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.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Heritage International Holdings Limited.

HERITAGE INTERNATIONAL HOLDINGS LIMITED

漢基控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 412)

MAJOR TRANSACTION

SUBSCRIPTION AND ISSUE OF CONVERTIBLE NOTES

A letter from the board of directors of Heritage International Holdings Limited is set out on pages 4 to 16 of this circular.

A notice convening a special general meeting of Heritage International Holdings Limited to be held at 30/F., China United Centre, No.28 Marble Road, North Point, Hong Kong on 10 September 2009 at 9:00 a.m. is set out on pages S-1 to S-2 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 29/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*

25 August 2009

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DEFINITIONS

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

"acting in concert"	has the meaning ascribed thereto under the Takeovers Code
"Announcement"	the announcement issued by the Company on 16 July 2009 in relation to, among others, the Heritage CB Subscription Agreement and the Neptune CB Subscription Agreement
"associate(s)"	has the meaning ascribed thereto under 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 Stock Exchange
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"Heritage CB Subscription Agreement"	the conditional agreement dated 15 July 2009 entered into between the Company as the issuer and Neptune as the subscriber in relation to the subscription of the Heritage Convertible Note
"Heritage Conversion Price"	the conversion price of each Heritage Share to be issued upon exercise of the conversion rights attaching to the Heritage Convertible Note, being HK$0.96 initially and subject to the adjustments which may be made pursuant to the terms of the Heritage Convertible Note
"Heritage Conversion Shares"	the new Heritage Shares to be issued by the Company upon the exercise of the conversion rights attaching to the Heritage Convertible Note
"Heritage Convertible Note"	the zero coupon convertible note due 2012 in the principal amount of HK$100 million to be issued by the Company to Neptune or its nominee(s) pursuant to the Heritage CB Subscription Agreement
"Heritage Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company

"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Last Trading Day"	15 July 2009, being the last trading day of the Heritage Shares on the Stock Exchange prior to the release of the Announcement
"Latest Practicable Date"	21 August 2009, 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
"Neptune"	Neptune Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 70)
"Neptune CB Subscription Agreement"	the conditional agreement dated 15 July 2009 entered into between the Company as the subscriber and Neptune as the issuer in relation to the subscription of the Neptune Convertible Note
"Neptune Conversion Price"	the conversion price of each Neptune Share to be issued upon exercise of the conversion rights attaching to the Neptune Convertible Note, being HK$0.13 initially and subject to the adjustments which may be made pursuant to the terms of the Neptune Convertible Note
"Neptune Conversion Shares"	the new Neptune Shares to be issued by Neptune upon the exercise of the conversion rights attaching to the Neptune Convertible Note
"Neptune Convertible Note"	the zero coupon convertible note due 2012 in the principal amount of HK$100 million to be issued by Neptune to the Company or its nominee(s) pursuant to the Neptune CB Subscription Agreement
"Neptune Group"	Neptune and its subsidiaries
"Neptune Share(s)"	ordinary share(s), currently with par value of HK$0.20 each, in the share capital of Neptune
"Neptune Shareholder(s)"	the shareholder(s) of Neptune
"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 30/F., China United Centre, No.28 Marble Road, North Point, Hong Kong on 10 September 2009 at 9:00 a.m. for the purpose of approving the Heritage CB Subscription Agreement, the Neptune CB Subscription Agreement and the transactions respectively contemplated thereunder
"Shareholder(s)"	the shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of the Neptune Convertible Note by the Company or its nominee(s) pursuant to the Neptune CB Subscription Agreement
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"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
Wong Chun Hung

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:
29/F., China United Centre
No.28 Marble Road
North Point
Hong Kong

25 August 2009

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

SUBSCRIPTION AND ISSUE OF CONVERTIBLE NOTES

1. INTRODUCTION

The Board announced on 16 July 2009 that after trading hours on 15 July 2009, the Company entered into the Neptune CB Subscription Agreement with Neptune, pursuant to which Neptune had conditionally agreed to issue, and the Company had conditionally agreed to subscribe or procure the subscription for, the Neptune Convertible Note in the principal amount of HK$100 million, the subscription price of which will be satisfied by the Company by the issue of the Heritage Convertible Note in the principal amount of HK$100 million.

* *For identification purposes only*

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 issue of the Heritage Convertible Note and the Heritage Conversion Shares is also subject to the approval of the Shareholders. The main purpose of this circular is to provide you with further particulars of the Subscription, the issue of the Heritage Convertible Note and the notice of the SGM.

2. SUBSCRIPTION AND ISSUE OF THE CONVERTIBLE NOTES

A. Principal terms of the Neptune CB Subscription Agreement

Date	:	15 July 2009
Issuer	:	Neptune. Neptune is a company listed on the main board of the Stock Exchange (Stock Code: 70) and is principally engaged in investment in gaming related business, the cruise business and trading of listed securities. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, Neptune and its ultimate beneficial owners are third parties independent of the Company and its connected persons.
Subscriber	:	The Company
Principal amount of the Neptune Convertible Note	:	HK$100 million
Conditions precedent	:	Completion of the Neptune CB Subscription Agreement is conditional upon: (i) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which Neptune and the Company have no reasonable objection) listing of, and permission to deal in, the Neptune Conversion Shares;

(ii) if required, the passing of the necessary resolution(s) by the Neptune Shareholders (other than those, if any, required to abstain from voting pursuant to the Listing Rules) at general meeting to approve the entering into of the Neptune CB Subscription Agreement by Neptune and performance of the transactions contemplated thereunder including the issue of the Neptune Convertible Note and the issue and allotment of the Neptune Conversion Shares in accordance with the Neptune Convertible Note;

(iii) if required, the passing of the necessary resolution(s) by the Shareholders (other than those, if any, required to abstain from voting pursuant to the Listing Rules) at general meeting to approve the entering into of the Neptune CB Subscription Agreement by the Company and the subscription of the Neptune Convertible Note;

(iv) all the conditions precedent under the Heritage CB Subscription Agreement (other than the condition precedent requiring fulfilment or waiver of all the conditions precedent contained under the Neptune CB Subscription Agreement) having been fulfilled or waived (as the case may be) in accordance with the provisions thereof;

(v) the representations, warranties and undertakings given by Neptune under the Neptune CB Subscription Agreement remaining true and accurate in all material respects and not misleading in any material respect;

(vi) there being no occurrence of circumstances which, in the reasonable opinion of the Company, will have a material adverse effect on the financial condition, prospects, earning, business, undertaking or assets of the Neptune Group, in each case, taken as a whole, since the date of the Neptune CB Subscription Agreement; and

(vii) all necessary approvals from the relevant governmental or regulatory authorities in Hong Kong and Bermuda required of either Neptune or the Company for the consummation of the transactions contemplated under the Neptune CB Subscription Agreement having been obtained and all filings having been made by each of Neptune and the Company.

If the conditions precedent set out above are not fulfilled (or, in respect of the conditions precedent set out in (v) and (vi) above, waived by the Company in its absolute discretion) on or before 31 October 2009 (or such later date as may be agreed in writing between Neptune and the Company), the Neptune CB Subscription Agreement shall lapse and become null and void and the parties thereto shall be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof.

Completion : Completion of the Neptune CB Subscription Agreement shall take place on the third business day after fulfilment or waiver (as the case may be) of all of the above conditions precedent.

B. Principal terms of the Heritage CB Subscription Agreement

Date	:	15 July 2009
Issuer	:	The Company
Subscriber	:	Neptune
Principal amount of the Heritage Convertible Note	:	HK$100 million
Conditions precedent	:	Completion of the Heritage CB Subscription Agreement is conditional upon:

(i) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company and Neptune have no reasonable objection) listing of, and permission to deal in, the Heritage Conversion Shares;

(ii) if required, the passing of the necessary resolution(s) by the Shareholders (other than those, if any, required to abstain from voting pursuant to the Listing Rules) at general meeting to approve the entering into of the Heritage CB Subscription Agreement by the Company and performance of the transactions contemplated thereunder including the issue of the Heritage Convertible Note and the issue and allotment of the Heritage Conversion Shares in accordance with the Heritage Convertible Note;

(iii) if required, the passing of the necessary resolution(s) by the Neptune Shareholders (other than those, if any, required to abstain from voting pursuant to the Listing Rules) at general meeting to approve the entering into of the Heritage CB Subscription Agreement by Neptune and the subscription of the Heritage Convertible Note;

(iv) all the conditions precedent under the Neptune CB Subscription Agreement (other than the condition precedent requiring fulfilment or waiver of all the conditions precedent contained under the Heritage CB Subscription Agreement) having been fulfilled or waived (as the case may be) in accordance with the provisions thereof;

(v) the representations, warranties and undertakings given by the Company under the Heritage CB Subscription Agreement remaining true and accurate in all material respects and not misleading in any material respect;

(vi) there being no occurrence of circumstances which, in the reasonable opinion of Neptune, will have a material adverse effect on the financial condition, prospects, earning, business, undertaking or assets of the Group, in each case, taken as a whole, since the date of the Heritage CB Subscription Agreement; and

(vii) all necessary approvals from the relevant governmental or regulatory authorities in Hong Kong and Bermuda required of either the Company or Neptune for the consummation of the transactions contemplated under the Heritage CB Subscription Agreement having been obtained and all filings having been made by each of the Company and Neptune.

If the conditions precedent set out above are not fulfilled (or, in respect of the conditions precedent set out in (v) and (vi) above, waived by Neptune in its absolute discretion) on or before 31 October 2009 (or such later date as may be agreed in writing between the Company and Neptune), the Heritage CB Subscription Agreement shall lapse and become null and void and the parties thereto shall be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof.

Completion	:	Completion of the Heritage CB Subscription Agreement shall take place on the third business day after fulfilment or waiver (as the case may be) of all of the above conditions precedent.

C. Principal terms of the Heritage Convertible Note and the Neptune Convertible Note

Save and except for the conversion price, most of the terms of the Heritage Convertible Note and the Neptune Convertible Note are identical and they are summarised below:

Maturity	:	The third anniversary from the date of issue of the Heritage Convertible Note or the Neptune Convertible Note (as the case may be).
Interest	:	Both Heritage Convertible Note and Neptune Convertible Note are non-interest bearing.
Conversion rights	:	The holder(s) of the convertible note(s) shall have the right to convert, on any business day after the date of issue of such note(s) until the maturity date, the whole (or part only in an integral multiple of HK$1,000,000) of the principal amount of such note(s) at their respective conversion price provided that no conversion shares will be issued if, upon such issue, the noteholder together with parties acting in concert with it will become interested in 30% or more of the then enlarged issued share capital of the issuer or be otherwise required to make a mandatory general offer for all the shares of the issuer pursuant to the Takeovers Code. Accordingly, no change in control of the Company would arise as a result of the exercise of the conversion rights attaching to the Heritage Convertible Note.
Conversion price	:	The initial Neptune Conversion Price is HK$0.13 per Neptune Share, subject to adjustments in certain events such as share consolidation, share sub-division, capitalisation issue, capital distribution, rights issue and other equity derivative issues.

