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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 SUMMARISED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

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 2012 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 2012

		For the six months ended 30 September	
		2012	2011
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$’000	<i>HK\$’000</i> (Restated)
REVENUE	3	25,234	(16,638)
Other income		429	2,404
Changes in inventories and consumables used		(155)	(66)
Gains arising from changes in fair value of investment properties		5,300	2,800
Fair value losses on investments at fair value through profit or loss, net		(98,503)	(232,926)
Fair value gain on derivative financial instruments		861	–
Employee benefit expense		(5,179)	(5,135)

* *For identification purposes only*

		For the six months ended 30 September	
		2012	2011
		(Unaudited)	(Unaudited)
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
	Depreciation	(2,043)	(1,729)
	Minimum lease payments under operating leases in respect of land and buildings	(4,487)	(2,387)
	Losses on disposal of subsidiaries	–	(4,954)
	Other expenses	(11,438)	(8,354)
	Finance costs	(333)	(621)
	LOSS BEFORE TAX	(90,314)	(267,606)
	Income tax	–	–
	LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	<u>(90,314)</u>	<u>(267,606)</u>
	LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		(Restated)
	Basic	<u>HK\$(0.07)</u>	<u>HK\$(1.04)</u>
	Diluted	<u>HK\$(0.07)</u>	<u>HK\$(1.04)</u>

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	<u>(90,314)</u>	<u>(267,606)</u>

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2012

		30 September 2012 (Unaudited) <i>HK\$'000</i>	31 March 2012 (Restated) <i>HK\$'000</i>	1 April 2011 (Restated) <i>HK\$'000</i>
	<i>Notes</i>			
NON-CURRENT ASSETS				
Property, plant and equipment		11,023	13,052	6,047
Intangible asset	9	50,000	–	–
Investment properties		111,400	106,100	246,800
Available-for-sale investment		4,500	4,500	–
Rental deposit		700	700	–
Loans receivable		25,120	25,120	8,442
Deposits paid for purchases of items of property, plant and equipment		–	–	5,814
Investments at fair value through profit or loss	10	266,147	299,029	105,487
Total non-current assets		468,890	448,501	372,590
CURRENT ASSETS				
Inventories		135	137	–
Loans receivable		36,780	46,789	2,608
Investments at fair value through profit or loss	10	499,568	503,720	666,099
Derivative financial instruments		16,830	15,969	–
Prepayments, deposits and other receivables		8,275	3,297	6,293
Cash and cash equivalents		21,525	38,748	1,667
Total current assets		583,113	608,660	676,667
CURRENT LIABILITIES				
Other payables and accruals		3,722	5,293	11,204
Due to an associate		–	–	10,094
Interest-bearing bank borrowings		34,062	35,294	66,244
Total current liabilities		37,784	40,587	87,542
NET CURRENT ASSETS		545,329	568,073	589,125
Net assets		1,014,219	1,016,574	961,715

	30 September	31 March	1 April
	2012	2012	2011
	(Unaudited)	(Restated)	(Restated)
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	1,875	77,276	2,849
Reserves	1,012,344	939,298	958,866
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Total equity	<u>1,014,219</u>	<u>1,016,574</u>	<u>961,715</u>

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2012

		Attributable to equity holders of the parent							
							Available-for- sale investment		
<i>Note</i>	Issued capital (Unaudited) <i>HK\$'000</i>	Share premium account (Unaudited) <i>HK\$'000</i>	Share option reserve (Unaudited) <i>HK\$'000</i>	Capital redemption reserve (Unaudited) <i>HK\$'000</i>	Contributed surplus (Unaudited) <i>HK\$'000</i>	revaluation reserve (Unaudited) <i>HK\$'000</i>	Accumulated losses (Unaudited) <i>HK\$'000</i>	Total equity (Unaudited) <i>HK\$'000</i>	
At 1 April 2011									
	2,849	1,018,777	-	1,177	1,448,035	-	(1,512,868)	957,970	
Effect of adopting HKAS 12 Amendments	-	-	-	-	-	-	3,745	3,745	
	2,849	1,018,777	-	1,177	1,448,035	-	(1,509,123)	961,715	
Loss for the period and total comprehensive loss for the period (restated)									
	-	-	-	-	-	-	(267,606)	(267,606)	
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>(1,776,729)</u>	<u>694,109</u>	

