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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013**

The Board of Directors (the “Board”) of Heritage International Holdings Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2013 together with the comparative figures.

* *For identification purposes only*

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2013

		For the six months ended 30 September	
		2013	2012
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000 (Restated)
REVENUE	3	11,002	11,022
Other income		281	429
Changes in inventories and consumables used		(392)	(155)
Gain arising from changes in fair value of investment properties		–	5,300
Fair value gain/(loss) on investments at fair value through profit or loss		78,359	(84,291)
Fair value gain on derivative financial instruments		1,060	861
Employee benefit expenses		(5,162)	(5,179)
Depreciation		(3,219)	(2,043)
Amortisation			
– prepaid lease payments		(546)	–
– intangible assets		(8,327)	–
Minimum lease payments under operating leases in respect of land and buildings		(4,487)	(4,487)
Other expenses		(12,416)	(11,438)
Finance costs	4	(12,091)	(333)
PROFIT/(LOSS) BEFORE TAX	5	44,062	(90,314)
Income tax credit	6	2,082	–
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>46,144</u>	<u>(90,314)</u>
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			(Restated)
Basic	7	<u>HK1.84 cents</u>	<u>HK(6.74) cents</u>
Diluted	7	<u>HK1.84 cents</u>	<u>HK(6.74) cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**

For the six months ended 30 September 2013

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
PROFIT/(LOSS) FOR THE PERIOD	46,144	(90,314)
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising on translation of financial statements of foreign operations, net of tax	10,920	–
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	57,064	(90,314)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2013

		30 September 2013 (Unaudited) <i>HK\$'000</i>	31 March 2013 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		79,117	81,001
Prepaid lease payments	9	46,143	–
Intangible assets	10	875,100	–
Biological assets	11	71,991	–
Investment properties		44,800	44,800
Investment in jointly-controlled entities		–	–
Deposits paid for purchase of items of property, plant and equipment		931	108
Available-for-sale investment		4,600	4,600
Deposits		700	470,700
Loans receivable	12	–	24,800
Investments at fair value through profit or loss	13	112,800	112,800
		1,236,182	738,809
Total non-current assets			
CURRENT ASSETS			
Inventories		145	131
Loans receivable	12	230,117	83,863
Investments at fair value through profit or loss	13	379,528	212,540
Derivative financial instruments		18,851	17,791
Prepayments, deposits, interest and other receivables		5,767	12,744
Cash and cash equivalents		8,619	6,023
		643,027	333,092
Total current assets			
CURRENT LIABILITIES			
Other payables and accruals		2,726	4,935
Borrowings	14	83,496	32,802
		86,222	37,737
Total current liabilities			
NET CURRENT ASSETS		556,805	295,355
TOTAL ASSETS LESS CURRENT LIABILITIES		1,792,987	1,034,164

		30 September 2013 (Unaudited) <i>HK\$'000</i>	31 March 2013 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
NON-CURRENT LIABILITIES			
Borrowings	14	307,131	–
Deferred tax liabilities		198,378	598
		<hr/>	<hr/>
Total non-current liabilities		505,509	598
		<hr/>	<hr/>
Net assets		1,287,478	1,033,566
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Issued capital		2,819	1,877
Reserves		1,284,659	1,031,689
		<hr/>	<hr/>
Total equity attributable to owners of the Company		1,287,478	1,033,566
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2013

