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HERITAGE INTERNATIONAL HOLDINGS LIMITED

漢基控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 412)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2011**

FINANCIAL RESULTS

The Board of Directors (the “Board”) of Heritage International Holdings Limited (the “Company”) announced that the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2011 together with the comparative figures for the corresponding year are as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2011

	<i>Notes</i>	2011 HK\$'000	2010 <i>HK\$'000</i>
REVENUE	5	(171,624)	(79,098)
Other income and gains, net	5	7,567	6,903
Gains arising from changes in fair value of investment properties, net		4,193	79,210
Fair value gains/(losses) on investments at fair value through profit or loss, net		(72,834)	55,468
Fair value gain on a convertible note classified as a financial liability at fair value through profit or loss		–	11,595
Gain/(losses) on disposal of subsidiaries		1,490	(28,489)
Gain on partial disposal of associates		69,000	–
General and administrative expenses		(35,471)	(30,261)
Other expenses	6	(9,955)	(1,142)
Finance costs	7	(2,144)	(3,124)
Share of losses of associates		(182,587)	(16,294)
		<hr/>	<hr/>
LOSS BEFORE TAX	6	(392,365)	(5,232)
Income tax	8	457	(2,150)
		<hr/>	<hr/>
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(391,908)</u>	<u>(7,382)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			(Restated)
Basic	10	<u>HK\$(2.58)</u>	<u>HK\$(0.16)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2011

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
LOSS FOR THE YEAR	(391,908)	(7,382)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translation of foreign operations	<u>(53)</u>	<u>41</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>(391,961)</u>	<u>(7,341)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2011

	31 March 2011 HK\$'000	31 March 2010 HK\$'000 (Restated)	1 April 2009 HK\$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	6,047	8,185	4,895
Investment properties	246,800	236,200	105,900
Investments in jointly-controlled entities	–	–	–
Investments in associates	–	182,587	–
Available-for-sale investment	–	–	4,080
Loans receivable	8,442	–	3,302
Convertible bond – loan portion	–	–	2,556
Rental deposit	–	–	279
Deposits paid for purchases of items of property, plant and equipment	5,814	–	2,242
Investments at fair value through profit or loss	105,487	122,130	15,000
Total non-current assets	372,590	549,102	138,254
CURRENT ASSETS			
Loans receivable	2,608	–	402,188
Convertible bond – loan portion	–	2,106	–
Convertible bond – option derivatives	–	–	–
Investments at fair value through profit or loss	666,099	718,632	346,389
Prepayments, deposits and other receivables	6,293	7,608	33,151
Due from an associate	–	546	–
Tax recoverable	–	–	1,030
Cash and bank balances	1,667	10,583	29,473
Total current assets	676,667	739,475	812,231
CURRENT LIABILITIES			
Other payables and accruals	11,204	18,357	4,401
Due to an associate	10,094	–	–
Interest-bearing bank borrowings	66,244	71,987	43,627
Total current liabilities	87,542	90,344	48,028

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 March 2011

	31 March 2011 HK\$'000	31 March 2010 HK\$'000 (Restated)	1 April 2009 HK\$'000 (Restated)
NET CURRENT ASSETS	589,125	649,131	764,203
TOTAL ASSETS LESS CURRENT LIABILITIES	961,715	1,198,233	902,457
NON-CURRENT LIABILITIES			
Convertible note	–	80,712	–
Deferred tax liabilities	3,745	4,202	52
Total non-current liabilities	3,745	84,914	52
Net assets	957,970	1,113,319	902,405
EQUITY			
Equity attributable to owners of the Company			
Issued capital	2,849	82,730	25,577
Reserves	955,121	1,030,589	876,828
Total equity	957,970	1,113,319	902,405

NOTES:

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, a convertible note classified as a financial liability at fair value through profit or loss, 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

Basis of consolidation from 1 April 2010

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 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 April 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 April 2010 were not reallocated between non-controlling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 April 2010 has not been restated.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
HKFRS 5 Amendments included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary</i>
<i>Improvements to HKFRSs 2009</i>	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	<i>Amendment to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
HK Interpretation 5	<i>Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause</i>

Other than as further explained below regarding the impact of HK Interpretation 5, the adoption of the new and revised HKFRSs 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.

