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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)

(Warrant Code: 1248)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2012**

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 2012 together with the comparative figures for the corresponding period in the prior year are as follows:

* *For identification purposes only*

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2012

	<i>Notes</i>	2012 HK\$'000	2011 <i>HK\$'000</i>
REVENUE	5	(78,084)	(171,624)
Other income	5	3,868	7,567
Changes in inventories and consumables used		(212)	–
Gain/(loss) arising from changes in fair value of investment properties, net		(6,102)	4,193
Fair value losses on investments at fair value through profit or loss, net		(254,994)	(72,834)
Fair value gain on derivative financial instruments		677	–
Employee benefit expense		(10,746)	(8,031)
Depreciation		(5,523)	(2,089)
Minimum lease payments under operating leases in respect of land and buildings		(7,500)	(4,939)
Gains on disposal of subsidiaries		11,619	1,490
Other expenses		(31,528)	(30,367)
Finance costs	7	(965)	(2,144)
Gains on disposal of associates		10,368	69,000
Share of losses of associates		–	(182,587)
		<u>10,368</u>	<u>(113,587)</u>
LOSS BEFORE TAX	6	(369,122)	(392,365)
Income tax expense	8	1,045	457
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(368,077)</u>	<u>(391,908)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			(Restated)
Basic	10	<u>HK\$(0.09)</u>	<u>HK\$(0.57)</u>
Diluted	10	<u>HK\$(0.09)</u>	<u>HK\$(0.57)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2012

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(368,077)</u>	<u>(391,908)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Change in fair value of an available-for-sale investment	20	–
Exchange differences on translation of foreign operations	<u>–</u>	<u>(53)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>20</u>	<u>(53)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>(368,057)</u>	<u>(391,961)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2012

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		13,052	6,047
Investment properties		106,100	246,800
Investments in jointly-controlled entities		–	–
Investments in associates		–	–
Deposits paid for purchases of items of property, plant and equipment		–	5,814
Available-for-sale investment		4,500	–
Rental deposit		700	–
Loans receivable	11	25,120	8,442
Investments at fair value through profit or loss		299,029	105,487
Total non-current assets		448,501	372,590
CURRENT ASSETS			
Inventories		137	–
Loans receivable	11	46,789	2,608
Investments at fair value through profit or loss		503,720	666,099
Derivative financial instruments		15,969	–
Prepayments, deposits and other receivables		3,297	6,293
Cash and cash equivalents		38,748	1,667
Total current assets		608,660	676,667
CURRENT LIABILITIES			
Other payables and accruals		5,293	11,204
Due to an associate		–	10,094
Interest-bearing bank borrowings		35,294	66,244
Total current liabilities		40,587	87,542
NET CURRENT ASSETS		568,073	589,125
TOTAL ASSETS LESS CURRENT LIABILITIES		1,016,574	961,715
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,700	3,745
Net assets		1,013,874	957,970
EQUITY			
Equity attributable to owners of the Company			
Issued capital		77,276	2,849
Reserves		936,598	955,121
Total equity		1,013,874	957,970

NOTES:

1. BASIS OF PREPARATION

The 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, 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, an available-for-sale investment, derivative financial instruments and investments at fair value through profit or loss which have been measured at fair value. The financial statements are presented in Hong Kong dollars (“HK\$”).

Certain comparative amounts have been reclassified to conform with current year’s presentation.

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 2012. 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.

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/(loss) is reclassified to profit or loss or accumulated losses, as appropriate.

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 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>
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>Improvements to HKFRSs 2010</i>	<i>Extinguishing Financial Liabilities with Equity Instruments</i> Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on the financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(b) (continued)

In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- *HKAS 1 Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.
- *HKAS 27 Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

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 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> ¹
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i> ⁴
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> ¹
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> ⁴
HKFRS 9	<i>Financial Instruments</i> ⁶
HKFRS 10	<i>Consolidated Financial Statements</i> ⁴
HKFRS 11	<i>Joint Arrangements</i> ⁴
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> ⁴
HKFRS 13	<i>Fair Value Measurement</i> ⁴
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i> ³
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> ²

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

HKAS 19 (2011)	<i>Employee Benefits</i> ⁴
HKAS 27 (2011)	<i>Separate Financial Statements</i> ⁴
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> ⁴
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ⁵
HK(IFRIC)-Int 20 <i>Annual Improvements 2009-2011 Cycle</i>	<i>Stripping Costs in the Production Phase of a Surface Mine</i> ⁴ Amendments to a number of HKFRSs contained in <i>Annual Improvements 2009-2011 Cycle</i> issued in June 2012 ⁴

- ¹ Effective for annual periods beginning on or after 1 July 2011
- ² Effective for annual periods beginning on or after 1 January 2012
- ³ Effective for annual periods beginning on or after 1 July 2012
- ⁴ Effective for annual periods beginning on or after 1 January 2013
- ⁵ Effective for annual periods beginning on or after 1 January 2014
- ⁶ Effective for annual periods beginning on or after 1 January 2015

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 five 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;
- (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; and
- (v) the Chinese medicine clinic segment engages primarily in Chinese medicine clinic operations in Hong Kong.