	Attributable to owners of the Company								
	Issued capital <i>(Unaudited)</i> <i>HK\$'000</i>	Share premium account <i>(Unaudited)</i> <i>HK\$'000</i>	Share option reserve <i>(Unaudited)</i> <i>HK\$'000</i>	Capital redemption reserve <i>(Unaudited)</i> <i>HK\$'000</i>	Contributed surplus <i>(Unaudited)</i> <i>HK\$'000</i>	Available- for-sale investment redemption reserve <i>(Unaudited)</i> <i>HK\$'000</i>	Translation reserve <i>(Unaudited)</i> <i>HK\$'000</i>	Accumulated losses <i>(Unaudited)</i> <i>HK\$'000</i>	Total equity <i>(Unaudited)</i> <i>HK\$'000</i>
At 1 April 2012	77,276	1,368,311	-	1,177	1,448,035	20	-	(1,878,245)	1,016,574
Loss 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	-	-	-	-
Exercise of warrants	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>-</u>	<u>(1,967,272)</u>	<u>1,014,219</u>
At 1 April 2013	1,877	1,454,366	-	1,177	1,524,577	120	-	(1,948,551)	1,033,566
Profit for the period	-	-	-	-	-	-	-	46,144	46,144
Other comprehensive income for the period:									
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	-	-	13,610	-	13,610
Deferred tax effect on exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	-	-	(2,690)	-	(2,690)
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,920</u>	<u>46,144</u>	<u>57,064</u>
Rights issue	940	201,104	-	-	-	-	-	-	202,044
Exercise of warrants	2	453	-	-	-	-	-	-	455
Share issue expenses	-	(5,651)	-	-	-	-	-	-	(5,651)
At 30 September 2013	<u>2,819</u>	<u>1,650,272</u>	<u>-</u>	<u>1,177</u>	<u>1,524,577</u>	<u>120</u>	<u>10,920</u>	<u>(1,902,407)</u>	<u>1,287,478</u>

Note:

- (a) Share premium account represents the excess of proceeds received over the nominal value of the Company's shares issued, less share issue expenses. Pursuant to the Companies Act of Bermuda, the Company's share premium account may be distributed in the form of fully paid bonus shares.
- (b) Capital redemption reserve arose from the reduction of the nominal value of the issued capital of the Company upon the cancellation of the repurchased shares.
- (c) Contributed surplus arose from capital reorganisation in previous years. Under the Companies Act of Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.
- (d) Available-for-sale investment redemption reserve comprises the cumulative net changes in fair value of available-for-sale investment held at the end of the reporting period.
- (e) Translation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements of foreign operations.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2013

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH FLOWS FROM/(USED IN):		
OPERATING ACTIVITIES	(216,793)	(52,649)
INVESTING ACTIVITIES	(324,571)	(50,014)
FINANCING ACTIVITIES	543,870	85,440
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,506	(17,223)
Cash and cash equivalents at beginning of period	6,023	38,748
Effect of foreign exchange rate changes	90	—
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>8,619</u>	<u>21,525</u>
	<hr/>	<hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and bank balances	<u>8,619</u>	<u>21,525</u>
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2013

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

Corporate information

Heritage International Holdings Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The principal place of business of the Company is located at 29th Floor, China United Centre, 28 Mable Road, North Point, Hong Kong.

During the period, the Company continues to act as an investment holding company and its subsidiaries (together with the Company, collectively referred to as the “Group”) continue to involve primarily in property investment, investments in securities, money lending and Chinese medicine clinic operations. Following the completion of the acquisition (the “Acquisition”) of Global Castle Investments Limited (“Global Castle”) and its subsidiaries (collectively referred to as “Global Castle Group”) on 5 April 2013, the Group was newly involved in management of the forestlands (the “Forestlands”). Details of the Acquisition are set out in note 15.

The unaudited interim condensed consolidated financial statements are presented in Hong Kong Dollar (“HKD”), which is the same as the functional currency of the Company and all values are rounded to the nearest thousands except when otherwise indicated.

Basis of preparation

The unaudited interim condensed consolidated financial statements, which comprise the condensed consolidated statement of financial position as at 30 September 2013, and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended, and explanatory information, have 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.

The unaudited interim condensed consolidated financial statements do 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 2013.

Significant accounting policies

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2013, 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 ("New and Revised HKFRSs") issued by the HKICPA for the first time, which are effective beginning from 1 April 2013, and the addition of accounting policies for biological assets, favourable lease asset and prepaid lease payments, following the Acquisition. Details are as follows:

Adoption of New and Revised HKFRSs

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 cycle
HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – INT 20	Stripping Costs in the Production Phase of a Surface Mine.

Except as described below, the application of New and Revised HKFRSs in the current interim period has no material effect on the amounts reported in these unaudited interim condensed consolidated financial statements and/or disclosures set out in these unaudited interim condensed consolidated financial statements.

