING BORROWINGS

During the Period, the Group assumed bank loans of two subsidiaries of HK$34,631,000 following the business combinations as detailed in note 12 for the purpose of financing the purchase of investment properties and a yacht.

The Group's interest-bearing borrowings are secured and bear interests at floating rates ranging from prime rate minus 3.15% to prime rate minus 0.5%, or at HIBOR plus 2%.

10. SHARE CAPITAL

		Unaudited At 30 June 2008		Audited At 31 December 2007	
		Number of shares	Nominal value	Number of shares	Nominal value
	Note		*HK$'000*		*HK$'000*
Authorised ordinary shares of HK$0.1 each:					
At beginning of period/year		5,000,000,000	500,000	20,000,000,000	2,000,000
Increase during the period/year	(a)	45,000,000,000	4,500,000	30,000,000,000	3,000,000
Capital reorganisation		–	–	(45,000,000,000)	(4,500,000)
		50,000,000,000	5,000,000	5,000,000,000	500,000

		Unaudited At 30 June 2008		Audited At 31 December 2007	
		Number of shares	Nominal value	Number of shares	Nominal value
	Notes		*HK$'000*		*HK$'000*
Issued and fully paid:					
At beginning of period/year		1,517,931,298	151,793	3,506,494,988	350,649
Issue of new shares	(b)	463,580,000	46,358	6,154,218,000	615,422
Issue of shares under share option scheme		–	–	2,018,600,000	201,860
Issue of shares on conversion of convertible notes		–	–	3,500,000,000	350,000
Issue of shares on rights issue	(c)	1,517,931,298	151,793	–	–
Repurchase of share	(d)	(1)	–	(8)	–
Capital reorganisation		–	–	(13,661,381,682)	(1,366,138)
At balance sheet date		3,499,442,595	349,944	1,517,931,298	151,793

Notes:

(a) Pursuant to the ordinary resolution passed on 30 May 2008, the authorised share capital of the Company was increased to HK$5,000,000,000 by the creation of an additional 45,000,000,000 ordinary shares of HK$0.1 each.

(b) Pursuant to the placing agreement signed during the Period, 303,580,000 new ordinary shares of HK$0.1 each of the Company were issued to independent investors at HK$0.17 each.

Pursuant to the sale and purchase agreement dated 14 April 2008, 160,000,000 ordinary shares of HK$0.1 each of the Company were issued to acquire 100% equity interests in and the shareholder's loan to Allied Well Development Limited ("Allied Well"), details of which are set out in note 12.

(c) Pursuant to the ordinary resolutions passed at the extraordinary general meeting held on 28 December 2007, rights shares of 1,517,931,298 were allotted to successful applicants at HK$0.22 each on 29 January 2008.

(d) The Company purchased 1 issued share of HK$0.1 from the market pursuant to the powers granted to the directors under the repurchase mandate for the purpose of rounding down the then 3,499,442,596 issued shares to 3,499,442,595 issued shares so as to facilitate the share consolidation of the Company as set out in note 16.

All the shares issued during the Period rank pari passu in all respects with the then existing shares.

11. RESERVES

	Share premium *HK$'000*	Capital reserve *HK$'000*	Share option reserve *HK$'000*	Warrant reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2007 (audited)	291,267	18,273	3,315	–	(333,890)	(21,035)
Equity-settled share-based payment	–	–	5,656	–	–	5,656
Shares issued at premium, net of issuing expenses	83,893	–	–	–	–	83,893
Shares issued under share option scheme	53,999	–	(8,971)	–	–	45,028
Issue of warrants, net of expenses	–	–	–	72,278	–	72,278
Capital reorganisation, net of expenses	1,363,382	–	–	–	–	1,363,382
Realised on disposal of an associate	–	(8,198)	–	–	–	(8,198)
Expenses relating to issue and conversion of convertible notes	(8,750)	–	–	–	–	(8,750)
Loss for the year	–	–	–	–	(197,582)	(197,582)
At 31 December (audited)	1,783,791	10,075	–	72,278	(531,472)	1,334,672
At 1 January 2008 (audited)	1,783,791	10,075	–	72,278	(531,472)	1,334,672
Shares issued at premium, net of issuing expenses	197,618	–	–	–	–	197,618
Loss for the Period	–	–	–	–	(304,519)	(304,519)
At 30 June 2008 (unaudited)	1,981,409	10,075	–	72,278	(835,991)	1,227,771

12. BUSINESS COMBINATIONS

During the Period, the Group acquired the entire equity interests in the following companies.

Acquisition date	Name of acquired companies	Place of incorporation	Principal activities	Cash/Share consideration *HK$*
28 April 2008	Allied Well Development Limited (with its subsidiary, Hostbest Limited)	British Virgin Islands	Investment holding and property investment	20,160,000
3 June 2008	Uprite Limited	British Virgin Islands	Yacht owning	94,000,000

The aggregate fair value of the identifiable assets and liabilities of the acquired companies as at the dates of acquisition and their carrying values determined in accordance with HKFRS immediately before the business combinations are as follows:

	Carrying value	Fair value
	HK$'000	*HK$'000*
Investment properties	33,500	34,223
Property, plant and equipment	91,276	94,820
Other receivables	21,393	21,393
Other payables	(109,977)	(1,645)
Interest-bearing borrowings	(34,631)	(34,631)
Total consideration	1,561	114,160
Satisfied by:		
Cash consideration		94,000
Share consideration *(note)*		20,160
		114,160
Net cash outflow		(94,000)

Note: On 14 April 2008, the Group entered into an agreement with a third party to acquire 100% interest in Allied Well at a consideration of HK$20.16 million which was satisfied by the issue and allotment of 160,000,000 ordinary shares of HK$0.1 each of the Company at HK$0.126 per share. The fair value of the shares issued was based on the closing share price as quoted on the Hong Kong Stock Exchange on the date of the agreement.

Since the acquisitions, the acquired subsidiaries made no significant contribution to revenue and results of the Group.

If the acquisition of subsidiaries effected during the Period had been taken place at the beginning of the period, the revenue and loss of the Group would have been HK$406,140,000 and HK$305,903,000 respectively.

13. PLEDGE OF ASSETS

At the balance sheet date, certain assets of the Group with the following carrying values were pledged to secure general banking facilities granted to the Group:

	Unaudited At 30 June 2008	Audited At 31 December 2007
	HK$'000	*HK$'000*
Leasehold land and buildings	19,543	19,872
Yacht	91,201	–
Investment properties	358,223	324,000
	468,967	343,872

14. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in these interim financial statements, the following related party transactions were entered into by the Group during the Period:

(a) A property of the Group with net book value of HK$19,543,000 (At 31 December 2007: HK$19,872,000) is occupied by a brother of a director of the Company for free.