There were no material intersegment sales and transfers during the year (2011: 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 profit/(loss) before tax is measured consistently with the Group's loss before tax except that interest income, certain gains and losses, finance costs, and unallocated expenses are excluded from such measurement.

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

4. OPERATING SEGMENT INFORMATION (continued)

	Property investment		Investments in securities				Money lending		Investment holding		Chinese medicine clinic		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	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	936	926	(85,952)	(172,828)	5,250	278	-	-	1,682	-	(78,084)	(171,624)		
Other income	-	2	3,010	2,283	226	4,763	632	519	-	-	3,868	7,567		
Total	936	928	(82,942)	(170,545)	5,476	5,041	632	519	1,682	-	(74,216)	(164,057)		
Segment results	4,711	60	(340,202)	(253,598)	12,873	(109,000)	467	342	(8,252)	-	(330,403)	(362,196)		
<i>Reconciliation:</i>														
Gain on disposal of a subsidiary – unallocated													-	1,490
Write-off of items of property, plant and equipment, net													-	(667)
Unallocated finance costs													-	(400)
Unallocated expenses													(38,719)	(30,592)
Loss before tax													(369,122)	(392,365)

4. OPERATING SEGMENT INFORMATION (continued)

	Property investment		Investments				Investment holding		Chinese medicine clinic		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	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	(965)	(1,744)	-	-	-	-	-	-	-	-	(965)	(1,744)
Finance costs – unallocated											-	(400)
											<u>(965)</u>	<u>(2,144)</u>
Depreciation – allocated	-	-	-	-	-	-	-	-	(2,971)	-	(2,971)	-
Depreciation – unallocated											<u>(2,552)</u>	<u>(2,089)</u>
											<u>(5,523)</u>	<u>(2,089)</u>
Gains on disposal of subsidiaries – allocated	11,619	-	-	-	-	-	-	-	-	-	11,619	-
Gains on disposal of associates	-	-	-	-	10,368	69,000	-	-	-	-	10,368	69,000
Share of losses of associates	-	-	-	-	-	(182,587)	-	-	-	-	-	(182,587)
Gain/(loss) arising from changes in fair value of investment properties, net	(6,102)	4,193	-	-	-	-	-	-	-	-	(6,102)	4,193
Fair value losses on investments at fair value through profit or loss, net	-	-	(254,994)	(72,834)	-	-	-	-	-	-	(254,994)	(72,834)
Fair value gain on derivative financial instruments	-	-	-	-	-	-	-	-	677	-	677	-
Equity-settled share option expense in respect of share options granted to investment advisors for investment advisory services											-	(5,696)
Loss on redemption of a convertible note	-	-	-	(9,288)	-	-	-	-	-	-	-	(9,288)
Write-off of items of property, plant and equipment, net											-	(667)
Impairment of a loan receivable	-	-	-	-	(2,498)	-	-	-	-	-	(2,498)	-
Capital expenditure* – allocated	10,402	6,407	-	-	-	-	-	-	9,718	-	20,120	6,407
Capital expenditure* – unallocated											<u>1,529</u>	<u>625</u>
											<u>21,649</u>	<u>7,032</u>

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

5. REVENUE AND OTHER INCOME

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 operations during the year.

An analysis of revenue and other income is as follows:

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Gross rental income from investment properties	936	926
Interest income from money lending operations	5,250	278
Interest income from investments at fair value through profit or loss	1,152	–
Dividend income from investments at fair value through profit or loss	2,434	4,293
Loss on sale of investments at fair value through profit or loss, net*	(89,538)	(177,121)
Income from Chinese medicine clinic operations	1,682	–
	(78,084)	(171,624)
Other income		
Interest income on a convertible bond	–	444
Management fee income from an associate	226	4,761
Others	3,642	2,362
	3,868	7,567

* Represents the proceeds from the sale of investments at fair value through profit or loss of HK\$459,509,000 (2011: HK\$497,246,000) less the carrying amount of the investments sold of HK\$549,047,000 (2011: HK\$674,367,000).