HKFRS 10 “Consolidated Financial Statements”

HKFRS 10 replaces the requirements in HKAS 27 “Consolidated and Separate Financial Statements” relating to the preparation of consolidated financial statements and HK(SIC)-Int 12 “Consolidation – Special Purpose Entities”. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities at 1 April 2013.

HKFRS 11 “Joint Arrangements”

HKFRS 11 replaces HKAS 31 “Interests in joint ventures”, and the guidance contained in a related interpretation, HK(SIC)-Int 13 “Jointly controlled entities – Non-monetary contributions by venturers”, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group’s investment in joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that Group’s investments which were classified as jointly controlled entities under HKAS 31 and should be classified as joint ventures under HKFRS 11 and continue to apply the equity method.

HKFRS 12 “Disclosure of interest in other entities”

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity’s interests in subsidiaries and joint arrangements. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

HKFRS 13 “Fair Value Measurement”

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for “fair value” and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

Amendments to HKAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Annual Improvements to HKFRSs 2009 – 2011 Cycle

The Group has applied the amendments to HKAS 34 “Interim Financial Reporting” and the amendments to HKAS 1 “Presentation of Financial Statements” as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle for the first time in the current interim period. Details are as follows:

Amendments to HKAS 34 “Interim Financial Reporting”

The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (“CODM”) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the CODM reviews assets and liabilities of the Group’s reportable segments for performance assessment and resource allocation purposes, the Group includes total assets and total liabilities information as part of segment information.

Amendments to HKAS 1 “Presentation of Financial Statements”

The amendment to HKAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position as at the beginning of the preceding period must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented. From the current period onwards, the Group decides to change the presentation of gain/loss on sale of investments at fair value through profit or loss, details of which are set out below. Since the change in presentation does not have any effect on the condensed consolidated statement of financial position, the opening statement of financial position as at the beginning of the preceding period is not presented.

Change in presentation of gain/loss on sale of investments at fair value through profit or loss

Previously, the Group presented the gain/loss on sale of investments at fair value through profit or loss as revenue in the consolidated income statement. From the current period onwards, the directors of the Company decided to reclassify gain/loss on sale of investments at fair value through profit or loss from revenue to fair value gain/loss on investments at fair value through profit or loss. The change in presentation of gain/loss on sale of investments at fair value through profit or loss would provide more relevant information about the Group’s operations. The comparative figures have been restated to conform to the revised presentation. There is no impact to the results and the financial position of the Group for both periods stated herein.

Additional accounting policies following the Acquisition

Following the Acquisition, the Group has adopted the following additional accounting policies:

Favourable lease asset

Favourable lease asset is recognised when the terms of the operating lease are favourable relative to market terms, in accordance with HKFRS 3 “Business Combinations”. Favourable lease asset is recognised as an intangible asset and amortised on the straight-line basis over the remaining lease terms.

Prepaid land lease payments under operating leases

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Biological assets

Biological assets predominately consist of various standing fruit trees that are attached to the Forestlands. The forest establishment and maintenance expenses are charged to profit or loss in the period in which they are incurred.

Biological assets are measured at fair value less costs to sell at the date of initial recognition and at the end of each reporting period and the gain or loss arising from the changes in fair value less costs to sell of the biological assets is recognised in profit or loss in the period in which it arises.

If an active market exists for standing fruit tree with reference to the distribution of the Forestlands area by age-class, land tenure, forest health, expected growth and yield of the tree crops, the quoted price in that market is adopted for determining the fair value of that asset. If an active market does not exist, the Group uses the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the transaction date and the end of reporting period, or the market prices for similar assets adjusted to reflect differences to determine fair values or as determined by independent professional valuers. If the market-determined prices or values of biological assets are not available and the alternative estimates of fair values of biological assets are determined to be clearly unreliable subsequent to the initial recognition, in that case, the biological assets shall be measured at cost less accumulated depreciation and any accumulated impairment losses.