The initial Neptune Conversion Price represents:

(i) a discount of approximately 16.13% to the closing price of HK$0.155 per Neptune Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 16.99% to the average closing price of HK$0.1566 per Neptune Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 18.14% to the average closing price of HK$0.1588 per Neptune Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day; and

(iv) a premium of approximately 0.77% over to the closing price of HK$0.129 per Neptune Share as quoted on the Stock Exchange on the Latest Practicable Date.

The initial Heritage Conversion Price is HK$0.96 per Heritage Share, subject to adjustments in certain events such as share consolidation, share sub-division, capitalisation issue, capital distribution, rights issue and other equity derivative issues.

The initial Heritage Conversion Price represents:

(i) a discount of approximately 15.79% to the closing price of HK$1.14 per Heritage Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 15.34% to the average closing price of HK$1.134 per Heritage Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 16.81% to the average closing price of HK$1.154 per Heritage Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day; and

(iv) a discount of approximately 4.95% to the closing price of HK$1.01 per Heritage Share as quoted on the Stock Exchange on the Latest Practicable Date.

Conversion shares : Assuming that the Neptune Convertible Note is converted in full at the initial conversion price of HK$0.13 per Neptune Share, a total of 769,230,769 Neptune Shares will be issued, representing approximately 19.99% of the entire issued share capital of Neptune as at the Latest Practicable Date and approximately 16.66% of the entire issued share capital of Neptune as enlarged by the issue of such Neptune Shares.

The Neptune Conversion Shares will be issued under the general mandate granted to the directors of Neptune by a resolution of its shareholders passed at the annual general meeting of Neptune held on 22 December 2008. Such general mandate has not been utilised since the date of passing of the relevant resolution.

The Heritage Convertible Note, on the other hand, if fully converted at the initial conversion price of HK$0.96 per Heritage Share, will give rise to an issue of 104,166,666 Heritage Shares, representing approximately 33.96% of the entire issued share capital of the Company as at the Latest Practicable Date and approximately 25.35% of the entire issued share capital of the Company as enlarged by the issue of such Heritage Shares.

Early redemption	:	To the extent not previously converted, the issuer shall have the right, exercisable at any time from the date of issue of the convertible note up to the maturity date by giving to the noteholder not less than three business days' prior written notice, to redeem the whole or any part (in an integral multiple of HK$1,000,000) of the note outstanding.
Voting	:	The noteholder will not be entitled to receive notice of, attend or vote at any meeting of the issuer by reason only of its being a holder of the convertible note.
Transferability	:	The convertible note may be transferred to any third party provided that the transfer must be in respect of the whole (or part only in an integral multiple of HK$1,000,000) of the outstanding principal amount of the convertible note. In the event of a transfer to a connected person of the issuer, the noteholder(s) shall notify the issuer in writing of such transfer, so that the issuer may promptly notify the Stock Exchange of such transfer.
Ranking	:	The shares to be issued upon exercise of the conversion rights attaching to the convertible note will rank pari passu in all respects with all other existing shares outstanding at the date of exercise of the conversion rights and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of exercise of the conversion rights.
Listing	:	No application will be made for the listing of, or permission to deal in, the Neptune Convertible Note or the Heritage Convertible Note but application will be made to the Stock Exchange for the listing of, and permission to deal in, the conversion shares to be issued upon exercise of the conversion rights attaching to the Neptune Convertible Note and the Heritage Convertible Note.

D. Effect on the shareholding structure of the Company

The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after exercise of the conversion rights attaching to the Heritage Convertible Note in full at the initial Heritage Conversion Price is as follows:

	As at the Latest Practicable Date		Immediately after the issue of the Heritage Conversion Shares	
	Number of Heritage Shares	Approximate %	*Number of Heritage Shares*	Approximate %
Directors				
Mr. Kwong Kai Sing, Benny	1,544,400	0.50%	1,544,400	0.37%
Mr. Ong Peter	859,536	0.28%	859,536	0.21%
Ms. Poon Chi Wan	118,800	0.04%	118,800	0.03%
Neptune	–	0.00%	104,166,666	25.35%
Other public Shareholders	304,246,009	99.18%	304,246,009	74.04%
Total	306,768,745	100.00%	410,935,411	100.00%

Note:

As at the Latest Practicable Date, the Company did not have any other outstanding options, warrants, derivatives or securities convertible into Heritage Shares.

3. REASONS FOR THE TRANSACTIONS

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 Directors believe that the Subscription is beneficial to the Company and its shareholders as it would strengthen the relationship between the Group and the Neptune Group, thereby increasing the chance of future co-operation between the two groups, and enable each of them to further develop or diversify it businesses by leveraging on the experience and expertise of the other in their respective fields of business. Besides, by exercising the conversion rights attaching to the Neptune Convertible Note, the Group may be able to benefit from the future growth of the Neptune Group.

The Directors consider that the terms of the Neptune CB Subscription Agreement and the Heritage CB Subscription Agreement (including the conversion prices therefor which were determined with reference to the prevailing market prices of the shares and negotiated on an arm's length basis between the parties) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

As the Heritage Convertible Note is issued in satisfaction of the subscription price payable by the Company under the Neptune CB Subscription Agreement for the Neptune Convertible Note, there will be no proceeds receivable pursuant to the issue of the Heritage Convertible Note.

4. FINANCIAL EFFECT OF THE TRANSACTIONS

Given that the subscription price payable by the Company under the Neptune CB Subscription Agreement for the Neptune Convertible Note will be satisfied by the issue of the Heritage Convertible Note and the terms of the two convertible notes are substantially the same, the transactions will have no immediate impact on the net asset value or earnings of the Group. However, upon the conversion of the Neptune Convertible Note in future, the ultimate gain or loss, if any, will be realised once the conversion shares are disposed of.

5. GENERAL

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. The issue of the Heritage Convertible Note and the Heritage Conversion Shares is also subject to the approval of the Shareholders. To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Subscription or the issue of the Heritage Convertible Note. As such, no Shareholders are required to abstain from voting at the SGM.

6. SGM

A notice convening the SGM to be held at 30/F., China United Centre, No.28 Marble Road, North Point, Hong Kong on 10 September 2009 at 9:00 a.m. is set out on pages S-1 to S-2 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 29/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.

In accordance with Rule 13.39(4) of the Listing Rules, the vote of the Shareholders will be taken by poll at the SGM.

7. RECOMMENDATION

The Board considers that the Subscription and the issue of the Heritage Convertible Note are 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 resolutions set out in the notice of the SGM.

8. 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 2009.

Consolidated Income Statement

Three years ended 31 March 2009

	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*
REVENUE	(20,459)	51,765	531,600
Cost of sales and carrying amount of equity investments sold	–	–	(612,011)
Gross profit/(loss)	–	–	(80,411)
Other income and gains	(1,228)	8,880	2,945
Gains/(losses) arising from changes in fair value of investment properties, net	(51,800)	1,900	(2,976)
Fair value gains/(losses) on investments at fair value through profit or loss, net	(271,793)	(404,401)	18,035
Loss on disposal of available-for-sale investments, net	–	–	(24,411)
Gain/(loss) on disposal of subsidiaries	(8,055)	6,877	(410)
General and administrative expenses	(25,273)	(24,038)	(28,482)
Other expenses, net	(53,714)	(2,757)	(62,737)
Finance costs	(2,474)	(4,501)	(27,445)
Impairment of interests in jointly-controlled entities	–	–	(15,972)
Share of losses of jointly-controlled entities	–	–	(4,028)
LOSS BEFORE TAX	(432,340)	(366,275)	(225,892)
Tax	–	(1,476)	(2,553)
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	(432,340)	(367,751)	(228,445)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
		(Restated)	
Basic	HK$(1.7)	HK(5.4) cents	HK(2.10) cents
Diluted	N/A	N/A	N/A

Consolidated Balance Sheet
31 March 2009, 2008 and 2007

	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	4,895	16,314	30,742
Investment properties	105,900	150,500	168,600
Interests in jointly-controlled entities	–	–	–
Available-for-sale investments	4,080	9,130	8,719
Loan receivable	3,302	4,070	1,000
Convertible bond – loan portion	2,556	16,630	–
Rental deposit	279	–	–
Deposits paid for purchase of items of property, plant and equipment	2,242	–	–
Investment at fair value through profit or loss	15,000	–	–
Total non-current assets	138,254	196,644	209,061
CURRENT ASSETS			
Loans receivable	402,188	569,499	296,850
Convertible bond – option derivatives	–	1,626	–
Investments at fair value through profit or loss	346,389	357,627	352,195
Prepayments, deposits and other receivables	33,151	24,603	16,431
Tax recoverable	1,030	–	–
Cash and bank balances	29,473	205,172	127,695
Total current assets	812,231	1,158,527	793,171
CURRENT LIABILITIES			
Other payables and accruals	4,401	5,031	37,374
Interest-bearing bank borrowings	2,168	10,334	9,274
Derivative financial instrument	–	–	557
Tax payable	–	800	1,270
Total current liabilities	6,569	16,165	48,475
NET CURRENT ASSETS	805,662	1,142,362	744,696
TOTAL ASSETS LESS CURRENT LIABILITIES	943,916	1,339,006	953,757

	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	41,459	68,672	100,108
Convertible notes	–	–	27,810
Deferred tax liabilities	52	9,370	8,353
Total non-current liabilities	41,511	78,042	136,271
Net assets	902,405	1,260,964	817,486
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	25,577	213,167	348,270
Equity component of convertible notes	–	–	4,419
Reserves	876,828	1,047,797	464,797
Total equity	902,405	1,260,964	817,486

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2009

Set out below are the audited consolidated financial statements of the Group for the year ended 31 March 2009 together with accompanying notes as extracted from the annual report of the Company for the year ended 31 March 2009.

