



HERITAGE INTERNATIONAL HOLDINGS LIMITED

漢基控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 412)

ANNOUNCEMENT OF SUMMARISED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

The Board of Directors (the “Board”) of Heritage International Holdings Limited (the “Company”) announces that the unaudited interim financial information of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2008 together with the comparative figures. This interim financial information has not been audited, but has been reviewed by the Company’s audit committee.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		For the six months ended 30 September	
		2008	2007
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
			(Restated)
REVENUE	3	6,716	69,116
Other income and gains		3,040	4,228
Gains/(losses) arising from changes in fair value of investment properties		(16,100)	3,600
Fair value losses on investments at fair value through profit or loss, net		(241,313)	(113,420)
Gains/(losses) on disposal of subsidiaries, net		(6,909)	3,319
General and administrative expenses		(11,815)	(9,436)
Other expenses		(55,610)	(3,993)
Finance costs	4	(1,412)	(2,727)
LOSS BEFORE TAX	5	(323,403)	(49,313)
Tax	6	1,632	(630)
LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>(321,771)</u>	<u>(49,943)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		(Restated)
Basic		<u>HK\$(1.28)</u>	<u>HK\$(0.31)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

* For identification purposes only

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2008

	30 September 2008 (Unaudited) <i>HK\$'000</i>	31 March 2008 (Audited) <i>HK\$'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	7,846	16,314
Investment properties	141,600	150,500
Interests in jointly-controlled entities	–	–
Available-for-sale investments	12,080	9,130
Loan receivable	3,555	4,070
Convertible bond – loan portion	17,484	16,630
	182,565	196,644
Total non-current assets		
CURRENT ASSETS		
Loans receivable	529,196	569,499
Convertible bond – option derivatives	–	1,626
Other derivative financial instrument	7,214	–
Investments at fair value through profit or loss	308,637	357,627
Prepayments, deposits and other receivables	9,435	24,603
Cash and bank balances	33,982	205,172
	888,464	1,158,527
Total current assets		
CURRENT LIABILITIES		
Other payables and accruals	12,568	5,031
Interest-bearing bank borrowings	2,097	10,334
Tax payable	100	800
	14,765	16,165
Total current liabilities		
NET CURRENT ASSETS	873,699	1,142,362
TOTAL ASSETS LESS CURRENT LIABILITIES	1,056,264	1,339,006
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	42,593	68,672
Deferred tax liabilities	214	9,370
	42,807	78,042
Total non-current liabilities		
Net assets	1,013,457	1,260,964
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	255,767	213,167
Reserves	757,690	1,047,797
	1,013,457	1,260,964
Total equity	1,013,457	1,260,964

NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

1. CORPORATE INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Corporate information

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

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

Basis of preparation

This unaudited interim financial information of Heritage International Holdings Limited, which comprises the condensed consolidated balance sheet as at 30 September 2008, and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six months then ended, and explanatory notes, has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The unaudited interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2008.

Significant accounting policies

The accounting policies adopted in the preparation of this unaudited interim financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2008, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA for the first time for the current period’s unaudited interim financial information:

HK(IFRIC)-Int 12	<i>Service Concession Arrangements</i>
HK(IFRIC)-Int 14	<i>HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

The adoption of these new interpretations has had no material effect on this unaudited interim financial information.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this unaudited interim financial information. 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 its results of operations and financial position.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i> ¹
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i> ¹
HKFRS 3 (Revised)	<i>Business Combinations</i> ⁴
HKFRS 8	<i>Operating Segments</i> ¹
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i> ¹
HKAS 23 (Revised)	<i>Borrowing Costs</i> ¹
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ⁴
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i> ¹
HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurements</i> and HKFRS 7 <i>Financial Instruments: Disclosures – Reclassification of Financial Assets</i> ⁵
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurements – Eligible Hedged Items</i> ⁴
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i> ²
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i> ¹
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i> ³
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i> ⁴

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

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

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

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

⁵ Effective from 1 July 2008

2. SEGMENT INFORMATION

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

Summary details of the business segments are as follows:

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

There were no material intersegment sales and transfers during the period (six months ended 30 September 2007: Nil).

Business segments

The following table presents revenue and results information for the Group's business segments for the six months ended 30 September 2008 and 2007.