(b) Compensation to key management personnel

The remuneration of directors and other members of key management during the Period is as follows:

	2008	**2007**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	2,628	2,625
Long service payment	427	–
Contributions to MPF Scheme	27	30
	3,082	2,655

The remuneration of directors and key executives is reviewed by the Remuneration Committee having regard to the performance of individuals and market trends.

(c) During the Period, a continuing personal guarantee of HK$20,000,000 (2007: NIL) was provided by a brother of a director of the Company for banking facilities granted to a subsidiary of the Company.

15. CAPITAL COMMITMENT

	Unaudited At 30 June 2008	**Audited At 31 December 2007**
	HK$'000	*HK$'000*
Contracted but not provided for net of deposit paid	60,571	58,306

16. POST BALANCE SHEET EVENTS

Other than disclosed elsewhere in these interim financial statements, the following post balance sheet events were conducted:

(a) Business combinations

Subsequent to the balance sheet date, the Group acquired the entire equity interests in the following companies.

Acquisition date	Name of acquired companies	Place of incorporation	Principal activities	Consideration *HK$*
7 July 2008	Glamourous Investments Limited (with its subsidiary, Wiseteam Assets Limited)	British Virgin Islands	Investment holding and property investment	20,987,494
7 July 2008	Best Inspire Limited (with its subsidiary, Silver Target Limited)	British Virgin Islands	Investment holding and property investment	31,701,930
7 July 2008	Bright Majestic Limited (with its subsidiary, Wealth Champion Limited)	British Virgin Islands	Investment holding and property investment	34,192,969

The aggregate fair value of the identifiable assets and liabilities of the acquired companies as at the dates of acquisition and their carrying values determined in accordance with HKFRS immediately before the business combinations are as follows:

	Carrying value *HK$'000*	Fair value *HK$'000*
Investment properties	147,000	147,000
Other receivables	776	776
Other payables	(58,002)	(10,335)
Interest-bearing borrowings	(50,559)	(50,559)
Total consideration	39,215	86,882
Satisfied by:		
Convertible notes *(note)*		86,882

Note:

On 19 May 2008, the Group entered into agreements with third parties to acquire 100% interest in and the shareholders' loans to Glamourous Investments Limited, Best Inspire Limited and Bright Majestic Limited at an aggregate consideration of approximately HK$86,882,393 wholly satisfied by the issue of convertible notes at initial conversion price of HK$0.11 per share. The conversion price was subsequently adjusted to HK$0.298 per share.

If the acquisition of subsidiaries effected during the Period (see note 12) and after the balance sheet date had been taken place at the beginning of the Period, the revenue and loss of the Group would have been HK$408,710,000 and HK$306,954,000 respectively.

(b) At the extraordinary general meeting of the Company held on 4 August 2008, the resolutions approving the share consolidation and the capital reduction of the Company (the "Capital Reorganisation") and the rights issue were duly passed and the Capital Reorganisation have become effective from the close of business on 4 August 2008. The effects of the Capital Reorganisation and the rights issue are as follows:

(i) Under the capital reduction, the authorised capital of the Company was reduced from HK$5,000,000,000 divided into 50,000,000,000 shares of HK$0.10 each to HK$1,000,000,000 divided into 50,000,000,000 reduced shares of HK$0.02 each and the reduction be effected by way of the cancellation of HK$0.08 of the paid up capital on each issued share of HK$0.10 and reducing the nominal value of each issued or unissued share from HK$0.10 to HK$0.02 per reduced share.

(ii) Under the share consolidation, every five reduced issued and unissued shares of HK$0.02 each was consolidated into one adjusted issued or unissued consolidated share of HK$0.10 each.

(iii) Rights issue of 1,749,721,295 rights shares on the basis of five rights shares for every two adjusted shares held at a price of HK$0.15 per rights share. The rights shares have been allotted after 30 June 2008.

(c) Pursuant to the acquisition agreement dated 8 September 2008, the Group agreed to conditionally acquire the 100% issued share capital of and the shareholders' loan to Jet Star Industries Limited ("Jet Star") at a consideration of approximately HK$112 million which will be wholly satisfied by the issue and allotment of 800,000,000 ordinary shares of HK$0.1 each of the Company at HK$0.14 per share. Jet Star is principally engaged in property investment in the People's Republic of China. The acquisition is subject to shareholder's approval at the extraordinary general meeting to be held on or about 16 October 2008.

(d) Pursuant to the termination deed dated 11 September 2008, the Group agreed to terminate the convertible notes in the aggregate principal amount of approximately HK$86,882,393, in consideration of an issue of 650,000,000 settlement shares by the Company at the issue price of HK$0.14 per share, as full and final settlement of the Company's obligations under the convertible notes. The termination is subject to shareholder's approval at the extraordinary general meeting to be held on or about 16 October 2008.

17. COMPARATIVE FIGURES

Certain comparative figures regarding other income, employee benefit expense and other operating expenses in the condensed consolidated incomes statement and turnover and segment information in note 2 have been reclassified to conform with the current period's presentation.

4. MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS OF WILLIE

Set out below is the management discussion and analysis of Willie's results and financial position for the three years ended 31 December 2007 and six months ended 30 June 2008 extracted from the relevant annual and interim reports of Willie.

For the six months ended 30 June 2008

Results

Turnover for the six months ended 30 June 2008 amounted to HK$405.9 million, a decrease of 48.5% when compared with HK$787.9 million for the corresponding period last year. The decrease in turnover was mainly attributable to the decrease in the sale of listed investments during the period. Loss attributable to equity holders for the period was HK$304.5 million compared with a profit of HK$135.9 million for the corresponding period last year. Loss attributable to equity holders for the period was mainly resulted from the net realised loss on sale of listed investments of HK$79.9 million (2007: net realised gain of HK$103.1 million) and net unrealised loss on listed investments held for trading of HK$195.1 million (2007: net unrealised gain of HK$42.1 million). Basic loss per share for the period was HK$0.4228 compared with basic earnings per share HK$0.8416 (restated) for the corresponding period last year.