6. LOSS BEFORE TAX

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Auditors' remuneration	1,638	1,588
Cost of inventories sold and consumerables	212	–
Employee benefit expense (excluding directors' remuneration):		
Salaries and allowances	4,281	1,662
Retirement benefit scheme contributions (defined contribution scheme)*	178	78
	<u>4,459</u>	<u>1,740</u>
Equity-settled share option expense in respect of share options granted to investment advisors for investment advisory services	–	5,696
Direct operating expenses arising on rental-earning investment properties	117	117
Direct expenses arising on non-rental-earning investment properties	198	957
Rental income on investment properties less direct operating expenses of HK\$117,000 (2011: HK\$117,000)	(819)	(809)
Loss on redemption of a convertible note	–	9,288
Write-off of items of property, plant and equipment, net	–	667
Impairment of a loan receivable	2,498	–
	<u><u>2,498</u></u>	<u><u>–</u></u>

* At 31 March 2012, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit scheme in future years (2011: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	965	1,744
Interest on other loan	–	400
	<u>965</u>	<u>2,144</u>

The Group's bank loans containing an on-demand clause have been classified as current liabilities. For the purpose of the above disclosure, the interest on such loans is disclosed as "Interest on bank loans wholly repayable within five years".

8. INCOME TAX

No provision for current Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2011: Nil).

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred and total tax credit for the year	<u><u>(1,045)</u></u>	<u><u>(457)</u></u>

9. DIVIDENDS

The directors do not recommend the payment of any dividends in respect of the year (2011: 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\$368,077,000 (2011: HK\$391,908,000), and the weighted average number of ordinary shares of 4,236,749,817 (2011: 689,295,820 (restated)) in issue during the year, as adjusted to reflect the rights issue during the current year. The basic loss per share amount for the prior year has been adjusted to reflect the consolidation of shares during the prior year and the rights issue during the current and prior years.

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2012 in respect of a dilution as the impact of the warrants outstanding during the year had an anti-dilutive effect on the basic loss per share amount presented. 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 issue during that year.

11. LOANS RECEIVABLE

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

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	<u><u>71,909</u></u>	<u><u>11,050</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Board announces that the Group has made a loss before tax of approximately HK\$369.1 million for the year ended 31 March 2012. The loss is mainly attributable to loss on sale of investments at fair value through profit or loss and fair value losses arisen from equity investments at fair value through profit or loss as at the fiscal year end date.

The Company is an investment holding company with its subsidiaries engaging in the following major lines of business:

a) Real Estate Investments

The Group owned certain commercial properties in North Point and a luxury residential property in Stanley. During this fiscal year, the Group entered into an agreement with an independent third party to dispose of one of its commercial properties in cash of approximately HK\$117.0 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 investments amounted to HK\$106.1 million as at 31 March 2012.

b) Investments 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\$89.5 million for the year ended 31 March 2012. Besides, there are fair value losses on investments at fair value through profit or loss of approximately HK\$255.0 million in the same period.

c) Money Lending Business

The Group's money lending business segment generated positive result for the year ended 31 March 2012. The Company has taken a more cautious approach in this line of business and subsequently the exposure has relatively reduced as compared to the previous year.

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 the last interim report, it was mentioned that management was considering the application of an internet lottery business license by increasing its investment in the PRC Company. However, this plan has been placed on hold pending the assessment by management of the future prospect of this business.

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 started for about a year and the turnover is generally increasing. Although the operation is still not making positive contribution to the Group, management believes that the outlook of the Chinese medicine business is buoyant as Chinese medicine is gaining popularity especially among the younger generation.

PROSPECT

The global economy is increasingly unstable as threatened by Europe's debt crisis. The US economic data are mixed and future pace of economic recovery is uncertain. The Group expects the coming fiscal year to be challenging and the market condition is expected to slow down as compared to the previous year. Management will take a cautious approach in its future growth.

Subsequent to the fiscal year end, on 8 June 2012, an indirect wholly-owned subsidiary of the Company has conditionally acquired a company for a cash consideration of HK\$50.0 million. The principal asset of the acquired company is the 50% interest in the concession rights and interests in three parcels of forest land of approximately 36,737 Chinese Mu in the Yunnan Province of the PRC. Management believes that this acquisition provides the Group with a good opportunity to diversify into other business areas and participate in forest harvesting and timber processing.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2012, the Group's total assets and borrowings were HK\$1,057,161,000 and HK\$35,294,000, 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 3%. As at 31 March 2012, investment properties amounted to HK\$103,700,000 were pledged to banks to secure certain loan facilities granted to the Group and investments in securities with carrying amount of HK\$478,298,000 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 a guarantee given to a bank in connection with facility granted to a subsidiary of approximately HK\$31,500,000 (2011: HK\$61,500,000).

CLOSURE OF REGISTER OF MEMBER

The register of members will be temporarily closed from 6 August 2012 to 8 August 2012, 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 registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by not later than 4:30 p.m. on 3 August 2012.

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 2012, 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 four independent non-executive directors of the Company. The Company's annual results for the year ended 31 March 2012 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 2012.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.heritage.com.hk>). The annual report for the year ended 31 March 2012 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 2012

As at the date of this announcement, the Company has 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.