	Property investment		Investments in securities		Money lending		Investment holding		Consolidated	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Restated)				(Restated)		(Restated)
Segment revenue:										
Revenue from external customers	2,600	4,197	(14,357)	57,231	18,473	7,688	-	-	6,716	69,116
Other revenue and gains	-	3,600	1,750	-	250	-	-	-	2,000	3,600
Total	2,600	7,797	(12,607)	57,231	18,723	7,688	-	-	8,716	72,716
Segment results	(27,475)	6,106	(252,370)	(56,770)	(30,427)	4,153	(7,966)	(3,663)	(318,238)	(50,174)
Unallocated other income and gains									1,040	7,547
Unallocated losses and expenses, net									(4,793)	(3,959)
Finance costs									(1,412)	(2,727)
Loss before tax									(323,403)	(49,313)
Tax									1,632	(630)
Loss for the period									(321,771)	(49,943)

3. REVENUE

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 and interest income from investments at fair value through profit or loss; and gain/(loss) from sale of investments at fair value through profit or loss, net, during the period.

An analysis of revenue is as follows:

	For the six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Gross rental income from investment properties	2,600	4,197
Interest income from money lending operations	18,473	7,688
Dividend and interest income from investments at fair value through profit or loss	2,624	2,252
Gain/(loss) on sale of investments at fair value through profit or loss, net*	(16,981)	54,979
	6,716	69,116

* Represents the proceeds from the sale of investments at fair value through profit or loss of HK\$154,461,000 (2007: HK\$660,259,000) less the cost of sales and carrying amount of the investments sold of HK\$171,442,000 (2007: HK\$605,280,000).

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

The effect of this change in presentation was to decrease the "revenue" and the "cost of sales and carrying amount of equity investments sold" for the six months ended 30 September 2008 by HK\$171,442,000, representing the cost of investments at fair value through profit or loss disposed of during the current period.

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

To conform with the current period's presentation, the cost of investments at fair value through profit or loss disposed of for the six months ended 30 September 2007 of HK\$605,280,000 has been reclassified from the "cost of sales and carrying amount of equity investments sold", resulting in a decrease in the "revenue" and the "cost of sales and carrying amount of equity investments sold" for that period by the same amount. This has resulted in no change to the amount of the loss for that period attributable to equity holders of the Company, or accumulated losses as at 1 April 2007.

4. FINANCE COSTS

	For the six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest on:		
Bank loans wholly repayable within five years	–	60
Bank loans not wholly repayable within five years	1,412	2,594
Convertible notes	–	93
	<hr/>	<hr/>
Total interest expense in financial liabilities not at fair value through profit or loss	1,412	2,747
Less: Interest expense included in gain/(loss) on sale of investments at fair value through profit or loss, net	–	(20)
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Total finance costs for the period	<u>1,412</u>	<u>2,727</u>

5. LOSS BEFORE TAX

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

	For the six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Depreciation	1,898	2,087
Impairment of loans receivables*	18,224	3,500
Impairment of loan interest receivables*	3,374	–
Impairment of an available-for-sale investment*	4,836	–
Write-off of loans receivables*	27,550	–
Fair value loss on derivative financial instruments*	1,626	493
Gain on disposal of items of property, plant and equipment	(92)	(81)
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* These items are included in "Other expenses" on the face of the interim condensed consolidated income statement.

6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period.

In the prior period, no provision for current Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the prior period.

	For the six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Current – Hong Kong		
Underprovision in prior periods	1,024	–
Deferred tax charge/(credit)	(2,656)	630
	<hr/>	<hr/>
Total tax charge/(credit) for the period	(1,632)	630
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7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic loss per share

The calculation of the basic loss per share amounts for the period is based on (i) the loss for the period attributable to equity holders of the Company of HK\$321,771,000 (six months ended 30 September 2007: HK\$49,943,000) and (ii) the weighted average number of 250,851,407 (2007: 158,966,114 (restated)) ordinary shares in issue during the period, as adjusted to reflect the consolidation of shares subsequent to the balance sheet date. The basic loss per share amount for the six months ended 30 September 2007 has been adjusted to reflect the rights issue and the consolidation of shares during the year ended 31 March 2008 and the consolidation of shares subsequent to the balance sheet date.

(b) Diluted loss per share

Diluted loss per share amounts for the six months ended 30 September 2008 and 2007 have not been disclosed, as the warrants and convertible notes outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.

8. DIVIDEND

The board of directors of the Company does not recommend the payment of any interim dividend in respect of the period (six months ended 30 September 2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group made an after tax loss of approximately HK\$322 million mainly caused by unrealised loss of approximately HK\$241 million arisen from fair value losses on equity and debt investments at fair value through profit or loss as at financial half year end. As the securities market price fluctuates from time to time, this loss may be reversed by financial year end.