Consolidated Income Statement
Year ended 31 March 2009

	Notes	**2009** *HK$'000*	**2008** *HK$'000*
REVENUE	5	(20,459)	51,765
Other income and gains, net	5	1,228	8,880
Gains/(losses) arising from changes in fair value of investment properties, net	14	(51,800)	1,900
Fair value losses on investments at fair value through profit or loss, net		(271,793)	(404,401)
Gain/(loss) on disposal of subsidiaries, net	28(a)	(8,055)	6,877
General and administrative expenses		(25,273)	(24,038)
Other expenses, net	6	(53,714)	(2,757)
Finance costs	7	(2,474)	(4,501)
LOSS BEFORE TAX	6	(432,340)	(366,275)
Tax	10	–	(1,476)
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	11	(432,340)	(367,751)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
			(Restated)
Basic		HK$(1.7)	HK$(5.4)
Diluted		N/A	N/A

Consolidated Balance Sheet
31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	4,895	16,314
Investment properties	14	105,900	150,500
Interests in jointly-controlled entities	16	–	–
Available-for-sale investments	17	4,080	9,130
Loans receivable	18	3,302	4,070
Convertible bond – loan portion	19	2,556	16,630
Rental deposit		279	–
Deposits paid for purchase of items of property, plant and equipment		2,242	–
Investment at fair value through profit or loss	20	15,000	–
Total non-current assets		138,254	196,644
CURRENT ASSETS			
Loans receivable	18	402,188	569,499
Convertible bond – option derivatives	19	–	1,626
Investments at fair value through profit or loss	20	346,389	357,627
Prepayments, deposits and other receivables	21	33,151	24,603
Tax recoverable		1,030	–
Cash and bank balances		29,473	205,172
Total current assets		812,231	1,158,527
CURRENT LIABILITIES			
Other payables and accruals		4,401	5,031
Interest-bearing bank borrowings	22	2,168	10,334
Tax payable		–	800
Total current liabilities		6,569	16,165
NET CURRENT ASSETS		805,662	1,142,362
TOTAL ASSETS LESS CURRENT LIABILITIES		943,916	1,339,006

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	22	41,459	68,672
Deferred tax liabilities	24	52	9,370
Total non-current liabilities		41,511	78,042
Net assets		902,405	1,260,964
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	25	25,577	213,167
Reserves	27(a)	876,828	1,047,797
Total equity		902,405	1,260,964

Consolidated Statement of Changes in Equity

Year ended 31 March 2009

		Attributable to equity holders of the Company									
		Issued capital	Share premium account	Equity component of convertible notes	Capital redemption reserve	Asset revaluation reserve	Contributed surplus	Available-for-sale investment revaluation reserve	Exchange fluctuation reserve	Accumulated losses	Total equity
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007		348,270	461,217	4,419	1,177	3,046	319,113	(6,269)	–	(313,487)	817,486
Changes in fair value of available-for-sale investments and total income recognised directly in equity		–	–	–	–	–	–	952	–	–	952
Impairment of an available-for-sale investment charged to the income statement		–	–	–	–	–	–	5,757	–	–	5,757
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	25(a)	24,000	8,228	(4,419)	–	–	–	–	–	–	27,809
Issue of new shares	25(b)	255,453	245,062	–	–	–	–	–	–	–	500,515
Rights issue	25(d)	296,111	–	–	–	–	–	–	–	–	296,111
Capital reorganisation	25(e)	(710,667)	–	–	–	–	710,667	–	–	–	–
Share issue expenses	25	–	(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

Consolidated Statement of Changes in Equity

Year ended 31 March 2009

		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$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 April 2008		213,167	694,592	–	1,177	3,046	1,029,780	440	–	(681,238)	1,260,964
Change in fair value of an available-for-sale investment		–	–	–	–	–	–	(170)	–	–	(170)
Exchange realignment		–	–	–	–	–	–	–	12	–	12
Total income and expense recognised directly in equity		–	–	–	–	–	–	(170)	12	–	(158)
Loss for the year		–	–	–	–	–	–	–	–	(432,340)	(432,340)
Total income and expense for the year		–	–	–	–	–	–	(170)	12	(432,340)	(432,498)
Release upon disposal of subsidiaries	28(a)	–	–	–	–	(3,046)	–	(270)	–	–	(3,316)
Placement of new shares	25(f)	42,600	36,636	–	–	–	–	–	–	–	79,236
Capital reorganisation	25(g)	(230,190)	–	–	–	–	230,190	–	–	–	–
Share issue expenses	25	–	(1,981)	–	–	–	–	–	–	–	(1,981)
At 31 March 2009		25,577	729,247*	–	1,177*	–	1,259,970*	–	12*	(1,113,578)*	902,405

* These reserve accounts comprise the consolidated reserves of HK$876,828,000 (2008: HK$1,047,797,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES#			
Loss before tax		(432,340)	(366,275)
Adjustments for:			
Finance costs	7	2,474	4,501
Interest income on a convertible bond	5	(926)	(241)
Bank interest income	5	(53)	(7,644)
Depreciation	6	3,067	3,774
Fair value losses on investments at fair value through profit or loss, net		271,793	404,401
Loss/(gain) on disposal of items of property, plant and equipment, net	5	386	(80)
Loss/(gain) on disposal of subsidiaries, net	28(a)	8,055	(6,877)
Changes in fair value of investment properties, net	14	51,800	(1,900)
Impairment of loans receivable	6	19,000	4,000
Reversal of impairment of loans receivable	6	–	(7,000)
Impairment of other receivables	6	3,184	–
Impairment of an available-for-sale investment	6	3,980	5,757
Fair value losses/(gains) on option derivatives, net	5	1,626	(59)
Direct write-off of a loan receivable	6	27,550	–
		(40,404)	32,357
Increase in investments at fair value through profit or loss		(210,548)	(409,833)
Decrease/(increase) in loans receivable		121,529	(272,719)
Increase in prepayments, deposits and other receivables		(12,438)	(8,261)
Increase/(decrease) in other payables and accruals		990	(31,340)
Cash used in operations		(140,871)	(689,796)
Interest received		53	7,644
Interest paid		(2,474)	(4,501)
Hong Kong profits tax paid		(1,030)	(513)
Net cash outflow from operating activities		(144,322)	(687,166)

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposits paid for purchase of items of property, plant and equipment		(2,242)	–
Purchases of items of property, plant and equipment		(1,863)	(2,392)
Proceeds from disposal of items of property, plant and equipment		1,951	608
Purchase of a convertible bond	19	–	(18,000)
Redemption of a convertible bond	19	15,000	–
Disposal of subsidiaries	28(a)	1,000	16,916
Acquisition of subsidiaries	28(b)	(101,170)	–
Net cash outflow from investing activities		(87,324)	(2,868)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from rights issue of shares	25	–	296,111
Proceeds from placement/allotment of new shares	25	79,236	500,515
Share issue expenses	25	(1,981)	(19,915)
Drawdown of other borrowings		–	6,862
Repayment of other borrowings		–	(6,862)
Repayment of bank borrowings		(21,320)	(9,200)
Net cash inflow from financing activities		55,935	767,511
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(175,711)	77,477
Cash and cash equivalents at beginning of year		205,172	127,695
Effect of foreign exchange rate changes, net		12	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		29,473	205,172
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		29,473	205,172

Included in "Cash flows from operating activities" above are interest and dividends received from the Group's principal activities amounting to HK$31,538,000 (2008: HK$19,548,000) and HK$2,582,000 (2008: HK$1,430,000), respectively.

Balance Sheet

31 March 2009

	Notes	**2009** *HK$'000*	**2008** *HK$'000*
NON-CURRENT ASSETS			
Interests in subsidiaries	15	806,948	1,164,891
CURRENT ASSETS			
Prepayments and other receivables	21	424	829
Cash and bank balances		27,935	202,020
Total current assets		28,359	202,849
CURRENT LIABILITIES			
Other payables and accruals		3,234	3,092
Interest-bearing bank borrowings	22	–	5,170
Total current liabilities		3,234	8,262
NET CURRENT ASSETS		25,125	194,587
TOTAL ASSETS LESS CURRENT LIABILITIES		832,073	1,359,478
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	22	–	10,488
Net assets		832,073	1,348,990
EQUITY			
Issued capital	25	25,577	213,167
Reserves	27(b)	806,496	1,135,823
Total equity		832,073	1,348,990

Notes to Financial Statements

31 March 2009

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 29th 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 ("HK$") 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 2009. 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 income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

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

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments[1]
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[2]
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]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items[2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives[5]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[2]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[6]

Apart from the above, the HKICPA in October 2008 issues Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for the annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

In addition, Improvements to HKFRSs 2009 were issued in May 2009 by the HKICPA which contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, Appendix to HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9, HK(IFRIC)-Int 16. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16, which are effective for annual periods beginning on or after 1 July 2009, and no effective date or transitional provisions for the amendment to Appendix to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after 1 January 2010, although there are separate transitional provisions for certain standards.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods ending on or after 30 June 2009
6 Effective for transfers of assets from customers received on or after 1 July 2009
* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

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 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 an 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 an 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.

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	Over the shorter of the lease terms and 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 least 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 of the Group 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 and financial assets designated upon initial recognition as at fair value through profit or loss. 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.

Financial assets 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 assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative 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. 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 of available-for-sale investments" 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 (that is, 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.

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 the underlying agreement/an invoice. The carrying amount of the receivables is reduced either directly or 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 an available-for-sale equity investment 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.

Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in 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.

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 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 of the best estimate of the expenditure required to settle the present obligation at balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

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 currently 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. 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 those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension 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 dates 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 year.

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, based on an evaluation of the terms and conditions of the arrangements, 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.

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group 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.

Impairment of available-for-sale financial assets

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

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.

Impairment of loans and receivables

The Group assesses at each balance sheet date whether there is any objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

The Group maintains an allowance for estimated losses arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its debtor balances, debtors' creditworthiness, repayment history, historical write-off experience and other relevant information. If the financial condition of its debtors 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.

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.

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. Non-financial assets with finite useful lives 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.

Estimation of fair value of convertible notes

Convertible notes classified under investments at fair value through profit or loss are stated at their fair value. The fair value was determined based on the quoted market prices of their underlying listed securities conducted by an independent firm of professionally qualified valuers using 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 convertible notes and the corresponding adjustments to the gain or loss recognised in the income statement.

Fair value of unlisted equity investment

The unlisted equity investment has been valued based valuation technique. This valuation requires the Group to make estimates about expected credit risk, volatility and discount rates, and hence they are subject to uncertainty. The fair value of the unlisted equity investment at 31 December 2008 was HK$15,000,000 (2007: Nil). Further details are included in note 20 to the financial statements.