HK Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The interpretation requires a term loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement. Prior to the adoption of this interpretation, the Group's term loans were classified in the statement of financial position as non-current liabilities based on their maturity dates of repayment. Upon the adoption of the interpretation, the term loans have been reclassified entirely as current liabilities. The interpretation has been applied by the Group retrospectively and comparative amounts have been restated. In addition, as a result of this change and as required by HKAS 1, these financial statements also include a statement of financial position as at 1 April 2009.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

The above change has had no effect on the consolidated income statement. The effect on the consolidated statement of financial position is summarised as follows:

	31 March 2011 HK\$'000	31 March 2010 HK\$'000	1 April 2009 HK\$'000
CURRENT LIABILITIES			
Increase in interest-bearing bank borrowings	62,275	68,424	41,459
NON-CURRENT LIABILITIES			
Decrease in interest-bearing bank borrowings	(62,275)	(68,424)	(41,459)

There was no impact on the net assets of the Group.

3. 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 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i> ¹
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ³
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> ³
HKFRS 9	<i>Financial Instruments</i> ⁵
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> ⁴
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ²
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> ²
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ¹

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

- ¹ Effective for annual periods beginning on or after 1 July 2010
- ² Effective for annual periods beginning on or after 1 January 2011
- ³ Effective for annual periods beginning on or after 1 July 2011
- ⁴ Effective for annual periods beginning on or after 1 January 2012
- ⁵ Effective for annual periods beginning on or after 1 January 2013

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.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments 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 investment holding 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 (2010: Nil).

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit/(loss) before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, certain gains and finance costs, and unallocated expenses are excluded from such measurement.

The Group's revenue is substantially derived from its external customers in Hong Kong and the Group's operating assets are substantially located in Hong Kong.

4. OPERATING SEGMENT INFORMATION (continued)

	Property investment		Investments in securities		Money lending		Investment holding		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	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	926	1,821	(172,828)	(86,920)	278	6,001	-	-	(171,624)	(79,098)
Other income and gains, net	2	71	2,283	265	4,763	5,335	519	230	7,567	5,901
Total	928	1,892	(170,545)	(86,655)	5,041	11,336	519	230	(164,057)	(73,197)
Segment results	60	76,732	(253,598)	(33,587)	(109,000)	(37,607)	342	(3,226)	(362,196)	2,312
<i>Reconciliation:</i>										
Bank interest income									-	1
Interest income from an associate									-	1,001
Gain on disposal of a subsidiary - unallocated									1,490	-
Fair value gain on a convertible note classified as a financial liability at fair value through profit or loss									-	11,595
Loss on disposal/write-off of items of property, plant and equipment, net									(667)	(399)
Unallocated finance costs									(400)	(856)
Unallocated expenses									(30,592)	(18,886)
Loss before tax									(392,365)	(5,232)

4. OPERATING SEGMENT INFORMATION (continued)

	Property investment		Investments in securities		Money lending		Investment holding		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:										
Finance costs – allocated	(1,744)	(2,268)	-	-	-	-	-	-	(1,744)	(2,268)
Finance costs – unallocated									(400)	(856)
									<u>(2,144)</u>	<u>(3,124)</u>
Depreciation – unallocated									(2,089)	(3,678)
Losses on disposal of subsidiaries – allocated	-	-	-	(2,082)	-	(26,407)	-	-	-	(28,489)
Gain on disposal of a subsidiary – unallocated									<u>1,490</u>	<u>-</u>
									<u>1,490</u>	<u>(28,489)</u>
Loss on deemed disposal of associates	-	-	-	-	-	(743)	-	-	-	(743)
Gain on partial disposal of associates	-	-	-	-	69,000	-	-	-	69,000	-
Share of losses of associates	-	-	-	-	(182,587)	(16,294)	-	-	(182,587)	(16,294)
Gains arising from changes in fair value of investment properties, net	4,193	79,210	-	-	-	-	-	-	4,193	79,210
Fair value gains/(losses) on investments at fair value through profit or loss, net	-	-	(72,834)	55,468	-	-	-	-	(72,834)	55,468
Loss on redemption of a convertible note	-	-	(9,288)	-	-	-	-	-	(9,288)	-
Capital expenditure – allocated	6,407	51,090	-	-	-	-	-	-	6,407	51,090
Capital expenditure – unallocated									<u>625</u>	<u>7,385</u>
									<u>7,032</u>	<u>58,475</u>

