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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 SUMMARISED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

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 2011 together with the comparative figures. This interim financial information has not been audited, but has been reviewed by the Company’s audit committee.

INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2011

		For the six months ended 30 September	
	Notes	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
REVENUE	3	(16,638)	(146,458)
Other income and gains, net		2,404	27
Gains arising from changes in fair value of investment properties, net		2,800	900
Fair value losses on investments at fair value through profit or loss, net		(232,926)	(49,589)
Gains/(losses) on disposal of subsidiaries, net		(4,954)	1,490
General and administrative expenses		(17,671)	(18,864)
Finance costs	4	(621)	(917)
Share of profits of associates		—	1,989
LOSS BEFORE TAX	5	(267,606)	(211,422)
Income tax	6	(462)	(149)
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(268,068)</u>	<u>(211,571)</u>
			(Restated)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		<u>HK\$(0.94)</u>	<u>HK\$(1.60)</u>

* For identification only

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>(268,068)</u>	<u>(211,571)</u>

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2011

	<i>Notes</i>	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		15,292	6,047
Investment properties		104,600	246,800
Loans receivable		8,383	8,442
Deposits paid for purchases of items of property, plant and equipment		–	5,814
Investments at fair value through profit or loss	9	95,212	105,487
		<hr/>	<hr/>
Total non-current assets		223,487	372,590
CURRENT ASSETS			
Loans receivable		124	2,608
Inventories		119	–
Investments at fair value through profit or loss	9	450,093	666,099
Prepayments, deposits and other receivables		3,564	6,293
Cash and bank balances		67,127	1,667
		<hr/>	<hr/>
Total current assets		521,027	676,667
CURRENT LIABILITIES			
Other payables and accruals		3,785	11,204
Due to an associate		10,094	10,094
Interest-bearing bank borrowings		36,526	66,244
		<hr/>	<hr/>
Total current liabilities		50,405	87,542
NET CURRENT ASSETS		470,622	589,125
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		694,109	961,715
NON-CURRENT LIABILITIES			
Deferred tax liabilities		4,207	3,745
		<hr/>	<hr/>
Net assets		689,902	957,970
		<hr/> <hr/>	<hr/> <hr/>

	30 September	31 March
	<i>Notes</i> 2011	2011
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
EQUITY		
Equity attributable to owners of the Company		
Issued capital	2,849	2,849
Reserves	687,053	955,121
	<hr/>	<hr/>
Total equity	689,902	957,970
	<hr/> <hr/>	<hr/> <hr/>

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Attributable to owners of the Company							Total equity (Unaudited) HK\$'000
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	
At 1 April 2010	82,730	890,349	–	1,177	1,259,970	53	(1,120,960)	1,113,319
Loss for the period and total comprehensive loss for the period	–	–	–	–	–	–	(211,571)	(211,571)
Placement of new shares	58,201	62,184	–	–	–	–	–	120,385
Exercise of share options	17,372	18,028	–	–	–	–	–	35,400
Share issue expenses	–	(2,600)	–	–	–	–	–	(2,600)
Equity-settled share option expenses	–	–	5,696	–	–	–	–	5,696
Transfer from share option reserve	–	5,696	(5,696)	–	–	–	–	–
At 30 September 2010	<u>158,303</u>	<u>973,657</u>	<u>–</u>	<u>1,177</u>	<u>1,259,970</u>	<u>53</u>	<u>(1,332,531)</u>	<u>1,060,629</u>
At 1 April 2011	2,849	1,018,777	–	1,177	1,448,035	–	(1,512,868)	957,970
Loss for the period and total comprehensive loss for the period	–	–	–	–	–	–	(268,068)	(268,068)
At 30 September 2011	<u>2,849</u>	<u>1,018,777*</u>	<u>–*</u>	<u>1,177*</u>	<u>1,448,035*</u>	<u>–*</u>	<u>(1,780,936)*</u>	<u>689,902</u>

* These reserve accounts comprise the consolidated reserves of HK\$687,053,000 (31 March 2011: HK\$955,121,000) in the interim consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS FROM/(USED IN):		
OPERATING ACTIVITIES	(44,625)	(202,407)
INVESTING ACTIVITIES	111,783	126,659
FINANCING ACTIVITIES	(1,698)	149,454
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	65,460	73,706
Cash and cash equivalents at beginning of period	1,667	10,583
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>67,127</u>	<u>84,289</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>67,127</u>	<u>84,289</u>

NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

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

Corporate information

Heritage International Holdings Limited (the “Company”) 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 period, the Group was primarily involved in property investment, securities investment, money lending, investment holding and Chinese medicine clinic operation.