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 services they provide. Each of the Group's business segments represents a strategic business unit that offers 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 properties for rental income potential and/or appreciation in values;

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

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

(iv) the investment holding segment engages primarily 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 (2008: Nil).

Business segments

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 March 2009 and 2008.

Group

	Property investment		Investments in securities		Money lending		Investment holding		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue												
Revenue from external customers	2,605	8,593	(54,602)	23,624	31,538	19,548	–	–	–	–	(20,459)	51,765
Other income and gains, net	118	220	1,801	622	250	5	(567)	315	–	–	1,602	1,162
Total	2,723	8,813	(52,801)	24,246	31,788	19,553	(567)	315	–	–	(18,857)	52,927
Segment results	(58,499)	7,074	(325,005)	(380,531)	(21,706)	22,072	(8,947)	(9,549)	–	–	(414,157)	(360,934)
Unallocated other income and gains, net											(374)	7,718
Unallocated expenses											(15,335)	(8,558)
Finance costs											(2,474)	(4,501)
Loss before tax											(432,340)	(366,275)
Tax											–	(1,476)
Loss for the year											(432,340)	(367,751)

Group

	Property investment		Investments in securities		Money lending		Investment holding		Eliminations		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities												
Segment assets	110,634	153,562	382,955	368,663	411,186	584,966	6,855	26,124	–	–	911,630	1,133,315
Unallocated assets											38,855	221,856
Total assets											950,485	1,355,171
Segment liabilities	390	674	–	–	–	–	521	136	–	–	911	810
Unallocated liabilities											47,169	93,397
Total liabilities											48,080	94,207
Other segment information												
Depreciation – unallocated											(3,067)	(3,774)
Gain/(loss) on disposal of items of property, plant and equipment – unallocated											(386)	80
Gain/(loss) on disposal of subsidiaries – allocated	(12,755)	3,284	–	–	–	–	370	–	–	–	(12,385)	3,284
Gain on disposal of subsidiaries – unallocated											4,330	3,593
											(8,055)	6,877
Impairment of an available-for-sale investment	–	–	–	–	–	–	(3,980)	(5,757)	–	–	(3,980)	(5,757)
Gains/(losses) arising from changes in fair value of investment properties, net	(51,800)	1,900	–	–	–	–	–	–	–	–	(51,800)	1,900
Fair value losses on investments at fair value through profit or loss, net	–	–	(271,793)	(404,401)	–	–	–	–	–	–	(271,793)	(404,401)
Impairment of loans receivable	–	–	–	–	(19,000)	(4,000)	–	–	–	–	(19,000)	(4,000)
Reversal of impairment of loans receivable	–	–	–	–	–	7,000	–	–	–	–	–	7,000
Impairment of other receivables	–	–	–	–	(3,184)	–	–	–	–	–	(3,184)	–
Direct write-off of a loan receivable	–	–	–	–	(27,550)	–	–	–	–	–	(27,550)	–
Capital expenditure – allocated	135,000	–	–	–	–	–	–	–	–	–	135,000	–
Capital expenditure – unallocated amounts											1,863	2,392
											136,863	2,392

5. REVENUE, OTHER INCOME AND GAINS, NET

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 investments at fair value through profit or loss; and 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, net is as follows:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Revenue		
Gross rental income from investment properties	2,605	8,593
Interest income from money lending operations	31,538	19,548
Dividend income from investments at fair value through profit or loss	2,582	1,430
Gain/(loss) on sale of investments at fair value through profit or loss, net*	(57,184)	22,194
	(20,459)	51,765
Other income and gains, net		
Fair value gains/(losses) on option derivatives, net	(1,626)	59
Interest income on a convertible bond	926	241
Bank interest income	53	7,644
Gain/(loss) on disposal of items of property, plant and equipment, net	(386)	80
Others	2,261	856
	1,228	8,880

* Represents the proceeds from the sale of investments at fair value through profit or loss of HK$161,852,000 (2008: HK$1,252,241,000) less the cost of sales and the carrying amount of the investments sold of HK$219,036,000 (2008: HK$1,230,047,000).

6. LOSS BEFORE TAX

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

	Notes	2009 HK$'000	2008 HK$'000
Depreciation	13	3,067	3,774
Employee benefit expense (excluding directors' remuneration *(note 8))*:			
Salaries and allowances		2,335	1,511
Retirement benefit scheme contributions (defined contribution scheme)*		73	72
		2,408	1,583
Auditors' remuneration		1,838	1,760
Impairment of loans receivable**#	18	19,000	4,000
Reversal of impairment of loans receivable**	18	–	(7,000)
Impairment of other receivables**	21	3,184	–
Direct write-off of a loan receivable**		27,550	–
Direct operating expenses arising on rental-earning investment properties		1,180	1,036
Minimum lease payments under operating leases in respect of land and buildings		2,004	–
Foreign exchange differences, net		(35)	(3)
Impairment of an available-for-sale investment**		3,980	5,757
Net rental income		(1,425)	(7,557)

* At 31 March 2009, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit scheme in future years (2008: Nil).

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

\# Included in the amount is an impairment of a loan receivable of HK$15,000,000 (2008: Nil) during the year, which was subsequently written-off as at 31 March 2009.

7. FINANCE COSTS

	Group 2009	Group 2008
	HK$'000	*HK$'000*
Interest on:		
Bank loans not wholly repayable within five years	2,474	4,501
Other borrowings wholly repayable within five years	–	20
Total interest expense on financial liabilities not at fair value through profit or loss	2,474	4,521
Less: Interest expense included in gain/(loss) on sale of investments at fair value through profit or loss, net	–	(20)
Total finance costs	2,474	4,501

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 2009	Group 2008
	HK$'000	*HK$'000*
Fees	492	454
Other emoluments:		
Salaries and allowances	4,860	6,060
Retirement benefit scheme contributions (defined contribution scheme)	48	60
	4,908	6,120
	5,400	6,574

(a) Independent non-executive directors

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

	2009	2008
	HK$'000	*HK$'000*
Mr. Chan Sze Hung	120	120
Mr. To Shing Chuen	120	120
Mr. Ha Kee Choy Eugene	120	120
Mr. Chung Yuk Lun	12	12
Mr. Lo Wong Fung	120	82
	492	454

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

(b) Executive directors

	Fees	Salaries and allowances	Retirement benefit scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2009				
Mr. Kwong Kai Sing, Benny	–	2,400	12	2,412
Mr. Ong Peter	–	1,080	12	1,092
Ms. Poon Chi Wan	–	780	12	792
Mr. Chow Chi Wah, Vincent	–	600	12	612
	–	4,860	48	4,908
2008				
Mr. Kwong Kai Sing, Benny	–	2,400	12	2,412
Mr. Ong Peter	–	1,080	12	1,092
Ms. Lo Ki Yan, Karen*	–	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

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2008: five) directors of the Company, 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 (2008: Nil) non-director, highest paid employee for the year ended 31 March 2009 are as follows:

	Group 2009	2008
	HK$'000	*HK$'000*
Salaries and allowances	264	–
Retirement benefit scheme contributions (defined contribution scheme)	12	–
	276	–

The remuneration of the non-director, highest paid employee for the year ended 31 March 2009 fell within the band of nil to HK$1,000,000.

10. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. Hong Kong profits tax was provided in the prior year at the rate of 17.5% on the estimated assessable profits arising in Hong Kong during that year.

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong	–	43
Deferred *(note 24)*	–	1,433
Total tax charge for the year	–	1,476

A reconciliation of the tax credit applicable to the Group's 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	
	2009	**2008**
	HK$'000	*HK$'000*
Loss before tax	(432,340)	(366,275)
Tax credit at the Hong Kong statutory tax rate of 16.5%# (2008: 17.5%)	(71,336)	(64,098)
Effect on opening deferred tax of decrease in rates	(535)	–
Income not subject to tax	(3,360)	(4,448)
Expenses not deductible for tax	4,817	6,887
Tax losses utilised from previous periods	(171)	(1,236)
Tax losses not recognised	62,171	67,015
Others	8,414	(2,644)
Tax charge at the Group's effective tax rate	–	1,476

The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 March 2009.

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 2009 includes a loss of HK$594,172,000 (2008: HK$262,753,000) 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 amount for the year is based on the loss for the year attributable to ordinary equity holders of the Company of HK$432,340,000 (2008: HK$367,751,000), and the weighted average number of 253,315,833 (2008: 67,511,207 (restated)) ordinary shares in issue during the year, as adjusted to reflect the consolidation of shares during the year (note 25). The basic loss per share amount for the prior year has been adjusted to reflect the consolidation of shares during the current year (note 25).

(b) Diluted loss per share

Diluted loss per share amounts for the years ended 31 March 2009 and 2008 have not been disclosed, as the 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$'000*	**Leasehold improve-ments** *HK$'000*	**Furniture, fixtures and office equipment** *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
31 March 2009					
At 31 March 2008 and at 1 April 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
At 1 April 2008, net of accumulated depreciation	7,878	644	2,291	5,501	16,314
Additions	–	838	784	241	1,863
Disposals	–	–	(2,279)	(58)	(2,337)
Disposal of a subsidiary *(note 28(a))*	(7,878)	–	–	–	(7,878)
Depreciation provided during the year	–	(351)	(441)	(2,275)	(3,067)
At 31 March 2009, net of accumulated depreciation	–	1,131	355	3,409	4,895
At 31 March 2009:					
Cost	–	2,433	1,653	9,998	14,084
Accumulated depreciation	–	(1,302)	(1,298)	(6,589)	(9,189)
Net carrying amount	–	1,131	355	3,409	4,895

Group

	Leasehold land and buildings *HK$'000*	Leasehold improve-ments *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 March 2008					
At 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 28(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

At 31 March 2008, the Group's leasehold land and buildings were situated in Hong Kong and were held under long term leases, which were pledged to secure certain bank loans granted to the Group (note 22).

14. INVESTMENT PROPERTIES

	Group 2009 *HK$'000*	2008 *HK$'000*
Carrying amount at beginning of year	150,500	168,600
Acquisition of subsidiaries *(note 28(b))*	135,000	–
Disposal of subsidiaries *(note 28(a))*	(127,800)	(20,000)
Changes in fair value of investment properties, net	(51,800)	1,900
Carrying amount at 31 March	105,900	150,500

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 2009 by Asset Appraisal Limited, independent professionally qualified valuers, at HK$105,900,000 (2008: HK$150,500,000) on an open market, existing use basis. The investment properties are currently or expected to be leased to third parties under operating leases, further summary details of which are included in note 30(a) to the financial statements.