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 and interest income from investments at fair value through profit or loss; and 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	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Gross rental income from investment properties	926	1,821
Interest income from money lending operations	278	6,001
Dividend and interest income from investments at fair value through profit or loss	4,293	14,721
Loss on sale of investments at fair value through profit or loss, net*	(177,121)	(101,641)
	(171,624)	(79,098)
Other income and gains, net		
Interest income on a convertible bond	444	56
Bank interest income	–	1
Interest income from an associate	–	1,001
Management fee income from an associate	4,761	5,335
Others	2,362	510
	7,567	6,903

* Represents the proceeds from the sale of investments at fair value through profit or loss of HK\$497,246,000 (2010: HK\$861,486,000) less the cost of sales and the carrying amount of the investments sold of HK\$674,367,000 (2010: HK\$963,127,000).

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation	2,089	3,678
Minimum lease payments under operating leases in respect of land and buildings	4,939	5,395
Auditors' remuneration	1,588	1,588
Employee benefit expense (excluding directors' remuneration):		
Salaries and allowances	1,662	1,925
Retirement benefit scheme contributions (defined contribution schemes)*	78	69
	1,740	1,994
Foreign exchange differences, net	–	64
Equity-settled share option expenses to investment advisors for investment advisory services	5,696	1,502
Loss on disposal/write-off of items of property, plant and equipment, net**	667	399
Loss on deemed disposal of associates**	–	743
Loss on redemption of a convertible note**	9,288	–
Direct operating expenses arising on rental-earning investment properties	1,074	921

* At 31 March 2011, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2010: Nil).

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans not wholly repayable within five years	1,744	2,268
Interest on a loan from an associate	–	856
Interest on other loan	400	–
	<u>2,144</u>	<u>3,124</u>

8. INCOME 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 (2010: Nil).

	Group	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred and total tax charge/(credit) for the year	<u>(457)</u>	<u>2,150</u>

A reconciliation of the tax credit applicable to the Group's loss before tax at 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/(credit) at the effective tax rate is as follows:

	Group	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before tax	<u>(392,365)</u>	<u>(5,232)</u>
Tax credit at the Hong Kong statutory tax rate of 16.5% (2010: 16.5%)	(64,740)	(863)
Losses attributable to associates	30,127	2,689
Income not subject to tax	(15,221)	(17,525)
Expenses not deductible for tax	5,623	5,682
Tax losses utilised from previous periods	(76)	(112)
Tax losses not recognised	43,627	11,778
Others	203	501
Tax charge/(credit) at the Group's effective rate	<u>(457)</u>	<u>2,150</u>

The share of tax expense attributable to associates for the year ended 31 March 2010 amounting to HK\$950,000 is included in "Share of losses of associates" in the consolidated income statement.

9. DIVIDENDS

The directors do not recommend the payment of any dividends in respect of the year (2010: Nil).

10. 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\$391,908,000 (2010: HK\$7,382,000), and the weighted average number of ordinary shares of 151,993,978 (2010: 47,314,727 (restated)) in issue during the year as adjusted to reflect the consolidation of shares and rights issue during the year. The basic loss per share amount for the prior year has been adjusted to reflect the consolidation of shares and rights issue during the year.

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issues during the year. No adjustment had been made to the basic loss per share amount presented for the year ended 31 March 2010 as the impact of the convertible note classified as a financial liability at fair value through profit or loss outstanding during that year had an anti-dilutive effect on the basic loss per share amount presented.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Board announces that the Group has made a loss before tax of approximately HK\$392 million for the year ended 31 March 2011. The loss is mainly attributable to loss on sale of equity investments, unrealised fair value losses arisen from equity and debt investments and share of losses of associates as at the fiscal year end date.

The Group is an investment holding company with the following major lines of business:

a) Real Estate Investment

The Group owned certain commercial properties in North Point and a luxury residential property in Stanley. With the increase in property prices in Hong Kong the Group's property portfolio appreciated in value. The gain arising from changes in fair value amounted to approximately HK\$4.2 million for the year ended 31 March 2011. The value of the Group's property investment stood at HK\$246.8 million as at 31 March 2011. Subsequent to fiscal year end, the Group entered into an agreement on 4 May 2011 with an independent third party to dispose of one of its commercial properties in cash of approximately HK\$117 million. This transaction is subject to approval by shareholders at the forth coming special general meeting on 28 June 2011.