Business review and prospects

Since April 2008, the Hong Kong Hang Seng Index has further deteriorated by about 21% or from around 24,000 to around 19,000. The Shanghai and Shenzhen stock markets have fared much worse than that of Hong Kong. Oil price has been extremely volatile, reaching a high of about US$160 per barrel before its current trading price of around US$100 per barrel. Financial markets around the world were put into uncertainties and turmoil as a result of the US mortgage back securities. Financial powerhouses Bear Stern and Lehman Brothers have failed, Merrill Lynch has been sold at substantial discount, Fannie Mae and Freddie Mac have been taken over by the US government. Even the insurance giant, AIG, is borrowing from the US Government to stay alive. The US Government is contemplating a US$700 billion financial rescue plan to prevent the collapse of US economy.

During the period, the Willie Group remained focused on its principal business of property investment, investment in securities trading, money lending and the acquisition and development of natural resources. During the first 6 months of the year, Willie was fortunate to have successfully strengthened itself through various placement and other financial instruments and arrangements. During this period, Willie has increased its capital base by approximately HK$405.7 million (before issue expenses). In June 2008, Willie further announced the rights issue to raise approximately HK$262 million (before issue expenses).

Willie had acquired various real estate properties during the first half of the year. In April 2008, Willie announced the acquisition of the entire interests in Allied Well Development Limited for the principal assets of its subsidiary, being Room 2201 to 2203 and Room 2205 to 2209 on 22nd Floor of China United Centre, 28 Marble Road, North Point, Hong Kong at the consideration of HK$20,160,000. The consideration was satisfied by the issuance and allotment of 160,000,000 consideration shares of Willie. In May 2008, the Willie Group entered into three sale and purchase agreements to acquire the entire interests in Glamourous Investments Limited, Best Inspire Limited and Bright Majestic Limited for the principal assets of their subsidiaries, being the entire of 30th, 31st and 32nd Floors of China United Centre, 28 Marble Road, North Point, Hong Kong at the aggregate consideration of approximately HK$86.9 million. The consideration was satisfied by issue of the Convertible Note.

During the period, the Willie Group also acquired the entire interests in Uprite Limited for a yacht and certain marine facilities at a cash consideration of HK$94 million. The investment is expected to generate rental income through the leasing of the yacht and marine facilities on a time sharing basis.

In September 2008, Willie announced the acquisition (subject to shareholders' approval) of a property holding company for a commercial building situated in Guangzhou City at the consideration of HK$112 million which will be wholly satisfied by the issuance of consideration shares. Moreover, Willie also announced to acquire a property, being the entire of 29th Floor of China United Centre, 28 Marble Road, North Point, Hong Kong at the cash consideration of HK$58,880,000. In order to reduce the liabilities of Willie and to improve the financial position of the Willie Group, in September 2008, Willie also proposed (subject to shareholders' approval) to terminate the Convertible Note in the aggregate principal amount of approximately HK$86.9 million in consideration of an issuance of 650,000,000 shares of Willie at an issue price of HK$0.14 per share.

It is the intention of the Willie Group to strengthen its income base through the acquisitions and the subsequent lease of the properties. The board of directors of Willie believes that the rental income derived by various properties of Willie will generate a stable source of income to the Willie Group. As most of the properties were acquired without using internal funds, Willie remains strong in cash and liquid asset and is still in a good position to take advantage of opportunities as they may arise.

The Willie Group has suspended the talks with Berlinwasser regarding certain project water works project in China. The Willie Group has also evaluated and turned down certain oil recovery projects in Kazakstan. Their forestry project has suffered some delay due to local government regulations and permits. Harvest of lumber has just begun recently. The Willie Group continues to evaluate projects in the natural resources and energy sectors. Their investment portfolio which consists of mostly local stocks and investment instruments has suffered a further write down due to the global financial uncertainties.

The year ahead is full of uncertainties, the economy will grow thanks to various economic stimulus packages offered by the governments, but in the face of high inflation, tight credit, and global uncertainties, the economy will grow sluggishly.

Financial review

Liquidity and capital resources

During the period, Willie has completed one share placement for 303,580,000 new shares and the issuance of 1,517,931,298 rights shares from exercise of rights issue, raising a total additional equity (before issue expenses) of approximately HK$51.6 million and HK$333.9 million respectively. Furthermore, Willie has issued 160,000,000 new shares to satisfy the acquisition cost of approximately HK$20.2 million for properties located in Hong Kong.

As at 30 June 2008, the total equity of the Willie Group amounted to HK$1,577.7 million as compared with HK$1,486.5 million at 31 December 2007. As at 30 June 2008, the Willie Group had net current assets of HK$999.5 million including cash and cash equivalents of HK$68.1 million as compared with HK$1,048.3 million including cash and cash equivalents of HK$304.4 million at 31 December 2007. The Willie Group maintained a low gearing ratio of 9.2% (computed on the basis of net borrowings to total equity) and current ratio of 31.6 times at 30 June 2008 as compared to 2.5% and 6.8 times respectively at 31 December 2007.

As at 30 June 2008, the Willie Group had bank borrowings amounted to HK$213.6 million (31 December 2007: bank and other borrowings of HK$341.6 million). Of the bank borrowings of the Willie Group of HK$213.6 million, 8.2%, 8.4%, 23.5%, 59.9% are repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. The bank borrowings carrying interest rates of the Willie Group were calculated with reference to prime rate and HIBOR and denominated in Hong Kong dollars. The Willie Group did not have any financial instruments used for hedging purpose.

As most of the transactions and bank balances of the Willie Group were denominated in Hong Kong dollars, its exposure to foreign exchange risk was minimal.

Pledge of assets

As at 30 June 2008, certain assets of the Willie Group with an aggregate carrying value of HK$469 million (31 December 2007: HK$343.9 million) have been pledged to banks to secure banking facilities granted to the Willie Group.

Capital commitments

As at 30 June 2008, the Willie Group had capital commitments contracted but not provided for net of deposit paid in respect of balance payment for acquisition of properties and other capital expenditure amounting to HK$60.6 million (31 December 2007: HK$58.3 million).

Contingent liabilities

As at 30 June 2008, the Willie Group had no material contingent liabilities.

Employees

As at 30 June 2008, the Willie Group employed a total of 32 employees. The Willie Group remunerates its employees based on their performance, working experience and prevailing market standards. Employee benefits include a medical insurance coverage, provident fund and a share option scheme.