Attributable to equity holders of the parent

Note	Available-for-sale investment							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	revaluation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	
At 1 April 2012								
As previously reported	77,276	1,368,311	-	1,177	1,448,035	20	(1,880,945)	1,013,874
Effect of adopting HKAS 12 Amendments	1	-	-	-	-	-	2,700	2,700
As restated	77,276	1,368,311	-	1,177	1,448,035	20	(1,878,245)	1,016,574
Loss for the period and total comprehensive loss for the period	-	-	-	-	-	-	(90,314)	(90,314)
Placement of new shares	882	87,185	-	-	-	-	-	88,067
Capital reorganisation	(76,542)	-	-	-	76,542	-	-	-
Warrants exercised	259	789	-	-	-	-	-	1,048
Share issue expenses	-	(2,443)	-	-	-	-	-	(2,443)
Equity-settled share option arrangements	-	-	1,287	-	-	-	-	1,287
Cancellation of equity-settled share option arrangements	-	-	(1,287)	-	-	-	1,287	-
At 30 September 2012	<u>1,875</u>	<u>1,453,842*</u>	<u>-*</u>	<u>1,177*</u>	<u>1,524,577*</u>	<u>20*</u>	<u>(1,967,272)*</u>	<u>1,014,219</u>

* These reserve accounts comprise the consolidated reserves of HK\$1,012,344,000 (31 March 2012: HK\$939,298,000 (restated)) in the interim consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2012

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS FROM/(USED IN):		
OPERATING ACTIVITIES	(52,649)	(44,625)
INVESTING ACTIVITIES	(50,014)	111,783
FINANCING ACTIVITIES	85,440	(1,698)
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(17,223)	65,460
Cash and cash equivalents at beginning of period	38,748	1,667
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CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>21,525</u>	<u>67,127</u>
	<hr/>	<hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>21,525</u>	<u>67,127</u>
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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, investments in securities, money lending, investment holding, Chinese medicine clinic operations and holding of certain rights and interests in respect of certain forest land.

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 2012, 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 2012.

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 2012, 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 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>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

Other than as further explained below regarding the impact of HKAS 12 Amendments, the adoption of the new and revised HKFRSs has had no material impact on the Group’s results of operations and financial position.

The principal effects of adopting the new and revised HKFRSs are as follows:

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis.

As a result of the change in accounting policy arising from amendments to HKAS 12, the Group now measures the deferred tax liability arising from the fair value changes of the investment properties in Hong Kong using the tax rate that would apply on recovery of the assets through sale, rather than through use prior to the adoption of these amendments. This change in accounting policy has been applied retrospectively and the effects of the adoption of the above amendments to the Group are summarised as follows:

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Consolidated income statement</i>		
Decrease in income tax expense and loss for the period attributable to equity holders of the parent	<u>875</u>	<u>462</u>
	<i>HK\$</i>	<i>HK\$</i>
Change in basic loss per share attributable to equity holders of the parent	<u>-</u>	<u>-</u>
Change in diluted loss per share attributable to equity holders of the parent	<u>-</u>	<u>-</u>
	30 September	31 March
	2012	2012
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
		1 April
		2011
		(Unaudited)
		<i>HK\$'000</i>
<i>Consolidated statement of financial position</i>		
Decrease in deferred tax liabilities and accumulated losses	<u>3,575</u>	<u>2,700</u>
		<u>3,745</u>

2. OPERATING SEGMENT INFORMATION

For management purposes, save as the acquisition of certain interest in certain rights and interests in respect of certain forest land, 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 period (six months ended 30 September 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 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, except for an intangible asset acquired during the current period as further detailed in note 9.

Operating segments

The following table presents revenue and results information for the Group's operating segments for the six months ended 30 September 2012 and 2011.

	Property investment		Investments in securities		Money lending		Investment holding		Chinese medicine clinic		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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	(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	510	748	20,414	(18,528)	2,992	474	-	-	1,318	668	25,234	(16,638)
Other income	-	-	420	2,404	9	-	-	-	-	-	429	2,404
Total	<u>510</u>	<u>748</u>	<u>20,834</u>	<u>(16,124)</u>	<u>3,001</u>	<u>474</u>	<u>-</u>	<u>-</u>	<u>1,318</u>	<u>668</u>	<u>25,663</u>	<u>(14,234)</u>
Segment results	<u>5,203</u>	<u>(2,538)</u>	<u>(78,773)</u>	<u>(249,123)</u>	<u>2,991</u>	<u>454</u>	<u>(1,781)</u>	<u>(23)</u>	<u>(3,183)</u>	<u>(2,990)</u>	<u>(75,543)</u>	<u>(254,220)</u>
Reconciliation:												
Unallocated expenses											(14,771)	(13,386)
Loss before tax											<u>(90,314)</u>	<u>(267,606)</u>

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; gain/(loss) on sale of investments at fair value through profit or loss, net; and income from Chinese medicine clinic operations earned during the period.