Basis of preparation

This unaudited interim financial information of the Company and its subsidiaries, which comprises the consolidated statement of financial position as at 30 September 2011, and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended, and explanatory information, 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 2011.

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 2011, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) and amendments to HKFRSs issued by the HKICPA for the first time for the current period’s unaudited interim financial information:

HKFRS 1 Amendment	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemptions from Comparative HKFRS 7 Disclosure for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
Improvements to HKFRS (2010)	<i>Amendments to a number of HKFRSs</i>

The adoption of these new and revised HKFRSs has had no significant financial effect on this unaudited interim financial information and there have been no significant changes in accounting policies applied in this financial information.

The Group has not early applied any new and revised HKFRSs, that have been issued but are not yet effective for the six months ended 30 September 2011, in this financial information. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs 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.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five 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 securities investment 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 in money lending operations in Hong Kong;
- (iv) the investment holding segment engages primarily in investments holding for a continuing strategic or long term purpose, primarily for dividend income and capital appreciation; and
- (v) the Chinese medicine clinic engages in Chinese medicine clinic operation in Hong Kong.

There were no material intersegment sales and transfers during the period (six months ended 30 September 2010: Nil).

Management monitors the results of its 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 profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that certain gains, losses 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.

Operating segments

The following table presents revenue and results information for the Group's operating segments for the six months ended 30 September 2011 and 2010.

	Property investment		Securities investment		Money lending		Investment holding		Chinese medicine clinic operation		Total	
	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		For the six months ended 30 September	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	(Unaudited)	(Unaudited)	(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	HK\$'000	HK\$'000	
Segment revenue:												
Revenue from external customers	748	462	(18,528)	(146,959)	474	39	-	-	668	-	(16,638)	(146,458)
Other income and gains, net	-	-	2,404	-	-	-	-	27	-	-	2,404	27
Total	748	462	(16,124)	(146,959)	474	39	-	27	668	-	(14,234)	(146,431)
Segment results	(2,538)	(2,422)	(249,123)	(187,438)	454	2,027	(23)	(73)	(2,990)	-	(254,220)	(187,906)
Reconciliation:												
Gains on disposal of subsidiaries – unallocated											-	1,490
Loss on redemption of convertible note – unallocated											-	(9,288)
Unallocated expenses											(13,386)	(15,718)
Loss before tax											(267,606)	(211,422)

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; loss on sale of investments at fair value through profit or loss, net; and income from Chinese medicine clinic operation during the period.

An analysis of revenue is as follows:

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Gross rental income from investment properties	748	462
Interest income from money lending operations	474	39
Dividend and interest income from investments at fair value through profit or loss	1,505	12,507
Loss on sale of investments at fair value through profit or loss, net*	(20,033)	(159,466)
Income from Chinese medicine clinic operation	668	—
	<u>16,638</u>	<u>(146,458)</u>

* Represents the proceeds from the sale of investments at fair value through profit or loss of HK\$225,615,000 (six months ended 30 September 2010: HK\$359,925,000) less the cost of sales and carrying amount of the investments sold of HK\$245,648,000 (six months ended 30 September 2010: HK\$519,391,000).

4. FINANCE COSTS

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest on bank loans not wholly repayable within five years	<u>621</u>	<u>917</u>

5. LOSS BEFORE TAX

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

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	1,729	972
Equity-settled share option expenses	–	5,696
	<u>1,729</u>	<u>5,696</u>

6. 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 period (six months ended 30 September 2010: Nil).

	For the six months ended 30 September	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Deferred tax charge for the period	462	149
	<u>462</u>	<u>149</u>

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 amount for the period is based on (i) the loss for the period attributable to owners of the Company of HK\$268,068,000 (six months ended 30 September 2010: HK\$211,571,000) and (ii) the weighted average number of 284,947,000 (six months ended 30 September 2010: 132,633,000 (restated)) ordinary shares in issue during the period.

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amount presented for the periods ended 30 September 2011 and 30 September 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issues during the 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 2010: Nil).