At 31 March 2009, the Group's investment properties with an aggregate value of HK$105,900,000 (2008: HK$150,500,000) were pledged to secure general banking facilities granted to the Group (note 22).

Further particulars of the Group's investment properties are included on page 120.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2009	**2008**
	HK$'000	*HK$'000*
Unlisted shares, at cost	1	1
Due from subsidiaries	2,146,772	1,926,684
	2,146,773	1,926,685
Impairment*	(1,339,825)	(761,794)
	806,948	1,164,891

* 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 subsidiaries with a carrying amount of HK$2,146,772,000 (before deducting the impairment loss) (2008: HK$1,926,684,000) because the recoverable amount of these balances were lower than their carrying amounts. The impairment losses recognised for the year amounted to HK$578,031,000 (2008: HK$272,976,000).

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these balances are considered as quasi-equity loans to the subsidiaries.

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 Direct**	**Indirect**	**Principal activities**
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
East Champion Limited ("East Champion")	Hong Kong	HK$2	–	100	Property investment
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

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

During the year, the Group acquired E-Garden from a third party. Further details of this acquisition are included in note 28(b) to the financial statements.

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 in prior years is as follows:

	2009	**2008**
	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	
	2009	**2008**
	HK$'000	*HK$'000*
Share of net assets	–	–
Goodwill on acquisition	15,972	15,972
	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. 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 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$153,000 (2008: HK$371,000) and HK$632,000 (2008: HK$479,000), respectively.

In prior years, the Group recognised a 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 as extracted from the consolidated financial statements of New Range for the year ended 31 March 2009 (not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network):

	2009	**2008**
	HK$'000	*HK$'000*
Current assets	48	191
Non-current assets	19	32
Current liabilities	(3,229)	(2,528)
Net liabilities	(3,162)	(2,305)
Revenue	109	742
Cost of sales	(83)	(540)
Other income	148	26
	174	228
Total expenses	(938)	(2,085)
Loss for the year	(764)	(1,857)

17. AVAILABLE-FOR-SALE INVESTMENTS

	Group 2009	2008
	HK$'000	*HK$'000*
Listed equity investment, at fair value:		
Not listed in Hong Kong	4,080	8,060
Unlisted investment, at cost	–	54,880
Less: Provision for impairment	–	(54,880)
	–	–
Club membership debenture, at fair value	–	1,070
	4,080	9,130

There has been a significant and prolonged decline in the market value of the above listed equity investment during the year. The directors consider that such a decline indicates that the listed equity investment has been impaired. During the year, a fair value loss of HK$3,980,000 was recognised directly in the income statement. During the prior year, a net fair value gain of HK$712,000 was recognised directly in equity and the amount of the impairment loss that was removed from equity and recognised in the income statement for that year amounted to HK$5,757,000.

During the year, a fair value loss of the club membership debenture of HK$170,000 (2008: Fair value gain of HK$240,000) was recognised in equity.

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 investment and club membership debenture are based on their quoted market prices. The club membership debenture was disposed of through the disposal of a subsidiary during the year.

The unlisted investment as at 31 March 2008 was 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.

As the directors are of the opinion that the variability in the range of reasonable fair value estimates for the unlisted investment is significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, the unlisted investment is stated at cost less any impairment losses.

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 2009	2008
Found Investments International Limited (formerly Found Macau Investments International Limited) ("Found Investments")	British Virgin Islands	Ordinary	–	20

In July 2007, 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 which was completed in September 2008. Full provision for impairment of the Group's interest in Found Investments was made in prior years. This investment was fully written-off upon the completion of the liquidation process during the year.

18. LOANS RECEIVABLE

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Loans receivable	423,490	587,569
Impairment	(18,000)	(14,000)
	405,490	573,569
Portion classified as current assets	(402,188)	(569,499)
Non-current portion	3,302	4,070

Loans receivable as at 31 March 2009 represented receivables arising from the money lending business of the Group and bear interest at rate ranging from 2% below the Hong Kong dollar prime lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited (the "Prime Rate") to 24% per annum (2008: ranging from the Prime Rate to 24% of per annum). The granting of these loans has been approved and monitored by the Company's executive directors in charge of the Group's money lending operations. Overdue balances are reviewed regularly by senior management.

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

	2009	**2008**
	HK$'000	*HK$'000*
At beginning of year	14,000	17,000
Impairment losses recognised *(note 6)*	19,000	4,000
Impairment losses reversed *(note 6)*	–	(7,000)
Write-off	(15,000)	–
At end of year	18,000	14,000

Included in the above provision for impairment of loans receivable is a provision for individually impaired loans receivable of HK$18,000,000 (2008: HK$14,000,000) with a carrying amount of HK$18,000,000 (2008: HK$18,000,000) as at the balance sheet date. 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, except for a loan receivable as at 31 March 2009 amounting to HK$15,000,000 (before the subsequent write-off), which is secured by an individual's personal guarantee.

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

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Neither past due nor impaired	405,490	569,569

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, except for a loan receivable as at 31 March 2009 amounting to HK$23,000,000, which is secured by an individual's personal guarantee.

19. CONVERTIBLE BOND

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Unlisted convertible bond:		
Loan portion	2,556	16,630
Option derivatives, at fair value*	–	1,626
	2,556	18,256

* The balance at 31 March 2008 represented the fair value of a conversion option derivative of HK$1,633,000, net of the fair value of a 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 in 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 the 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 would be interested in 50% of the enlarged issued share capital of Hang Fa Lau. On early redemption of the Convertible Bond, the interest in issued share capital of Hang Fa Lau will be decreased proportionally.

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 current year, Hang Fa Lau served a notice to the Group to early redeem part of the Convertible Bond with an aggregate principal amount of HK$15 million. The redemption was made at 100% (instead of 108% under the original terms of the Convertible Bond) of the principal amount to be redeemed. The Group has agreed to waive the penalty to be received from Hang Fa Lau as a result of the early redemption with a view to maintain a good co-operative relationship with Hang Fa Lau. Further details of the above are also set out in an announcement of the Company dated 9 October 2008. The aggregate principal amount of the Convertible Bond outstanding as at 31 March 2009 was HK$3 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.

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 2009 was 11% (2008: 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, none of the Revolving Loan Facility was utilised (2008: Nil).

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

20. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Non-current asset		
Unlisted investment, at fair value	15,000	–
Current assets		
Listed equity investments, at market value:		
Hong Kong	246,565	316,186
Elsewhere	14,022	41,441
	260,587	357,627
Convertible notes, at fair value	85,802	–
	346,389	357,627

The above unlisted investment at 31 March 2009 was, upon initial recognition, designated by the Group as financial asset at fair value through profit or loss as this investment contains an embedded derivative.

The above listed equity investments and convertible notes at 31 March 2009 and 2008 were classified as held for trading.

The fair values of the convertible notes have been estimated by independent professional in qualified valuers using valuation techniques based on the quoted market prices of the underlying listed securities. The fair value of the unlisted investment has been estimated by independent professionally qualified valuers using valuation techniques.

At 31 March 2009, the Group's investments in listed equity securities with an aggregate carrying amount at the balance sheet date of approximately HK$246,565,000 (2008: HK$316,186,000) were pledged to certain financial institutions to secure certain margin financing facilities granted to the Group (note 29).

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	515	931	195	653
Deposits	3,834	682	–	–
Loan interest receivables	8,525	11,266	–	–
Other receivables	23,461	11,724	229	176
	36,335	24,603	424	829
Impairment of loan interest receivables	(3,184)	–	–	–
	33,151	24,603	424	829

Except for the loan interest receivables, none of the above assets is either past due or impaired and such financial assets relate to deposits and receivables for which there was no recent history of default.

The movement in the provision for impairment of loan interest receivables is as follows:

	2009	**2008**
	HK$'000	*HK$'000*
At beginning of year	–	–
Impairment losses recognised *(note 6)*	3,184	–
At end of year	3,184	–

Included in the above provision for impairment of loan interest receivables is a provision for individually impaired loan interest receivables of approximately HK$3,184,000 (2008: Nil) with a carrying amount of approximately HK$3,184,000 (2008: Nil) as at 31 March 2009. The individually impaired loan interest receivables relate to borrowers that were in financial difficulties and/or were in default or delinquency in loan interest payments. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the loan interest receivables that are not considered to be impaired is as follows:

	2009 *HK$'000*	2008 *HK$'000*
Neither past due nor impaired	3,998	7,767
Over one year past due	1,343	3,499
	5,341	11,266

Loan interest receivables that were neither past due nor impaired relate to a sizable number of borrowers for whom there was no recent history of default.

Loan interest receivables that were past due but not impaired relate to a number of borrowers that have a good track record with the Group. 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.

22. INTEREST-BEARING BANK BORROWINGS

	Contractual interest rate (%)	Maturity**	Group 2009 *HK$'000*	Group 2008 *HK$'000*	Company 2009 *HK$'000*	Company 2008 *HK$'000*
Current						
Bank loans – secured	HIBOR^+1.25	2010	–	1,872	–	–
Bank loans – secured	HIBOR^+1.50	2010	–	5,170	–	5,170
Bank loans – secured	Prime*-2.50	2010	1,019	994	–	–
Bank loans – secured	5.10	2010	–	2,298	–	–
Bank loans – secured	Prime#	2010	1,149	–	–	–
			2,168	10,334	–	5,170
Non-current						
Bank loans – secured	HIBOR^+1.25	2021	–	23,164	–	–
Bank loans – secured	HIBOR^+1.50	2010	–	10,488	–	10,488
Bank loans – secured	Prime*-2.50	2018	9,596	10,631	–	–
Bank loans – secured	5.10	2018	–	24,389	–	
Bank loans – secured	Prime#	2027	31,863	–	–	–
			41,459	68,672	–	10,488
			43,627	79,006	–	15,658

^ Denotes the Hong Kong Interbank Offered Rate.

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

\# Represents the Hong Kong dollar prime lending rate as quoted by Chong Hing Bank Limited.

** For bank loans repayable by instalments, this denotes the maturity of the last instalment of the relevant period.

	Group		Company	
	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Analysed into:				
Bank loans repayable:				
Within one year	2,168	10,334	–	5,170
In the second year	2,266	12,417	–	7,162
In the third to fifth years, inclusive	7,355	22,256	–	3,326
Beyond five years	31,838	33,999	–	–
	43,627	79,006	–	15,658

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

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

(i) mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying amount at the balance sheet date of approximately HK$105,900,000 (2008: HK$150,500,000); and

(ii) a corporate guarantee given by the Company up to HK$34,000,000 (2008: HK$112,000,000) as at the balance sheet date (note 31).