The Group has the following major lines of business:

- (a) **Real Estate Investment:** the three stories of office properties owned by the Group were sold during the six months ended September 2008 at a loss of HK\$7 million. During the same period, the Group bought a retail property at HK\$101 million and the management is considering to turn this into a wine storage warehouse in anticipation of the recent import tax waiver against table wine as announced by the government.
- (b) **Investments in Equity and Debt Securities:** the fair value losses on equity and debt investments at fair value through profit or loss was HK\$241 million. This, however, may be reversed by year end as the securities market fluctuates from time to time.
- (c) **Money Lending Business:** the money lending business suffered a setback during the period as some of the borrowers have defaulted amidst the financial turmoil happening globally. The management will take steps to tighten its credit control policy in future lending.
- (d) **Investment in Advertising and Lottery related business in the People's Republic of China ("PRC"):** the Group has a 20% interest in a company engaging in advertising and lottery related business in the PRC (the "Joint Venture"). So far the Joint Venture has supplied over 20,000 lottery selling booths to over 10 provinces in the PRC. Active negotiation has started to bring in advertising revenue as the numbers have reached a critical mass to be considered by advertisers.
- (e) **Investment in Gaming Related Business in Macau:** The negotiation with a Las Vegas style hotel casino for the provision of certain management services to the casino was suspended for the time being as the said casino resort has delayed its opening date. The management, however, is still optimistic at the long term potential in this market and will continue to look for opportunity in the area.

Prospect

2008 is an exceptional year as we have witnessed the biggest financial crisis in the world since 1929. Most sectors are affected and economists generally agree that the worst has yet to come. Though incurring a loss of approximately HK\$322 million, the Group is still financially sound with very low gearing and good liquidity. The management has taken a very cautious approach in taking on new investments.

The current security market appears to have stabilised and we hope that the Group's annual result would improve.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2008, the Group's total assets and borrowings were approximately HK\$1,071.0 million and HK\$44.7 million respectively. The borrowings of the Group carried floating interest rates with reference to Hong Kong dollar prime lending rate and were made in Hong Kong dollar, and thus, there is no exposure to fluctuations in exchange rate. The gearing ratio (total borrowings/total assets) at 30 September 2008 was 4.2%. As at 30 September 2008, investment properties amounted to approximately HK\$141.6 million were pledged to banks to secure certain loan facilities granted to the Group and investments at fair value through profit or loss with carrying amount of approximately HK\$164.3 million were pledged to certain financial institutes to secure margin financing facilities provided to the Group.

CURRENCY RISK MANAGEMENT

Most cash and bank balances are dominated in Hong Kong dollars. The Group's foreign currency assets are immaterial. The Group's exposure to foreign exchange risk is minimal and as such did not have any requirement to use financial instruments for hedging purpose.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2008 (31 March 2008: Nil).

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

There was no purchase, redemption or sale of the Company's listed securities by the Company or any of its subsidiaries during the period.

EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

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

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 September 2008, except for the following deviations:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Kwong Kai Sing, Benny, assumes the roles of both the Chairman and Chief Executive Officer of the Company, and is in charge of the overall management of the Company. The Company considers that the combination of the roles of the Chairman and Chief Executive Officer can promote the efficient formulation and implementation of the Company’s strategies which will enable the Group to grasp business opportunities efficiently and promptly. The Company considers that through the supervision of its Board and its independent non-executive directors, a balancing mechanism exists so that the interests of the shareholders are adequately and fairly represented.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for specific term, subject for re-election. None of the existing directors are appointed for specific term. However, all the directors shall be subject to retirement by rotation at the annual general meetings pursuant to the Company’s Bye-laws (Code Provision A.4.2 stipulates that all directors appointed should be subject to retirement by rotation at least once every three years (the “Rotation Period Restriction”). As such, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group’s financial reporting processes and internal controls. The audit committee comprises the five independent non-executive directors of the Company. The Company’s unaudited interim financial information for the six months ended 30 September 2008 has been reviewed by the audit committee of the Company.

COMPILATION WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code for securities transactions by directors of the Company. Following specific enquiry by the Company, the directors have confirmed that they have complied with the required standard under the Model Code for the six months ended 30 September 2008.

PUBLICATION OF THE INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

All the information of the Company required by Paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) in due course.

As at the date of this announcement, the Company has four executive Directors, being Mr. Kwong Kai Sing, Benny, Mr. Ong Peter, Ms. Poon Chi Wan and Mr. Chow Chi Wah, Vincent, and five independent non-executive Directors, being Mr. Chan Sze Hung, Mr. To Shing Chuen, Mr. Ha Ki Choy, Eugene, Mr. Chung Yuk Lun and Mr. Lo Wong Fung.

By the Order of the Board
Kwong Kai Sing, Benny
Chairman

Hong Kong, 18 December 2008