For the year ended 31 December 2007

The year in review

2007 was a mixed year. There was tremendous growth in the financial markets around the world during the first half of the year but only to come to a halt as the result of the US subprime mortgage meltdown and credit crunch. Hang Seng Index reached a high of close to 32,000 but only to drop to around 27,800 at year end and subsequently to around 24,000. The performance of Willie was strong in the first half of the year, result in the second half of the year was severely depressed by the impact of the unprecedented turbulence in the financial markets and especially the Hong Kong and China stock markets.

During the year, Willie continued to execute its growth strategies. It has evaluated many projects in the natural resources and energy sectors as well as real estate or investment properties in the Hong Kong market. It has acquired several properties in the local upper end housing market. Its property holdings have appreciated as a result of the strong local demand for luxury housing. It has proceeded with the forestry project in Simao District, Puer City in the Yunnan Province as stated in its annual report last year. Harvest of lumber has been scheduled to proceed in 2008. With the rising demand and cost of lumber in China, the project should begin to yield positive cash flow in 2008. The investment portfolio of Willie which consists of mostly local stocks and investment instruments has suffered a write down as the result of the market correction. The management of Willie continued to have positive outlook for the local economy and stock market and will continue to monitor the portfolio and take appropriate actions.

In a business cycle, attributes such as the size, scale, revenue diversity, and the ability to execute are directly related to the strength of a company and hence its ability to negotiate and take advantage of potential business opportunities. During the year, Willie has taken several opportunities to strengthen its capital base through various placements, stock options, and other financial instruments, it has increased its capital base by HK$1,389.2 million (before issue expenses). During the first few months of 2008, it has further increased its capital base by HK$385.5 million (before issue expenses). It has concentrated much of its resources in cash and liquid asset and it is in a good position to take advantage of opportunities as they may arise.

Results

Turnover for the year ended 31 December 2007 amounted to HK$1,448.9 million, an increase of 390.3% when compared with HK$295.5 million for 2006. The increase in turnover was mainly attributable to the increase in the sale of listed investments during the year. Loss attributable to equity holders for the year was HK$197.6 million compared with a loss of HK$114.8 million for

2006. Loss attributable to equity holders for the year was mainly resulted from the net unrealised holding loss recognised on listed investments and derivative financial instruments amounted to HK$307.7 million (2006: net unrealised holding gain of HK$10.0 million). Loss per share for the year was HK$0.176 compared with HK$0.331 as restated for 2006.

Dividend

The board of directors of Willie did not recommend the payment of a dividend for the year (2006: Nil).

Capital reorganisation and rights issue

Willie passed a special resolution to effect the capital reorganisation comprising the share consolidation (i.e. the consolidation of 10 shares of HK$0.10 each into one consolidated share of HK$1.00) and the capital reduction (i.e. the reduction of the par value of a consolidated share from HK$1.00 to HK$0.10) in 2007. The said capital reorganisation became effective on 31 December 2007. Willie acquired from the market 8 issued shares of Willie pursuant to the powers granted to the directors under the repurchase mandate so as to facilitate the said capital reorganisation. The credit of approximately HK$1,366,138,168 arising from the capital reduction was credited to the share premium account of Willie.

On 28 December 2007, conditional upon the aforesaid capital reorganisation, an ordinary resolution approving the rights issue to issue 1,517,931,298 rights shares on the basis of one rights share for every then existing issued and paid up share at a subscription price of HK$0.22 per rights share was passed. On 29 January 2008, an aggregate of 1,517,931,298 rights shares of Willie were issued at the subscription price of HK$0.22 per rights share.

Liquidity and capital resources

During the year, Willie has completed four share placements for 6,154,218,000 new shares and the issuance of 2,018,600,000 new shares arising from exercise of share options, raising a total additional equity of approximately HK$717.3 million (before issue expenses) and HK$246.9 million respectively.

During the year, Willie has issued two series of two years non-interest bearing convertible notes at a conversion price of HK$0.1 with an aggregate principal amount of HK$350 million, the convertible notes were converted in full and resulted in the issuance of 3,500 million shares of Willie.

During the year, Willie has issued 3,000,000,000 listed warrants at an issue price of HK$0.025 per warrant in October 2007 and raising an additional equity of HK$75 million (before issue expenses). Each warrant confers the right to subscribe for one share at the subscription price of HK$0.10 each and exercisable during a period of 18 months commencing from the date of issue. As a result of the share consolidation completed and rights issue approved, the subscription rights of the warrants was adjusted to 300,000,000 shares and the subscription price of the warrants was adjusted to HK$0.68 per share at the end of the year, respectively. The subscription price of the warrants was subsequently adjusted to HK$0.67 per share as a result of a share placement completed in February 2008.

As at 31 December 2007, the total equity of the Willie Group amounted to HK$1,486.5 million as compared with HK$329.6 million at 31 December 2006. As at 31 December 2007, the Willie Group had net current assets of HK$1,048.3 million including cash and cash equivalents of HK$304.4 million as compared with HK$217.1 million including cash and cash equivalents of HK$8.9 million at 31 December 2006. The Willie Group maintained a low gearing ratio of 2.5% (computed on the basis of net borrowings to total equity) and current ratio of 6.8 times at 31 December 2007 as compared to 4.4% and 14.8 times respectively at 31 December 2006.

As at 31 December 2007, the Willie Group had bank and other borrowings amounted to HK$341.6 million (31 December 2006: HK$23.3 million). Of the bank and other borrowings of the Willie Group of HK$341.6 million, 47.1%, 3.3%, 10.7%, 38.9% are repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. The bank and other borrowings carrying interest rates of the Willie Group were calculated with reference to prime rate and denominated in Hong Kong dollars. The Willie Group did not have any financial instruments used for hedging purpose.

As most of the transactions and bank balances of the Willie Group were denominated in Hong Kong dollars, its exposure to foreign exchange risk was minimal.

Pledge of assets

As at 31 December 2007, certain assets of the Willie Group with an aggregate carrying value of HK$343.9 million (31 December 2006: HK$27.7 million) have been pledged to banks to secure general banking facilities granted to the Willie Group.

Capital commitments

As at 31 December 2007, the Willie Group had capital commitments contracted but not provided net of deposit paid in respect of balance payment for acquisition of properties and other capital expenditure amounting to HK$58.3 million (31 December 2006: Nil).

Contingent liabilities

As at 31 December 2007, Willie had contingent liabilities not provided for in the financial statements in respect of corporate guarantees for banking facilities of HK$216.9 million (31 December 2006: HK$38 million) granted to its subsidiaries, which were utilised to the extent of HK$191.6 million (31 December 2006: HK$18.3 million).