As at 31 March 2008, certain of the Group's bank loans were also secured by mortgages over the Group's leasehold land and buildings situated in Hong Kong, which had an aggregate carrying amount at 31 March 2008 of approximately HK$7,878,000.

23. 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 year ended 31 March 2007, certain 2006 CNs with an aggregate 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 and certain 2006 CNs with an aggregate principal amount of HK$45 million were redeemed by the Company. During the year ended 31 March 2008, 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 25(a)), and hence, no 2006 CNs were outstanding as at 31 March 2008 and 2009.

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 2006 CNs 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 ended 31 March 2007	(199,942)
Redemption during the year ended 31 March 2007	(40,758)
Liability component at 31 March 2007 and at 1 April 2007	27,810
Conversion during the year ended 31 March 2008	(27,810)
At 31 March 2008, 1 April 2008 and 31 March 2009	–

24. DEFERRED TAX LIABILITIES

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

Group

		2009	
	Depreciation allowance in excess of related depreciation *HK$'000*	**Revaluation of properties** *HK$'000*	**Total** *HK$'000*
At beginning of year	1,100	8,270	9,370
Disposal of subsidiaries *(note 28(a))*	(1,100)	(8,218)	(9,318)
Deferred tax liabilities recognised in the consolidated balance sheet at end of year	–	52	52

	2008		
	Depreciation allowance in excess of related depreciation	Revaluation of properties	Total
	HK$'000	*HK$'000*	*HK$'000*
At beginning of year	–	8,353	8,353
Deferred tax charged to the income statement during the year *(note 10)*	1,100	333	1,433
Disposal of subsidiaries *(note 28(a))*	–	(416)	(416)
Deferred tax liabilities recognised in the consolidated balance sheet at end of year	1,100	8,270	9,370

At 31 March 2009, the Group had tax losses arising in Hong Kong of approximately HK$878,780,000 (2008: HK$503,022,000), subject to the agreement by the Hong Kong Inland Revenue Department and 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 the above items 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 above items can be utilised.

25. SHARE CAPITAL

Shares

	Company	
	2009	2008
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 (2008: 10,000,000,000) ordinary shares of HK$0.10 (2008: HK$0.10) each	100,000	1,000,000
Issued and fully paid:		
255,766,791 (2008: 2,131,667,916) ordinary shares of HK$0.10 (2008: HK$0.10) each	25,577	213,167

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 capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2007		17,413,481,943	348,270	461,217	809,487
Conversion of 2006 CNs	(a)	1,200,000,000	24,000	8,228	32,228
Placement of new shares	(b)	4,426,530,000	255,453	245,062	500,515
Share consolidation	(c)	(16,762,785,555)	–	–	–
Rights issue	(d)	2,961,113,194	296,111	–	296,111
Capital reorganisation	(e)	(7,106,671,666)	(710,667)	–	(710,667)
Share issue expenses		–	–	(19,915)	(19,915)
At 31 March 2008 and at 1 April 2008		2,131,667,916	213,167	694,592	907,759
Placement of new shares	(f)	426,000,000	42,600	36,636	79,236
Capital reorganisation	(g)	(2,301,901,125)	(230,190)	–	(230,190)
Share issue expenses		–	–	(1,981)	(1,981)
At 31 March 2009		255,766,791	25,577	729,247	754,824

Notes:

(a) 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 totalling HK$30,000,000 at a conversion price of HK$0.025 per share as further detailed in note 23 to the financial statements.

(b) During the year ended 31 March 2008, 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 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.

(c) 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.

(d) During the year ended 31 March 2008, 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$296,000,000. Further details of the Rights Issue are also set out in a prospectus of the Company dated 28 September 2007.

(e) 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 share 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; and (v) 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 each. Further details of the capital reorganisation are also set out in the Company's circular dated 26 November 2007.

(f) On 22 April 2008, the Company allotted and issued a total of 426,000,000 ordinary shares of HK$0.10 each for cash at a price of HK$0.186 per share. Further details of the placing are set out in the Company's announcement dated 22 April 2008.

(g) The Company effected a capital reorganisation on 28 November 2008 which involved: (i) a reduction in the nominal value of each issued ordinary share of the Company from HK$0.10 to HK$0.01 each by the cancellation of HK$0.09 of the paid-up capital for each issued ordinary share; (ii) a transfer of the credit arising from the capital reduction of approximately HK$230,190,000 to the Company's contributed surplus account; (iii) a sub-division of every authorised but unissued ordinary share capital of the Company of HK$0.10 each into ten shares of HK$0.01 each; (iv) a reduction in the authorised share capital of the Company from HK$1,000,000,000 divided into 10,000,000,000 shares of HK$0.10 each to HK$100,000,000 divided into 1,000,000,000 shares of HK$0.01 each; and (v) a share consolidation of every 10 shares in the issued and unissued ordinary share capital of the Company of HK$0.01 each into one consolidated share of HK$0.10 each. Further details of the capital reorganisation are also set out in the Company's circular dated 4 November 2008.

(h) Subsequent to the balance sheet date, on 28 April 2009, the Company allotted and issued a total of 51,000,000 ordinary shares of HK$0.10 each for cash at a price of HK$0.50 per share. Further details of the placing are set out in the Company's announcement dated 28 April 2009.

Warrants

During the year ended 31 March 2008, 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 originally entitled 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 would be 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.

Pursuant to the terms and conditions of the instrument creating the Warrants, the subscription price and rights of the outstanding Warrants of the Company was adjusted as a result of a capital reorganisation of the Company which became effective on 28 November 2008. The subscription price of the outstanding Warrants of the Company was adjusted from HK$0.60 per share to HK$6.00 per consolidated share and the subscription rights attached to each Warrant was adjusted from the rights to subscribe for one ordinary share of the Company to the rights to subscribe for 0.1 consolidated share. As at the balance sheet date, the Company had 355,333,583 (2008: 355,333,583) Warrants outstanding and the Warrants were expired on 30 June 2009.

During the year, no Warrant was exercised (2008: Nil). Subsequent to the balance sheet date and up to the date of the expiry of the Warrants, 19,540 Warrants were exercised, resulted in the issue of 1,954 additional shares of the Company at HK$0.10 each.

Share options

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

26. SHARE OPTION SCHEMES

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

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

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

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

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

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) The Stock Exchange 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 (2008: Nil) and no share options were outstanding as at 31 March 2009 and 2008.

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

27. RESERVES

(a) Group

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

(b) Company

		Reserves					
		Share premium account	**Capital redemption reserve**	**Contributed surplus**	**Accumulated losses**	**Total**	**Equity component of convertible notes**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007		461,217	1,177	319,113	(326,973)	454,534	4,419
Conversion of 2006 CNs	25(a)	8,228	–	–	–	8,228	(4,419)
Issue of new shares	25(b)	245,062	–	–	–	245,062	–
Capital reorganisation	25(e)	–	–	710,667	–	710,667	–
Share issue expenses		(19,915)	–	–	–	(19,915)	–
Loss for the year		–	–	–	(262,753)	(262,753)	–
At 31 March 2008 and at 1 April 2008		694,592	1,177	1,029,780	(589,726)	1,135,823	–
Issue of new shares	25(f)	36,636	–	–	–	36,636	–
Capital reorganisation	25(g)	–	–	230,190	–	230,190	–
Share issue expenses		(1,981)	–	–	–	(1,981)	–
Loss for the year		–	–	–	(594,172)	(594,172)	–
At 31 March 2009		729,247	1,177	1,259,970	(1,183,898)	806,496	–

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

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

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries

	2009	**2008**
	HK$'000	*HK$'000*
Net assets disposed of:		
Property, plant and equipment *(note 13)*	7,878	12,518
Investment properties *(note 14)*	127,800	20,000
Available-for-sale investment	900	–
Prepayments, deposits and other receivables	777	116
Other payables and accruals	(1,803)	(1,003)
Interest-bearing bank borrowings	(48,056)	(21,176)
Tax payable	(800)	–
Deferred tax liabilities *(note 24)*	(9,318)	(416)
Amounts due from group companies	796	9,791
	78,174	19,830
Amounts due to subsidiaries disposed of	(796)	(9,791)
Asset revaluation reserve released	(3,046)	–
Available-for-sale investment revaluation reserve released	(270)	–
Gain/(loss) on disposal of subsidiaries, net	(8,055)	6,877
	66,007	16,916
Satisfied by:		
Cash	1,000	16,916
Convertible notes* (classified as investments at at fair value through profit or loss)	65,007	–
	66,007	16,916

* On 19 May 2008, the Group entered into three sale and purchase agreements with three third parties (collectively the "Purchasers") to dispose (the "Disposals") of its entire equity interests in three subsidiaries, Glamourous Investments Limited, Best Inspire Limited and Bright Majestic Limited, for considerations of approximately HK$20,400,000, HK$32,100,000 and HK$34,100,000, respectively. The aggregate considerations were satisfied by convertible note (the "Willie Convertible Note") issued by Willie International Holdings Limited ("Willie"), the holding company of the Purchasers, which is incorporated and listed in Hong Kong. The convertible notes were valued on the completion date of the Disposals by Asset Appraisal Limited, independent professional qualified valuers, at HK$65,007,000.

On 11 September 2008, the Group entered into a termination deed with Willie to terminate the Willie Convertible Note. In consideration therefor, Willie issued an aggregate of 650,000,000 new ordinary shares, all credited as fully paid, to the Group. Further details are set out in the Company's circular dated 29 October 2008.

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

	2009	**2008**
	HK$'000	*HK$'000*
Cash consideration and inflow of cash and cash equivalents in respect of the disposal of subsidiaries	1,000	16,916

The subsidiaries disposed of during the year contributed HK$2,570,000 (2008: Nil) to the Group's consolidated revenue and contributed a profit for the year of HK$980,000 (2008: loss for the year of HK$785,000) to the Group's consolidated loss for the years.

(b) Acquisition of subsidiaries

In April 2008, the Group acquired a 100% interest in E-Garden from an independent third party. The principal activity of E-Garden is investment holding. East Champion, 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. The purchase consideration for the acquisition was in the form of cash of HK$101,170,000.