b) Investment in Listed Securities

The Group's securities portfolio has suffered a loss on sale of investments at fair value through profit or loss of approximately HK\$177.1 million for the year ended 31 March 2011. Besides, there are fair value losses on investments at fair value through profit and loss of approximately HK\$72.8 million in the same period.

c) Money Lending Business

The Group's share of losses of associates, engaging in money lending business, amounted to approximately HK\$182.6 million for the year ended 31 March 2011. Besides, a new wholly owned subsidiary was formed to engage in the money lending business.

d) Investment in Lottery Related Business in the People's Republic of China (the "PRC")

The Group has a 20% interest in a company engaging in lottery related business in the PRC (the "PRC Company"). In view of the technological development in the PRC which makes internet more popular and selling of lottery tickets through internet possible, the Group is recently considering diversifying its business into internet lottery business by increasing its investment in the PRC Company.

PROSPECT

With the globalization of the world economy, economic measures taken in one country may have devastating consequences in other nations. For example, in United States, the loose monetary policy quantitative easing 2, lead to severe inflation in other parts of the world. On the other hand, if an over aggressive tightening policy was used, it may block economic rebound. While the global economy is dealing with the aftermath of the financial tsunami and each country is trying to resolve its own economical problems, China has proactively taken monetary precautionary measures to guard against the rising inflation. With its existing foreign exchange policy and economic growth and size, China is relatively insulated from global economic forces. To avoid economic bubble, the central government restored China's economy through a series of tightening policy measures including currency revaluation, interest rate controls and tightening money supply to drive away unacceptable inflation. Such policies will slowdown China's economy in the immediate term but it is believed to be beneficial to the long term growth and sustainability of the economy as a whole. To get through such economic volatility, the Group is prepared and equipped through the combination of sufficient cash level and low gearing.

Recently, the Group has developed a new line of business in traditional Chinese medicine industry through the operation of the Hon Chinese Medicine Clinic. This operation includes Chinese medical consultation and other Chinese manipulative therapy treatments such as acupuncture, tui na, moxibustion, fire cupping, Chinese herbalism and qigong. The Management believes that the outlook of the Chinese medicine business is buoyant as Chinese medicine is gaining popularity especially among the younger generation.

With the growing uncertainty in the global economy and gradual slowdown of the economy in China, the Group is taking a cautious approach in its future growth. However since the Group is relatively lowly geared, it will take on good business opportunity as and when it arises.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2011, the Group's total assets and borrowings were HK\$1,049,257,000 and HK\$66,244,000 respectively. Borrowings represented interest-bearing bank borrowings. A majority of the bank borrowings of the Group carried floating interest rates with reference to the Hong Kong dollar prime rate/HIBOR and were denominated in Hong Kong dollar, and thus, there is no exposure to fluctuations in exchange rate. The gearing ratio (total borrowings/total assets) was approximately 6%. As at 31 March 2011, investment properties amounted to HK\$244,500,000, were pledged to banks to secure certain loan facilities granted to the Group and investments in securities with carrying amount of HK\$636,488,000 were pledged to certain financial institutes to secure certain margin financing facilities provided to the Group.

EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

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

CONTINGENT LIABILITIES

The Company has major contingent liabilities relating to guarantees given to banks in connection with facilities granted to subsidiaries of approximately HK\$61,500,000 (2010: HK\$65,500,000).

CLOSURE OF REGISTER OF MEMBER

The register of members will be temporarily closed from 1 August 2011 to 3 August 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for voting in the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-16, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on 29 July 2011.

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

During the year, neither the Company nor any its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

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 year ended 31 March 2011, except for the following deviations:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate 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. Dr. Kwong Kai Sing, Benny, assumes the roles of both 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 annual results for the year ended 31 March 2011 have been reviewed by the audit committee of the Company.

COMPLICATION 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 year ended 31 March 2011.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

This results announcement is published on the Stock Exchange's website (<http://www.hkex.com.hk>) and the Company's website (<http://www.heritage.com.hk>). The annual report for the year ended 31 March 2011 will be dispatch to the shareholders and will be available on websites of the Stock Exchange and the Company in due course.

By order of the Board
Dr. Kwong Kai Sing, Benny
Chairman

Hong Kong, 22 June 2011

As at the date of this announcement, the Company has five executive directors, being Dr. Kwong Kai Sing, Benny, Mr. Wong Chun Hung, 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 Kee Choy, Eugene, Mr. Chung Yuk Lun and Mr. Lo Wong Fung.

* *For identification purposes only*