Employees

As at 31 December 2007, the Willie Group employed a total of 27 employees (2006: 25). The Willie Group remunerates its employees based on their performance, working experience and prevailing market standards. Employee benefits include a medical insurance coverage, provident fund and a share option scheme.

Material acquisition and disposal

In 2007, the Willie Group acquired several investment properties. In April 2007, the Willie Group acquired a property known as House No. 6, Somerset Path, The Royal Oaks, 8 Kam Tsin South Road, Sheung Shui, New Territories at a consideration of HK$57.8 million. In June 2007, the Willie Group also acquired a holding company for its principal asset, a property known as Unit 1, Sunshine Villa, No. 48 Mount Kellett Road, The Peak, Hong Kong at a consideration of HK$88 million.

During the year, the Willie Group acquired 100% equity interest in Allied Loyal International Investments Limited for the principal asset of 50% of the forestry lands use rights（林地使用權）and forestry trees entitlement（林木所有權）of the forests granted by 雲南省普洱市翠雲區人民政府 in Simao District（思茅區）, Puer City（普洱市）, Yunnan Province, the People's Republic of China (the "PRC"). In October 2007, the Willie Group completed the disposal of all of its 50% interest in Amerinvest Coal Industry Holding Company Limited, a company that invests in the West China Coking Project in Yunnan Province in the PRC.

Future plan

The global economy is facing great challenges as the result of the fallout of the US subprime mortgage crisis. There are great uncertainties and difficulties ahead but after the capital exercises during the beginning of 2008, Willie is in a good position to capture any good opportunities as they may arise.

For the year ended 31 December 2006

The year in review

In January 2006, the Willie Group entered into an agreement with Mr. Wang Sing (former CEO and executive director of Tom Group) for the acquisition of 25% of Amerinvest Coal Industry Holding Company Limited ("Amerinvest") through a placement of shares and thus making Mr. Wang Sing a strategic investor of Willie. In March 2006, the Willie Group further acquired an additional 25% of Amerinvest. Amerinvest is a company that invests in the West China Coking Project in the Yunnan Province in China.

The board of directors of Willie regards the natural resources and energy sectors as a major and critical development in China with potential for tremendous growth. The board of directors of Willie continues its strategies to explore opportunities in these areas. In February 2007, Willie announced of a potential joint venture with PRC oil conglomerate to engage in the exploration of oil located in a country with rich energy resources in the former Soviet Socialist Republic; and again in March 2007, Willie announced of a potential forestry investment in Simao City in the Yunnan Province. Moreover, the board of directors of Willie believes that the property market in Hong Kong will become stable with an upward trend, especially for luxury properties. In April 2007, Willie announced to incorporate a wholly-owned subsidiary as the holding company for the property investment and acquired a property of House 6, Somerset Path, The Royal Oaks, 8 Kam Tsin South Road, Sheung Shui.

As Willie evaluates potential projects and partners, so too were it being scrutinised by its counterparts. It is therefore important that it instill in its potential partners a sense of confidence. In that respect, it has concentrated its resources in cash and liquid asset by disposing minor property holdings, non-performing assets, and long term debt instruments. During the year, the Willie Group disposed of its interests in Found Macau Investments International Limited and Hennabun Management International Limited 8% convertible note for HK$75 million and $100 million respectively. Willie raised an additional HK$60.8 million through the exercise of share options. In January 2007, the Willie Group disposed of its only property in Laguna City, Kowloon for HK$2.7 million.

During the beginning of 2007, Willie has further strengthened its cash position by raising additional equity of approximately HK$449 million with two share placements of 1,873 million new shares, the issuance of 2,200 million new shares arising from the conversion of convertible notes, and the issuance of 257 million new shares arising from the exercise of share options. The management of Willie has taken the necessary measures to position the company for growth.

Results

Turnover for the year ended 31 December 2006 amounted to HK$295.5 million, an increase of 137.3% when compared with HK$124.5 million for 2005. The increase in turnover was mainly attributable to the increase in the sale of listed investments during the year. Loss attributable to equity holders for the year was HK$114.8 million compared with a loss of HK$131.7 million for 2005. Loss per share for the year was HK$0.034 compared with HK$0.064 for 2005.

Dividend

The board of directors of Willie did not recommend the payment of a final dividend for the year (2005: Nil).

Liquidity and capital resources

During the year, Willie has completed the issue of 224,408,635 new shares arising from the exercise of share options raising an additional equity of approximately HK$60.8 million. Furthermore, Willie has issued 250,000,000 new shares to satisfy the acquisition cost of HK$66.25 million for the investment in the initial 25% shareholding in Amerinvest.

As at 31 December 2006, the total equity of the Willie Group amounted to HK$329.6 million as compared with HK$311.6 million as at 31 December 2005. As at 31 December 2006, the Willie Group had net current assets of HK$217.1 million including cash and cash equivalents of HK$8.9 million as compared with net current assets of HK$47.6 million including cash and cash equivalents of HK$11.4 million as at 31 December 2005. The Willie Group maintained a low debt/equity ratio of 7.1% (computed on the basis of total borrowings to total equity) and current ratio of 14.79 times as at 31 December 2006 as compared to 5.9% and 3.52 times respectively as at 31 December 2005.

As at 31 December 2006, the Willie Group had bank and other borrowings of HK$23.3 million (2005: bank borrowings of HK$18.4 million). Of the bank and other borrowings of the Willie Group of HK$23.3 million, 32.2 %, 11.7%, 32.5%, 23.6% are repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. The bank and other borrowings carrying interest rates of the Willie Group were calculated with reference to prime rate and denominated in Hong Kong dollars. The Willie Group did not have any financial instruments used for hedging purpose.

As most of the transactions and bank balances of the Willie Group were denominated in Hong Kong dollars, its exposure to foreign exchange risk was minimal.

Pledge of assets

As at 31 December 2006, certain assets of the Willie Group with an aggregate carrying value of HK$27.7 million (2005: HK$30.8 million) have been pledged to banks to secure banking facilities granted to the Willie Group.

Contingent liabilities

As at 31 December 2006, Willie had contingent liabilities not provided for in the financial statements in respect of guarantees of HK$20.4 million (2005: HK$38 million) and HK$30 million (2005: HK$30 million) for banking facilities granted to subsidiaries and an associate respectively, which were utilised by subsidiaries and an associate to the extent of HK$18.3 million (2005: HK$18.4 million) and HK$24.5 million (2005: HK$21.4 million) respectively.