The fair values of the identifiable assets and liabilities of E-Garden and its subsidiary as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Fair value recognised on acquisition	**Previous carrying amount**
	HK$'000	*HK$'000*
Net assets acquired:		
Investment property *(note 14)*	135,000	135,000
Prepayments, deposits and other receivables	350	350
Interest-bearing bank borrowing	(33,997)	(33,997)
Other payables and accruals	(183)	(183)
	101,170	101,170
Satisfied by:		
Cash	101,170	

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

	HK$'000
Cash consideration and outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	101,107

Since the acquisition, E-Garden and its subsidiary had not contributed to the Group's consolidated turnover but contributed a loss of HK$47,735,000 to the Group's consolidated loss for the year.

Had the combination taken place at the beginning of the year, the revenue of the Group would be the same and the loss of the Group for the year would have been HK$433,226,000.

(c) Major non-cash transaction

During the year ended 31 March 2008, the 2006 CNs with a face value totalling HK$30,000,000 issued by the Company were converted into 1,200,000,000 new ordinary shares of the Company of HK$0.02 each (note 25(a)).

29. PLEDGE OF ASSETS

The Group's investments in listed equity securities with an aggregate carrying amount at the balance sheet date of approximately HK$246,565,000 (2008: HK$316,186,000) were pledged to certain financial institutions to secure certain margin financing facilities granted to the Group which were not utilised as at 31 March 2009 and 2008 (note 20).

Details of the Group's interest-bearing bank borrowings, which are secured by the assets of the Group, are included in notes 14 and 22 to the financial statements.

30. COMMITMENTS

Operating lease arrangements

(a) As lessor

In the prior year, the Group leased certain of its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms of two years. These investment properties were disposed of through the disposal of subsidiaries during the year. At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Within one year	–	7,434
In the second to fifth years, inclusive	–	2,314
	–	9,748

(b) As lessee

The Group leases certain office premises under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

At 31 March 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Within one year	3,734	–
In the second to fifth years, inclusive	3,252	–
	6,986	–

Capital commitment

In addition to the operating lease commitments detailed above, the Group's share of its jointly-controlled entities' own capital commitment, is as follows:

	Group	
	2009	**2008**
	HK$'000	*HK$'000*
Contracted, but not provided for	1,695	–

On 11 March 2009, a subsidiary of New Range, a jointly-controlled entity, entered into a framework agreement (the "Framework Agreement") with an entity established in the PRC (the "PRC Entity") for the long term co-operation in the development and management of lottery ticket services (including, inter alia, advertising services at the back of lottery tickets, LCD display services in lottery ticket sale counters, and lottery ticket services for the Expo 2010 Shanghai China) in the PRC. According to the Framework Agreement, the subsidiary and the PRC Entity will establish a jointly-owned entity in the PRC and each party will invest an amount of RMB7,500,000. Further agreements will be signed between the subsidiary of New Range and the PRC Entity for specific projects to be enforced in the future.

At the balance sheet date, the Company had no significant commitments (2008: Nil).

31. CONTINGENT LIABILITIES

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

	Company	
	2009	**2008**
	HK$'000	*HK$'000*
Guarantee given to a bank in connection with facility granted to a subsidiary	34,000	112,000

As at 31 March 2009, the banking facility granted to a subsidiary subject to a guarantee given to a bank by the Company was utilised to the extent of approximately HK$33,012,000 (2008: HK$63,348,000).

32. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	2009	**2008**
	HK$'000	*HK$'000*
Short term employee benefits	4,860	6,060
Post-employment benefits	48	60
Total compensation paid to key management personnel	4,908	6,120

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

33. 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

2009

Financial assets

	Financial assets at fair value through profit or loss				
	Held for trading	**Designated as such upon initial recognition**	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments	–	–	–	4,080	4,080
Convertible bond – loan portion	–	–	2,556	–	2,556
Rental deposit	–	–	279	–	279
Deposits paid for purchase of items of property, plant and equipment	–	–	2,242	–	2,242
Investments at fair value through profit or loss	346,389	15,000	–	–	361,389
Loans receivable	–	–	405,490	–	405,490
Financial assets included in prepayments, deposits and other receivables *(note 21)*	–	–	32,636	–	32,636
Cash and bank balances	–	–	29,473	–	29,473
	346,389	15,000	472,676	4,080	838,145

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Financial liabilities included in other payables and accruals	4,401
Interest-bearing bank borrowings	43,627
	48,028

Group

2008

Financial assets

	Financial assets at fair value through profit or loss				
	Held for trading	**Designated as such upon initial recognition**	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
	HK$'000	*HK$'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 21)*	–	–	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
	HK$'000
Financial liabilities included in other payables and accruals	5,031
Interest-bearing bank borrowings	79,006
	84,037

Company

Financial assets

	Loans and receivables	
	2009	**2008**
	HK$'000	*HK$'000*
Financial assets included in prepayments and other receivables *(note 21)*	229	176
Cash and bank balances	27,935	202,020
	28,164	202,196

Financial liabilities

	Financial liabilities at amortised cost 2009	2008
	HK$'000	*HK$'000*
Financial liabilities included in other payables and accruals	3,234	3,092
Interest-bearing bank borrowings	–	15,658
	3,234	18,750

34. 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 finance 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 mainly 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 of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

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 loans receivable and borrowings).

	Group		Company	
	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax
		HK$'000		*HK$'000*
2009				
Hong Kong dollar	25	(846)	25	–
Hong Kong dollar	(25)	846	(25)	–
2008				
Hong Kong dollar	25	1,058	25	56
Hong Kong dollar	(25)	(1,058)	(25)	(56)

Credit risk

The credit risk of the Group's financial assets, which comprise loans receivable, a convertible bond, an available-for-sale investment, financial assets at fair value through profit or loss, 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. The Company is also exposed to credit risk through the granting of financial guarantee, further details of which are disclosed in note 31 to the financial statements.

Further quantitative data in respect of the Group's exposure to credit risk arising from loans receivable and loan interest receivables are disclosed in notes 18 and 21 to the financial statements, respectively.

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 20) and an available-for-sale investment (note 17) as at 31 March 2009. 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 2009	High/low during the year ended 31 March 2009	31 March 2008	High/low during the year ended 31 March 2008
Hong Kong				
– Hang Seng Index	13,576	26,374/10,676	22,849	31,638/19,810
Singapore				
– Straits Times Index	1,700	3,248/1,600	3,007	3,831/2,806
Taiwan				
– TAIEX Index	5,211	9,295/4,090	8,573	9,758/7,517

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 listed available-for-sale equity investment, 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 and convertible notes *HK$'000*	Increase/ decrease in loss before tax *HK$'000*	Increase/ decrease in equity* *HK$'000*
2009			
Investments listed in:			
Hong Kong – Held-for-trading	332,367	27,484	–
Singapore – Held-for-trading	14,022	1,402	–
Taiwan – Available-for-sale	4,080	–	408
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

* *Excluding accumulated losses*

Liquidity risk

The Group's liquidity risk is managed by senior management on an on-going basis by the raising of loans and/or equity fundings 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 bank balances to meet its liquidity requirements in the short and long term.

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

Group

	2009					
	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to less than 12 months *HK$'000*	1 to 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
Financial liabilities included in other payables and accruals	552	3,478	127	244	–	4,401
Interest-bearing bank borrowings	–	1,031	3,093	16,495	42,241	62,860
	552	4,509	3,220	16,739	42,241	67,261

	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

Company

	2009					
	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	301	2,933	–	–	–	3,234

	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	–	1,145	4,850	9,744	–	15,739
	140	4,097	4,850	9,744	–	18,831

Capital management

The primary objectives of the Group's capital management are 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 shareholders' 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 for managing capital during the years ended 31 March 2009 and 2008.

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	
	2009	**2008**
	HK$'000	*HK$'000*
Interest-bearing bank borrowings	43,627	79,006
Total assets	950,485	1,355,171
Gearing ratio	5%	6%

35. 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.

36. 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:

(i) On 21 April 2009, a wholly-owned subsidiary of the Company (the "Subsidiary") entered into a provisional sale and purchase agreement (the "Provisional Agreement") with a third party to acquire (the "Acquisition") a property (the "Property") for a cash consideration of HK$45 million. The Property is located at House No. B7 (including its two car parking spaces), Regalia Bay, No. 88 Wong Ma Kok Road, Hong Kong, which is a residential property situated in Stanley on the Hong Kong Island. Further details of the Acquisition are set out in the Company's circular dated 27 May 2009. The completion of the Acquisition should take place on or before 21 July 2009. As the Acquisition is subject to the Company's shareholders' approval, the Subsidiary may not be able to complete the Acquisition and as a result thereof, suffer a loss of deposit paid under the Provisional Agreement. In this connection, Mr. Kwong Kai Sing, Benny, the Chairman and an executive director of the Company, had undertaken to the Company on 21 April 2009 that in the event the requisite Company's shareholders' approval could not be obtained on or before 21 July 2009, he would acquire the entire beneficial interest in the Subsidiary at an aggregate consideration of HK$4.5 million, which is equivalent to the total deposit paid by the Subsidiary under the Provisional Agreement.

The resolution approving the Provisional Agreement and the transaction contemplated thereunder was passed at the Company's special general meeting held on 15 June 2009 and the Acquisition was completed on 21 July 2009. The Group's current intention is to hold the Property as an investment property after the completion.

(ii) On 8 June 2009, the Group entered into a conditional sale and purchase agreement (the "S&P Agreement") with Welltodo Investment Limited (the "Purchaser"), a wholly-owned subsidiary of Willie, to dispose of 50% of the issued share capital of Best Purpose Limited ("Best Purpose"), an indirect wholly-owned subsidiary of the Company incorporated in the British Virgin Islands on 12 May 2009, at a total consideration of HK$180 million. Best Purpose is primarily involved in investment holding. Double Smart Finance Limited ("Double Smart"), a wholly-owned subsidiary of Best Purpose, is primarily involved in the money lending business. The completion of the S&P Agreement, currently expected to be before 30 september 2009, is still subject to, inter alia, the approval of the shareholders of the Company and Willie. Further details of the proposed transaction are set out in the Company's circular dated 17 July 2009 (the "Circular").

The total consideration of HK$180 million shall be satisfied by the issue of a HK$180 million 2% convertible note (the "Willie 2% Convertible Note") due 2012 by Willie. Upon full conversion of the entire HK$180 million principal amount of the Willie 2% Convertible Note at the initial conversion price of HK$1.39 per Willie's ordinary share, subject to adjustments, a total of 129,496,402 new Willie's ordinary shares will be issued, representing approximately 25% of the enlarged issued share capital of Willie as of 14 July 2009, being the latest practicable date prior to the printing of the Circular for the purpose of ascertaining certain information contained therein.