9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2011 (Unaudited) HK\$'000	31 March 2011 (Audited) HK\$'000
Non-current assets		
Unlisted investment, at fair value	78,000	78,000
Convertible notes classified as financial assets at fair value through profit or loss, at fair value	17,212	27,487
	<u>95,212</u>	<u>105,487</u>
Current assets		
Listed equity investments, at market value:		
Hong Kong	422,666	636,488
Elsewhere	27,427	29,611
	<u>450,093</u>	<u>666,099</u>

At the end of the reporting period, the Group's investments in listed equity securities with an aggregate carrying amount at the end of the reporting period of approximately HK\$422,666,000 (31 March 2011: HK\$636,488,000) were pledged to certain financial institutions to secure certain margin financing facilities granted to the Group.

10. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	For the six months ended 30 September	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Short term employee benefits	2,932	2,790
Post-employment benefits	29	30
	<u>2,961</u>	<u>2,820</u>

11. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information was approved and authorised for issue by the board of directors on 28 November 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Board announces that the Group has made a loss before tax of approximately HK\$268 million for the six months ended 30 September 2011. The loss which is mainly unrealized loss arisen from equity investments at fair value through profit or loss of the Group's securities investment as at the fiscal half 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 and a luxury residential property in Hong Kong. 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\$2.8 million during the six months period ended. The property market in Hong Kong remained active in the first half of 2011; the management has taken advantage of the strength of the property market and disposed of one of our properties. On 4 May 2011, the Group entered into an agreement with an independent third party to dispose of that property in cash of approximately HK\$117 million. This transaction was approved by shareholders at the special general meeting dated 28 June 2011 and the transaction was subsequently completed on 8 August 2011. The value of the Group's property investment stood at HK\$104.6 million as at 30 September 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\$20 million for the six months ended 30 September 2011. Besides, there is fair value loss on investments at fair value through profit or loss of approximately HK\$232.9 million in the same period.

c) Money Lending Business

The Group's wholly owned subsidiary engaged in the money lending business generated positive result for the period concerned.

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"). The Group is still considering the application of an internet lottery business license by increasing its investment in the PRC Company.

e) Chinese Medicine Clinic Operation

The Group has developed a new line of business in traditional Chinese medicine industry through the operation of the Hon Chinese Medicine Clinic. The operation is still in start-up stage and no positive contribution was recorded. The management, however, believes that the outlook of the Chinese medicine business is buoyant as Chinese medicine is gaining popularity especially among the younger generation.

Prospect

Recently the global financial market has been volatile mainly due to the European sovereign debt crisis. With reduced growth as a result of poor economy in the US and Europe, further economic expansion of China and other emerging markets are limited. Thus, China and the rest of the emerging markets are trying to balance growth with inflation issues. As global economy gets worse, Hong Kong may also enter into a period of slow growth or even a relatively short period of recession. During the second half of 2011, the market remains extremely volatile as it reacts strongly to any negative news. In Hong Kong, although the property market remained active in the first half of 2011, both local stock and property prices have been adversely affected by the European sovereign debt crisis since the third quarter of 2011. Thus, there will undoubtedly be a level of uncertainty, as well as fluctuations in both property and stock markets going forward.

Despite short term uncertainty, with relatively strong economic fundamentals in Hong Kong and the mainland China, the Group is cautiously optimistic on the medium and long term outlook of both Hong Kong and China. However we will be extra cautious in making investment decision to create values for our shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2011, the Group's total assets and borrowings were approximately HK\$744.5 million and HK\$36.5 million respectively. The borrowings of the Group carried floating interest rates with reference to Hong Kong dollar prime rate/HIBOR and were denominated in Hong Kong dollars, and thus, there is no exposure to fluctuations in exchange rate. The gearing ratio (total borrowings/total assets) at 30 September 2011 was 4.9%. As at 30 September 2011, investment properties amounted to approximately HK\$102.3 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\$423 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 2011 (31 March 2011: 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 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 four independent non-executive directors of the Company. The Company's unaudited interim financial information for the six months ended 30 September 2011 has 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 six months ended 30 September 2011.

As at the date of this announcement, the Board comprises four executive Directors, being Dr. Kwong Kai Sing, Benny, Mr. Ong Peter, Ms. Poon Chi Wan, and Mr. Chow Chi Wah Vincent and four independent non-executive Directors, being Mr. To Shing Chuen, Mr. Ha Kee Choy, Eugene, Mr. Chung Yuk Lun and Mr. Lo Wong Fung.

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

Hong Kong, 28 November 2011