Employees

As at 31 December 2006, the Willie Group employed a total of 25 employees (2005: 24). The Willie Group remunerates its employees based on their performance, working experience and prevailing market standards. Employee benefits include a medical insurance coverage, provident fund and a share option scheme.

For the year ended 31 December 2005

The year in review

During the course of the year, the directors of Willie have discussed certain issues and consulted with the legal and accounting professionals regarding Macau investments and lending business to gambling clients in general. Based on those discussions and other considerations including but not limited to the timing of capital requirements, the directors decided to terminate negotiation in acquiring the Neptune Syndicate, a VIP gambling club in July and sold the group's interest in Found Macau Investments International Limited, an investment holding company formed to invest in gambling, entertainment, and related business in Macau. The sale resulted in a charge of HK$75 million.

The Willie Group restructured its loans and disposed of the receivables and old convertible note from Hennabun Management International Limited ("HMIL") amounting to approximately HK$146 million in exchange for a new convertible note of HK$146 million from HMIL with a maturity date in September 2015. The convertible note carries an interest of 8% per annum. One of the conditions of the transaction is that HMIL would procure an unsecured standby credit facility in the amount of HK$50 million to be made available to Willie. The transaction provided Willie with additional working capital.

The Willie Group continued to dispose of its leasehold land and building and minor investment properties. During the year, the Willie Group disposed three properties including Flat B on the 22nd Floor of Royalton together with one Car Park Space, Car Park Space at No. 234 Prince Edward Road West, and Flat B on the Second Floor of Block 23 of Laguna City. Subsequent to the year end, the Willie Group also disposed two units at Scholar Court on Sands Street. The direction of the Willie Group is to focus on larger scale and upper class commercial or residential developments.

There were some noteworthy successes. During the beginning of the year, the Willie Group sold its first investment in Macau, Wide Asia Shipping S.A., a holding company that owns a vessel intended to be leased for gambling. The transaction resulted in a short term gain of approximately HK$20 million.

The Willie Group indirectly secured a joint venture agreement to form Tianjin Kai Sheng Automobile Services Company Limited (the "JV Company"). The total investment for the Willie Group amounted to RMB7.5 million. The JV Company is known for its repair of automobiles and is a licensed authorised service centre for General Motor vehicles. The JV Company is also expected to become the authorised service centre for Nissan and Mitsubishi automobiles.

Willie entered into a Memorandum of Understanding with an influential independent third party in China regarding the setting up of a joint venture company in Beijing that engages in the national broadcasting of programs through the internet.

Results

Turnover for the year ended 31 December 2005 amounted to HK$124.5 million, an increase of 34.3% when compared with HK$92.7 million for 2004. Loss attributable to equity holders for the year was HK$131.7 million compared with a loss of HK$336.9 million for 2004. Loss per share for the year was HK$0.064 compared with HK$0.28 for 2004.

Dividend

The board of directors of Willie did not recommend the payment of a final dividend for the year (2004: NIL).

Liquidity and capital resources

During the year, Willie has completed two share placements for 712 million new shares, the issue of 137,358,374 new shares arising from exercise of share options and the issue of 13,338,925 new shares arising from exercise of warrants, raising a total additional equity of approximately HK$124.9 million (before issue expenses), HK$25.8 million and HK$1.9 million respectively.

During the year, Willie issued 5-year non-interest bearing convertible notes (the "New Notes") at a conversion price of HK$0.25 per share with principal amounts of HK$100 million to independent third parties and HK$100 million to an associate as the Willie Group's partial loan contribution. Willie also redeemed the then existing 5-year convertible notes which bear interest at 7.8% with principal amount of HK$53 million. During the year, all New Notes were converted in full and resulted in the issue of 800 million new shares of Willie.

As at 31 December 2005, the total equity of the Willie Group amounted to HK$311.6 million as compared with HK$91.5 million at 31 December 2004. As at 31 December 2005, the Willie Group had net current assets of HK$47.6 million including cash and cash equivalents of HK$11.4 million as compared with net current liabilities of HK$117.3 million including cash and cash equivalents of HK$10.7 million at 31 December 2004. The Willie Group continued to closely monitor its equity/debt structure and maintained a relatively low gearing ratio of 5.9% (computed on the basis of total borrowings to total equity) and current ratio of 3.52 times at 31 December 2005 as compared to 198% and 0.31 times respectively at 31 December 2004.

As at 31 December 2005, the Willie Group had bank loans of HK$18.4 million (31 December 2004: bank loans of HK$32.1 million, other loans of HK$96.1 million and convertible notes of HK$53.0 million). Of the bank loans of the Willie Group of HK$18.4 million, 25.2%, 12.0%, 42.3%, 20.5% are repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. The bank loans carrying interest rates of the Willie Group were calculated with reference to prime rate and denominated in Hong Kong dollars. The Willie Group did not have any financial instruments used for hedging purpose.

As most of the transactions and bank balances of the Willie Group were denominated in Hong Kong dollars, its exposure to foreign exchange risk was minimal.

Pledge of assets

As at 31 December 2005, certain assets of the Willie Group with an aggregate carrying value of HK$30.8 million (31 December 2004: HK$50.7 million) have been pledged to banks to secure banking facilities granted to the Willie Group.

Contingent liabilities

At 31 December 2005, Willie had contingent liabilities not provided for in the financial statements in respect of guarantees of HK$38 million (2004: HK$38 million) and HK$30 million (2004: HK$75 million) for banking facilities granted to subsidiaries and an associate respectively, which were utilised by subsidiaries and an associate to the extent of HK$18.4 million (2004: HK$32.1 million) and HK$21.4 million (2004: HK$31.6 million) respectively.

Employees

As at 31 December 2005, the Willie Group employed a total of 24 employees (2004: 23). The Willie Group remunerates its employees based on their performance, working experience and prevailing market standards. Employee benefits include a medical insurance coverage, provident fund and a share option scheme. As at 31 December 2005, there were no share options outstanding.

1. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

The following is an illustrative and unaudited pro forma statement of assets and liabilities of the Group which has been prepared based on the audited consolidated balance sheet of the Group as at 31 March 2008, as extracted from the published annual report of the Company for the year ended 31 March 2008, after giving effect to the pro forma adjustments as explained in the notes below, as if the Disposal and the Subscription had been completed on 31 March 2008 for the purpose of illustrating the effect of the Disposal and the Subscription on the financial position of the Group as at 31 March 2008. As it is prepared for illustrative purpose only, and because of its nature, it does not purport to give a true picture of the financial position of the Group as at 31 March 2008 had the Disposal and the Subscription actually been completed on that date or at any future date.