An analysis of revenue is as follows:

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Gross rental income from investment properties	510	748
Interest income from money lending operations	2,992	474
Interest income from investments at fair value through profit or loss	2,679	179
Dividend income from investments at fair value through profit or loss	3,523	1,326
Gain/(loss) on sale of investments at fair value through profit or loss, net	14,212	(20,033)
Income from Chinese medicine clinic operations	1,318	668
	<u>25,234</u>	<u>(16,638)</u>

4. FINANCE COSTS

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans wholly repayable within five years	<u>333</u>	<u>621</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".

5. LOSS BEFORE TAX

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

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold and consumables	155	66
Depreciation	2,043	1,729
Equity-settled share option expense in respect of share options granted to investment advisors for investment advisory services	1,287	–
Reversal of impairment of a loan receivable	(9)	–
	<u> </u>	<u> </u>

6. 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 period (six months ended 30 September 2011: Nil).

7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(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 ordinary equity holders of the parent of HK\$90,314,000 (six months ended 30 September 2011: HK\$267,606,000 (restated)); and (ii) the weighted average number of ordinary shares of 1,286,119,641 (six months ended 30 September 2011: 258,448,119 (restated)) in issue during the period, as adjusted to reflect the consolidation of shares during the current period. The basic loss per share amount for the prior period has been adjusted to reflect the rights issue during the prior year and the consolidation of shares during the current period.

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 September 2012 in respect of a dilution as the impact of the options and warrants outstanding during the period had an anti-dilutive effect on the basic loss per share amount presented. No adjustment was made to the basic loss per share amount presented for the six months ended 30 September 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during that period.

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 2011: Nil).

9. INTANGIBLE ASSET

Balance as at 30 September 2012 represented the cost of certain interest in certain concession rights and interests in respect of certain forest land located in the People's Republic of China acquired by the Group during the period. Further details of the acquisition are also set out in the Company's announcements dated 8 June 2012 and 28 June 2012.

10. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2012 (Unaudited) <i>HK\$'000</i>	31 March 2012 (Audited) <i>HK\$'000</i>
Non-current assets		
Unlisted investments, at fair value	112,800	112,800
Notes classified as financial assets at fair value through profit or loss, at fair value	147,205	169,941
Convertible notes classified as financial assets at fair value through profit or loss, at fair value	6,142	16,288
	<u>266,147</u>	<u>299,029</u>
Current assets		
Listed equity investments, at market value:		
Hong Kong	470,127	478,298
Elsewhere	29,441	25,422
	<u>499,568</u>	<u>503,720</u>

At the end of the reporting period, the Group's investments in listed equity securities with an aggregate carrying amount of approximately HK\$470,127,000 (31 March 2012: HK\$478,298,000) were pledged to certain financial institutions to secure certain margin financing facilities granted to the Group.

11. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Short term employee benefits	2,815	2,932
Post-employment benefits	29	29
Total compensation paid to key management personnel	<u>2,844</u>	<u>2,961</u>

12. COMPARATIVE AMOUNTS

As further explained in note 1 to the unaudited interim financial information, due to the adoption of new and revised HKFRSs during the current period, the accounting treatment of certain items and balances in the unaudited interim financial information has been revised to comply with the new requirements. Accordingly, certain prior year adjustment has been made and certain comparative amounts have been restated to conform with the current period's accounting treatment, and a third statement of financial position as at 1 April 2011 has been presented. In addition, certain comparative amounts have been reclassified to conform with the current period's presentation.

13. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of reporting period, the following significant events of the Group, not disclosed elsewhere in this unaudited interim financial information, took place:

- (a) On 5 October 2012, the Group entered into a conditional sale and purchase agreement (the "S&P Agreement") with Speedy Harvest Holdings Limited ("Speedy") (the "Vendor"), to purchase the entire issued capital of a wholly-owned subsidiary of Speedy, Global Castle Investments Limited ("Global Castle"), together with the assignment of the benefit of a shareholders' loan due therefrom to Speedy, for an aggregate cash consideration of HK\$800,000,000.

The completion of the S&P Agreement is still subject to, inter alia, (i) the approval of the shareholders of the Company, (ii) the completion of due diligence investigation on Global Castle and its subsidiaries (collectively the "Global Castle Group") including but not limited to (a) the financial, legal, accounting, business, taxation and trading positions and aspects of each member of Global Castle Group and (b) the title of each member of the Global Castle Group to its assets and its outstanding liabilities and obligations, (iii) the warranties given by the Group and Speedy under the S&P Agreement remaining true and accurate; and (iv) no material adverse change in the financial position, business or property, results of operations of the Global Castle Group as a whole having occurred. Further details of the acquisition are also set out in the Company's announcement dated 5 October 2012.

- (b) On 15 October 2012, the Company entered into a selling agreement ("Sell Agreement") with Freeman Securities Limited ("Freeman"). Pursuant to the Selling Agreement, Freeman agreed to sell a series of 5% unsecured seven-year straight bonds of an aggregate principal amount up to HK\$450 million to be issued by the Company during a 6-month selling period. Further details of the selling agreement are set out in the Company's announcement dated 15 October 2012.

14. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information was approved and authorised for issue by the board of directors on 29 November 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Board announces that the Group has made a loss before tax of approximately HK\$90.3 million for the six months ended 30 September 2012. The loss is mainly attributable to fair value losses arisen from equity investments at fair value through profit or loss as at the fiscal half 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 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 HK\$5.3 million during the six months period end. The value of the Group's property investments amounted to HK\$111.4 million as at 30 September 2012.

b) Investments in Listed Securities

The Group's securities portfolio has generated a gain on sale of investments at fair value through profit or loss of approximately HK\$14.2 million for the six months ended 30 September 2012. Due to prevailing volatile market conditions, the Group's securities portfolio has suffered from fair value losses on investments at fair value through profit or loss of approximately HK\$98.5 million in the same period.

c) Money Lending Business

The Group's money lending business segment continued to generate a positive result for the period concerned benefited from a more cautious approach taken by the Company in its lending policy.

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 management has decided to withdraw from this business segment permanently after a thorough assessment on the current development and future prospect of this business in the PRC.

e) Chinese Medicine Clinic operation

The Group has established the Hon Chinese Medicine Clinic (“the Clinic”) since 2011. Though the operation is yet to make a positive contribution to the Group due to keen competitions among other Chinese medicine clinics in the area, the management will dedicate more effort in promoting the Clinic to the general public in the vicinity. The management believes the turnover and return to the Group will steadily increase in the future.

f) Investment in Forest Interest in the PRC

On 8 June 2012, the Group entered into an agreement with an independent third party to acquire a company at a cash consideration of HK\$50 million. The principal asset of the acquired company is the 50% interest in the concession rights and interests in three parcels of forest land with a total site area of approximately 36,737 Chinese Mu (“mu”) in the Yunnan Province of the PRC. This transaction was completed on 11 September 2012 and no profit was contributed to the Group from the investment since its acquisition. The management believes that this acquisition offers the Group a good opportunity to diversify into business with good prospect and participate in forest harvesting and timber processing which may possibly enhance the Group’s income stream and overall profitability in the long run.

Prospect

Economic disruption, including possible recession in the US, the eurozone crisis and slowing growth in the PRC have taken a toll on the pace of global economic recovery. The coming months are expected to be tough and challenging and the management will continue to take a cautious approach in its future growth opportunity.

Subsequent to the fiscal half year end, on 5 October 2012, the Group entered into an agreement with an independent third party to acquire a company and its subsidiaries (collectively the “Target Group”) at a cash consideration of HK\$800 million. The Target Group owns certain forestland use rights in the Hebei Province of the PRC with a total area of approximately 63,035 mu, of which approximately 39,524 mu is planted with fruit trees. The transaction is still in progress and is subject to the shareholder’s approval at the special general meeting. The management considers that the acquisition provides the Group with an opportunity to diversify its business into fruit industry in the PRC.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2012, the Group's total assets and borrowings were approximately HK\$1,052.0 million and HK\$34.1 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 2012 was 3.2%. As at 30 September 2012, investment properties amounted to approximately HK\$108.9 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\$470.1 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 2012 (31 March 2012: 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

Throughout the six months ended 30 September 2012, the Company has complied with the code provisions as set out in the Corporate Governance Code (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") effective on 1 April 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.

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings of the Company. Three independent non-executive directors were unable to attend the special general meetings held on 12 June 2012 and 16 August 2012 and the annual general meeting held on 8 August 2012 ("AGM") due to overseas commitments or other prior business engagements.

Code Provision E.1.2 stipulates that the Chairman of the board should attend the annual general meeting of the Company. Dr. Kwong Kai Sing, Benny was unable to attend the AGM as he had an overseas commitment. Mr. Chow Chi Wah, Vincent, executive director and company secretary of the Company, was elected as the chairman of the AGM to ensure effective communication with shareholders of the Company at the AGM.

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 unaudited interim financial information for the six months ended 30 September 2012 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 2012.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the Stock Exchange’s website (www.hkex.com.hk) and the Company’s website (www.heritage.com.hk). The interim report for the six months ended 30 September 2012 will be published on the Stock Exchange’s website (www.hkex.com.hk) and the Company’s website (www.heritage.com.hk) and also to be dispatched to the shareholders of the Company in due course.

By Order of the Board
Heritage International Holdings Limited
Dr. Kwong Kai Sing, Benny
Chairman

Hong Kong, 29 November 2012

As at the date of this announcement, the Board comprises five executive Directors, being Dr. Kwong Kai Sing, Benny, Mr. Ong Peter, Ms. Poon Chi Wan, Mr. Chow Chi Wah Vincent and Dr. Wu Jian 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.