The S&P Agreement provides that the audited accounts of Double Smart as at 31 March 2009 prepared by an independent firm of accountants shall be delivered to Welltodo five business days before the date of completion of the S&P Agreement. If the write-offs and provisions for the loans receivable of Double Smart as at 31 March 2009 as shown in such audited accounts are greater than those as shown in the management accounts, the Group shall make up to Double Smart:

(a) the shortfall amount of the loans receivable from such write-offs, if any, made and shown in such audited accounts compared to the management accounts; and

(b) that portion of such further provisions of the loans receivable as shown in such audited accounts which is above and over HK$50 million in cash on a dollar-to-dollar basis upon completion.

(iii) On 15 July 2009, the Group entered into a conditional subscription agreement with Neptune Group Limited ("Neptune"), a company incorporated in Hong Kong with limited liability and the shares of which are listed on The Stock Exchange of Hong Kong Limited, to subscribe the convertible note due 2012 to be issued by Neptune in the principal amount of HK$100 million (the "Neptune Convertible Note"), the subscription price of which will be satisfied by the Group by the issue of a zero coupon convertible note due 2012 in the principal amount of HK$100 million by the Company (the "Heritage Convertible Note"). Further details of the proposed subscription are set out in the Company's announcement dated 16 July 2009 (the "Announcement").

Assuming that the Neptune Convertible Note is converted in full at the initial conversion price of HK$0.13 per Neptune Share, subject to adjustments, a total of 769,230,769 ordinary shares of HK$0.20 each of Neptune (the "Neptune Shares") will be issued, representing approximately 19.99% of the entire issued share capital of Neptune as at the date of the Announcement and approximately 16.66% of the entire issued share capital of Neptune as enlarged by the issue of such Neptune Shares.

The Heritage Convertible Note, on the other hand, if fully converted at the initial conversion price of HK$0.96 per ordinary share of HK$0.10 each of the Company, will give rise to an issue of 104,166,666 ordinary shares of the Company, representing approximately 33.96% of the entire issued share capital of the Company as at the date of the Announcement and approximately 25.35% of the entire issued share capital of the Company as enlarged by the issue of such shares.

The subscription of the Neptune Convertible Note and the issue of the Heritage Convertible Note are still subject to, inter alia, the approval of the shareholders of the Company at a special general meeting to be convened.

37. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation. In the opinion of the directors, such reclassifications result in a more appropriate presentation and better reflect the nature of the transactions/balances.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 July 2009.

3. 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.

4. INDEBTEDNESS

Borrowings

At the close of business on 30 June 2009, 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$43,101,000.

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

Subsequent to 30 June 2009, the Group has obtained a new secured bank loan of HK$31,500,000 on 21 July 2009 to finance its acquisition of an investment property. The new bank loan is secured by the acquired investment property and is repayable by installments over 20 years from the date of drawdown.

Commitments

As at 30 June 2009, the Group's share of its jointly-controlled entities' own capital commitment was approximately HK$1,695,000.

As at 30 June 2009, the Group had total future minimum lease payments under non-cancellable operating leases in respect of rented office premises amounting to approximately HK$6,036,000.

Contingent liabilities

At the close of business on 30 June 2009, 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 30 June 2009.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the exchange rates prevailing at the close of business on 30 June 2009.

No material changes

The Directors have confirmed that, save as disclosed herein, there has not been any material change in the indebtedness and contingent liabilities of the Group since 30 June 2009.

5. 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. However, it appears that the market has bottomed out and would gradually recover and the loss would be minimised.

As mentioned in the section headed "Reasons for the transactions" in the Letter from the Board of this circular, the Subscription is beneficial to the Company and its shareholders as it would strengthen the relationship between the Group and the Neptune Group, thereby increasing the chance of future co-operation between the two groups, and enable each of them to further develop or diversify it businesses by leveraging on the experience and expertise of the other in their respective fields of business. Besides, by exercising the conversion rights attaching to the Neptune Convertible Note, the Group may be able to benefit from the future growth of the Neptune Group.

In general, the Group has a strong equity base and 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.

6. MATERIAL ADVERSE CHANGE

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 2009, the date to which the latest published audited consolidated financial statements of the Group were made up.

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

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 Heritage Shares (long position)	Approximate percentage of existing issued share capital of the Company
Kwong Kai Sing, Benny	Beneficial owner	1,544,400	0.50%
Ong Peter	Beneficial owner	859,536	0.28%
Poon Chi Wan	Beneficial owner	118,800	0.04%

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 2009 (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, save as disclosed above, 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.

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 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;

(b) a conditional placing agreement dated 26 February 2008 between the Company as issuer and Get Nice Investment Limited 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;

(c) 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;

(d) a conditional termination deed dated 11 September 2008 entered into between Dollar Group Limited (a subsidiary of the Company) and Willie International Holdings Limited ("Willie") in relation to the cancellation of a convertible note in the principal amount of HK$86,882,392.88 issued by Willie to Dollar Group Limited and the subscription of 650,000,000 new ordinary shares of HK$0.10 each in the share capital of Willie by Dollar Group Limited. Further details of the transaction were set out in the announcement and circular of the Company dated 17 September 2008 and 29 October 2008 respectively;

(e) a conditional settlement deed dated 24 September 2008 between Double Smart Finance Limited (a subsidiary of the Company) and Radford Capital Investment Limited ("Radford") 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 by a zero coupon convertible bond issued by Radford in an aggregate principal amount of HK$20,000,000. Further details of the transaction were set out in the announcement and circular of the Company dated 26 September 2008 and 17 October 2008 respectively;

(f) a conditional settlement deed dated 8 October 2008 between Double Smart Finance Limited (a subsidiary of the Company) and Unity Investments Holdings Limited ("Unity") 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 by a zero coupon convertible bond issued by Unity in an aggregate principal amount of HK$20,000,000. Further details of the transaction were set out in the announcement and circular of the Company dated 9 October 2008 and 21 October 2008 respectively;

(g) a conditional placing agreement dated 28 April 2009 between the Company as issuer and Kingston Securities Limited as placing agent in relation to a placing of 51,000,000 new ordinary shares of the Company at a price of HK$0.50 per share. Further details of the placing were set out in the announcement of the Company dated 28 April 2009;

(h) the provisional agreement for sale and purchase dated 21 April 2009 entered into between Noble Castle International Limited (a subsidiary of the Company) as the purchaser and Joint Gain International Limited as the vendor in relation to the sale and purchase of House No.B7 (including its 2 car parking spaces), Regalia Bay, No.88 Wong Ma Kok Road, Hong Kong for a cash consideration of HK$45 million. Further details of the transaction were set out in the announcement and circular of the Company dated 23 April 2009 and 27 May 2009 respectively;

(i) the share purchase agreement dated 8 June 2009 between Coupeville Limited (a subsidiary of the Company) as the vendor and Welltodo Investment Limited ("Welltodo") as the purchaser relating to the sale of 50% of the entire issued share capital of Best Purpose Limited to Welltodo for a cash consideration of HK$180 million. Further details of the transaction were set out in the announcement and circular of the Company dated 11 June 2009 and 17 July 2009 respectively;

(j) the Neptune CB Subscription Agreement;

(k) the Heritage CB Subscription Agreement;

(l) the heads of agreement dated 27 July 2009 between Waytech Limited (a subsidiary of the Company) and New Range Investments Limited ("New Range") in relation to the subscription by Waytech Limited of twenty 2 per cent. convertible redeemable non-voting preference shares of HK$1.00 each in the share capital of New Range for a cash consideration of HK$80 million. Further details of the subscription were set out in the announcement of the Company dated 27 July 2009; and

(m) the bought and sold notes and instrument of transfer both dated 14 August 2009 between Dollar Group Limited (a subsidiary of the Company) as purchaser and transferee on the one hand and Pearl Decade Limited as seller and transferor on the other hand, under which Pearl Decade Limited sold and transferred a convertible bond in the principal amount of HK$20 million issued by Mascotte Holdings Limited to Dollar Group Limited for a cash consideration of HK$45 million. Further details of the transaction were set out in the announcement of the Company dated 17 August 2009.

7. MISCELLANEOUS

(a) The secretary of the Company 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 29/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.

8. 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, 29/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 annual reports of the Company for the two financial years ended 31 March 2009 and 31 March 2008;

(d) the circular issued by the Company on 27 May 2009 regarding the purchase of House No.B7 (including its 2 car parking spaces), Regalia Bay, No.88 Wong Ma Kok Road, Hong Kong; and

(e) the circular issued by the Company on 17 July 2009 regarding the sale of 50% of the entire issued share capital of Best Purpose Limited to Welltodo.

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 30/F., China United Centre, No.28 Marble Road, North Point, Hong Kong on 10 September 2009 at 9:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT** the entering into of the conditional subscription agreement dated 15 July 2009 (the "Neptune CB Subscription Agreement") between the Company as the subscriber and Neptune Group Limited ("Neptune") as the issuer, a copy of which has been produced to the meeting marked "A" and initialed by the chairman of the meeting for the purpose of identification, whereby the Company has conditionally agreed to subscribe or procure the subscription for, and Neptune has conditionally agreed to issue, a zero coupon convertible note due 2012 in the principal amount of HK$100 million (the "Neptune Convertible Note") upon the terms and subject to the conditions therein contained, be and is hereby approved, confirmed and ratified and that the subscription of the Neptune Convertible Note by the Company upon the terms and subject to the conditions contained in the Neptune CB Subscription Agreement be and is 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 Neptune CB Subscription Agreement."

2. "**THAT** the entering into of the conditional subscription agreement dated 15 July 2009 (the "Heritage CB Subscription Agreement") between the Company as the issuer and Neptune Group Limited ("Neptune") as the subscriber, a copy of which has been produced to the meeting marked "B" and initialed by the chairman of the meeting for the purpose of identification, whereby the Company has conditionally agreed to issue, and Neptune has conditionally agreed to subscribe or procure the subscription for, a zero coupon convertible note due 2012 in the principal amount of HK$100 million (the "Heritage Convertible Note") upon the terms and subject to the conditions therein contained, be and is hereby approved,

confirmed and ratified and that the performance of all transactions contemplated thereunder by the Company including, but not limited to, the issue of the Heritage Convertible Note and the allotment and issue of shares pursuant to the terms of the Heritage Convertible Note, be and is 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 Heritage CB Subscription Agreement."

By order of the board
Heritage International Holdings Limited
Chow Chi Wah, Vincent
Company Secretary

Hong Kong, 25 August 2009

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 29/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.

* *For identification purposes only*