	The Group as at 31 March 2008	**Unaudited pro forma adjustments**	**Unaudited pro forma adjustment**	**Unaudited pro forma assets and liabilities of the Group after the unaudited pro forma adjustments**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		Note 1	*Note 2*	
NON-CURRENT ASSETS				
Property, plant and equipment	16,314	(7,878)		8,436
Investment properties	150,500	(127,800)		22,700
Investment in Willie Shares	–		188,500	188,500
Available-for-sale investments	9,130			9,130
Loan receivable	4,070			4,070
Convertible bond – loan portion	16,630			16,630
Total non-current assets	196,644			249,466
CURRENT ASSETS				
Loans receivable	569,499			569,499
Convertible bond – option derivatives	1,626			1,626
Investments at fair value through profit or loss	357,627			357,627
Prepayments, deposits and other receivables	24,603	(631)		23,972
Cash and bank balances	205,172	(158)		205,014
Total current assets	1,158,527			1,157,738

	The Group as at 31 March 2008 *HK$'000*	Unaudited pro forma adjustments *HK$'000* *Note 1*	Unaudited pro forma adjustment *HK$'000* *Note 2*	Unaudited pro forma assets and liabilities of the Group after the unaudited pro forma adjustments *HK$'000*
CURRENT LIABILITIES				
Other payables and accruals	5,031	(1,664)		3,367
Interest-bearing bank borrowings	10,334	(4,170)		6,164
Tax payable	800	(553)		247
Total current liabilities	16,165			9,778
NET CURRENT ASSETS	1,142,362			1,147,960
TOTAL ASSETS LESS CURRENT LIABILITIES	1,339,006			1,397,426
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	68,672	(47,552)		21,120
Deferred tax liabilities	9,370	(8,744)		626
	78,042			21,746
NET ASSETS	1,260,964			1,375,680

As disclosed in the circular of the Company dated 30 May 2008 in relation to the disposal of the entire interest in Glamourous Investments Limited, Best Inspire Limited and Bright Majestic Limited (collectively the "Companies") which held the Properties, the Group had, in return, received the Convertible Note.

On 11 September 2008, the Group entered into the Termination Deed with Willie, pursuant to which the parties conditionally agreed to terminate the Convertible Note. In consideration therefor, Willie would issue the Subscription Shares, all credited as fully paid to the Group.

Notes:

1. The adjustments reflect the exclusion of the assets and liabilities attributable to the Companies, which were extracted from the respective management accounts of the Companies for the year ended 31 March 2008, from the consolidated balance sheet of the Group as at 31 March 2008, as if the Disposal had been completed on 31 March 2008.

2. The adjustment reflects the fair value of the Subscription Shares as at 31 March 2008 of HK$188,500,000, which is calculated with reference to the closing price of Willie Shares of HK$0.29 per share as at 31 March 2008, as if the Subscription Shares were issued to the Group on 31 March 2008.

   At the Latest Practicable Date, the fair value of the Subscription Shares was HK$24,700,000, which is calculated with reference to the closing price of Willie Shares of HK$0.038 per share as at 27 October 2008, which is substantially lower than the fair value of the Subscription Shares as shown in the unaudited pro forma statement of assets and liabilities.

   The actual fair value of the Subscription Shares at the completion of the Subscription may be significantly different from the fair value of the Subscription Shares as shown in the unaudited pro forma statement of assets and liabilities or the fair value of the Subscription Shares at the Latest Practicable Date as mentioned above because the fair value of Willie Shares may be significantly different at the date of completion of the Subscription.

2. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG
安 永

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

29 October 2008

The Directors
Heritage International Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information (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 pages 147 to 149 in Appendix III to the circular dated 29 October 2008 (the "Circular") in connection with the subscription of new shares in Willie International Holdings Limited, which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Disposal (as defined in the Circular) and the Subscription (as defined in the Circular) might have affected the historical financial information in respect of the Group as at 31 March 2008.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information 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 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.

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 the financial position of the Group as at 31 March 2008 or any future date.

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 in respect of the year ended 31 March 2008; and

c. the adjustments are appropriate for the purposes of the Unaudited Pro Froma 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 circular 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 circular 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. DISCLOSURE OF INTERESTS

(a) Directors and chief executive

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 and its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of 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) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Nature of interest	Number of Shares (long position)	Approximate percentage of existing issued share capital of the Company
Kwong Kai Sing, Benny	Beneficial owner	15,444,000	0.60%
Ong Peter	Beneficial owner	8,595,360	0.34%
Poon Chi Wan	Beneficial owner	1,188,000	0.05%

Save as disclosed above, as at the Latest Practicable Date,

(i) none of the Directors or chief executive of the Company held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of 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) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange; and

(ii) none of the Directors had any direct or indirect interests in any assets which have since 31 March 2008 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

In addition, none of the Directors is materially interested in any contracts or arrangements subsisting at the date of this circular which is significant in relation to the business of the Group.

(b) Substantial shareholders

As at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors and chief executive of the Company, the following person (other than a Director or chief executive of the Company) had an interest or short position 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, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any option in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Nature of interest	Number of Shares (long position)	Approximate percentage of issued share capital of the Company
Radford Capital Investment Limited [Note]	Corporate	222,711,300	8.71%
Willie	Corporate	209,541,280	8.19%
Unity Investments Holdings Limited	Corporate	188,140,705	7.36%

Note: Messrs. Chung Yuk Lun and Chan Sze Hung, both Directors, are also directors of Radford.

According to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors and chief executive of the Company, save as disclosed above, there were no other persons who, as at the Latest Practicable Date, had an interest or short position 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, 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 other member of the Group or in any options in respect of such capital.

3. LITIGATION

No member of the Group is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any of its subsidiaries other than contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. MATERIAL CONTRACTS

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

(a) a non-legally binding letter of intent dated 13 December 2006 between the Company, Easywin Cotai Entertainment Limited (a subsidiary of the Company) and a casino operator in Macau relating to the provision of certain management services by the Group in connection with a VIP area to be established in a Las Vegas style casino in Cotai, Macau;

(b) a conditional junket representative and services agreement (the "Services Agreement") dated 11 April 2007 between the Company, Easywin Cotai Entertainment Limited (a subsidiary of the Company) and a casino operator in Macau relating to the provision of certain marketing and promotional services by the Group in connection with a VIP area to be established in a Las Vegas style casino in Cotai, Macau;

(c) a termination agreement dated 30 May 2007 between Easywin Cotai Entertainment Limited (a subsidiary of the Company) and a casino operator in Macau terminating the Services Agreement;

(d) a conditional placing agreement dated 13 June 2007 between the Company as issuer and Get Nice Investment Limited ("Get Nice") 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;

(e) a conditional placing agreement dated 2 August 2007 between the Company as issuer and Chung Nam Securities Limited ("Chung Nam") 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;

(f) a conditional placing agreement dated 23 August 2007 between the Company as issuer and Chung Nam 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 of the Company dated 27 August 2007;

(g) a conditional underwriting agreement dated 23 August 2007 between the Company as issuer and Chung Nam as underwriter whereby Chung Nam agreed to underwrite an aggregate of not less than 2,467,613,194 and not more than 3,147,248,013 rights shares at the subscription price of HK$0.10 per rights share. Further details of the rights issue were set out in the announcement of the Company dated 27 August 2007;

(h) a conditional subscription agreement dated 16 February 2008 between Greater Chance Group Limited (a subsidiary of the Company) and Hang Fa Lau Holdings Limited in relation to the subscription by Greater Chance Group Limited of a 2% convertible bond issued by Hang Fa Lau Holdings Limited in an aggregate principal amount of HK$18,000,000. Further details of the subscription were set out in the announcement and circular of the Company dated 18 February 2008 and 6 March 2008 respectively;

(i) a conditional placing agreement dated 26 February 2008 between the Company as issuer and Get Nice as placing agent in relation to a placing of 355,000,000 new ordinary shares of the Company at a price of HK$0.26 per share. Further details of the placing were set out in the announcement of the Company dated 26 February 2008;

(j) a conditional placing agreement dated 22 April 2008 between the Company as issuer and Get Nice Securities Limited as placing agent in relation to a placing of 426,000,000 new ordinary shares of the Company at a price of HK$0.186 per share. Further details of the placing were set out in the announcement of the Company dated 22 April 2008;

(k) the Termination Deed;

(l) a conditional settlement deed dated 24 September 2008 (as supplemented by a supplemental deed dated 26 September 2008) between Double Smart Finance Limited (a subsidiary of the Company) and Radford Capital Investment Limited in relation to the settlement of a loan in the principal amount of HK$20,000,000 provided by Double Smart Finance Limited to Radford Capital Investment Limited by a zero coupon convertible bond issued by Radford Capital Investment Limited in an aggregate principal amount of HK$20,000,000. Further details of the transaction were set out in the announcement of the Company dated 26 September 2008; and

(m) a conditional settlement deed dated 8 October 2008 between Double Smart Finance Limited (a subsidiary of the Company) and Unity Investments Holdings Limited in relation to the settlement of a loan in the principal amount of HK$20,000,000 provided by Double Smart Finance Limited to Unity Investments Holdings Limited by a zero coupon convertible note issued by Unity Investments Holdings Limited in an aggregate principal amount of HK$20,000,000. Further details of the transaction were set out in the announcement of the Company dated 9 October 2008.

7. CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

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 circular 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 2008, the date to which the latest published audited financial statements of the Group were made up.

8. MISCELLANEOUS

(a) The secretary and the qualified accountant of the Company appointed pursuant to Rule 3.24 of the Listing Rules is Mr. Chow Chi Wah, Vincent, who is a fellow member of the Chartered Association of Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company is located on 32/F., China United Centre, No.28 Marble Road, North Point, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

9. 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, 32/F., China United Centre, No.28 Marble Road, North Point, Hong Kong during normal business hours on any business day (Saturdays excluded) from the date of this circular up to and including the date of the SGM:

(a) the Memorandum of Association and Bye-laws of the Company;

(b) the material contracts referred to in section 6 of this Appendix;

(c) the report from Ernst & Young set out in section 2 of Appendix III to this circular;

(d) the written consent given by Ernst & Young referred to in section 7 of this Appendix;

(e) the annual reports of the Company for the two years ended 31 March 2008 and 31 March 2007;

(f) the annual reports of Willie for the two years ended 31 December 2007 and 31 December 2006;

(g) the circular issued by the Company on 15 May 2008 regarding the acquisition of E-Garden Properties Limited;

(h) the circular issued by the Company on 30 May 2008 regarding the Disposal;

(i) the circular issued by the Company on 17 October 2008 regarding the subscription of a convertible bond of Radford Capital Investment Limited; and

(j) the circular issued by the Company on 21 October 2008 regarding the subscription of a convertible note of Unity Investments Holdings Limited.

HERITAGE INTERNATIONAL HOLDINGS LIMITED

漢基控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 412)

NOTICE IS HEREBY GIVEN that a special general meeting of Heritage International Holdings Limited (the "Company") will be held at Java II-III, 2/F., Harbour Plaza North Point, 665 King's Road, North Point, Hong Kong on 14 November 2008 at 9:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution of the Company:

ORDINARY RESOLUTION

"**THAT** the conditional termination deed (the "Termination Deed") entered into between Dollar Group Limited ("Dollar Group"), a wholly-owned subsidiary of the Company, and Willie International Holdings Limited ("Willie") on 11 September 2008 in relation to the cancellation of the convertible note issued by Willie to Dollar Group in the principal amount of HK$86,882,392.88 and issuance of 650,000,000 new shares of HK$0.10 each in the share capital of Willie (the "Subscription Shares") to Dollar Group, a copy of which has been produced at the meeting marked "A" and signed by the chairman of the meeting for identification, be and is hereby approved, confirmed and ratified and that the transactions contemplated thereunder (including, but not limited to, the subscription of the Subscription Shares) be and are hereby approved and that the directors of the Company be and are hereby authorised to do such acts and execute such other documents as they may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Termination Deed."

By order of the board
Heritage International Holdings Limited
Chow Chi Wah, Vincent
Company Secretary

Hong Kong, 29 October 2008

* *For identification purposes only*

Notes:

1. Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.

2. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

3. Completion and return of the form of proxy will not preclude a member from attending and voting at the above meeting or any adjournment thereof if he so wishes. In that event, his form of proxy will be deemed to have been revoked.

4. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the principal place of business of the Company in Hong Kong at 32/F., China United Centre, No.28 Marble Road, North Point, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.