Significant accounting judgements and estimates

Following the Acquisition, in addition to the significant accounting judgements and estimates as detailed in the annual financial statements for the year ended 31 March 2013, the management has made additional key assumptions and key sources of estimate uncertainty at the end of the interim period that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current and the next financial years. Details are described below:

Impairment of goodwill (included in intangible assets)

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Valuation of biological assets and favourable lease asset (included in intangible assets)

The Group's biological assets and favourable lease asset are stated at fair value less costs to sell, and at initial fair value on recognition and subsequently stated at cost less accumulated amortisation and accumulated impairment, if any, respectively. In determining the fair value of favourable lease asset, it is assumed that the fair values of biological assets attached to the Forestlands together with the fair value of lease assets in relation to land portion of the Forestlands form the entire fair value of the Forestlands. The excess portion of the fair value of lease assets over the carrying amount of prepaid lease payments at the date of acquisition represents the fair value of favourable lease asset. The professional valuer has applied comparable sales method (the "Comparable Sales Approach") to determine both the fair value of biological assets and the entire fair value of the Forestlands. The Comparable Sales Approach uses the present prices recently paid for similar assets with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative. Details of key assumptions to determine the fair value of the favourable lease asset and the fair value of biological assets are set out in note 10 and 11 respectively. Any changes in the estimates and assumptions may affect the fair value of biological assets significantly and the amount of any impairment loss on favourable lease asset. The management reviews the assumptions and estimates periodically to identify any significant change in the fair value of biological assets and any material impairment loss on favourable lease asset.

Estimated useful lives of favourable lease asset (included in intangible assets) and prepaid lease payments

The Group determines the estimated useful lives of favourable lease asset and prepaid lease payments and their corresponding amortisation charges. Amortisation are charged to profit or loss on a straight-line basis. This estimate is based on the remaining lease periods of the forest right certificates issued by the Forest Bureau of Qinglong Manchu Autonomous County ("Qinglong") of the People's Republic of China (the "PRC"). The Group will increase amortisation charges of favourable lease asset and prepaid lease payments where useful lives of favourable lease asset and prepaid lease payments are less than previously estimated lives. Actual economic lives may differ from the estimated useful lives. Periodic review could result in change in amortisable lives and therefore amortisation charge in the future periods.

2. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the CODM. For the six months ended 30 September 2012 and for the year ended 31 March 2013, the Group had five reportable operating segments. Following the Acquisition and from the current period onwards, the Group has an additional reportable operating segment, being the management of the Forestlands segment. Details are 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;
- (v) the Chinese medicine clinic segment engages primarily in Chinese medicine clinic operations in Hong Kong; and
- (vi) the management of the Forestlands segment engages primarily in management of the Forestlands located in Qinglong of the PRC.

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 profit/loss before tax except that unallocated expenses are excluded from such measurement.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than available-for-sale investment, investments in jointly-controlled entities and unallocated corporate assets. Goodwill is allocated to the management of the Forestlands segment as described in note 10; and
- all liabilities are allocated to reportable segments other than current and deferred tax liabilities, and unallocated corporate liabilities.

	Property investment		Investments in securities		Money lending		Investment holding		Chinese medicine clinic		Management of the Forestlands		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		For the six months ended 30 September	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:														
(restated)														
Revenue from external customers	1,133	510	3,563	6,202	4,993	2,992	-	-	1,313	1,318	-	-	11,002	11,022
Other income	-	-	279	420	-	9	2	-	-	-	-	-	281	429
Total	<u>1,133</u>	<u>510</u>	<u>3,842</u>	<u>6,622</u>	<u>4,993</u>	<u>3,001</u>	<u>2</u>	<u>-</u>	<u>1,313</u>	<u>1,318</u>	<u>-</u>	<u>-</u>	<u>11,283</u>	<u>11,451</u>
Segment results	<u>(76)</u>	<u>5,203</u>	<u>80,852</u>	<u>(78,773)</u>	<u>1,392</u>	<u>2,991</u>	<u>(17)</u>	<u>(1,781)</u>	<u>(3,067)</u>	<u>(3,183)</u>	<u>(10,343)</u>	<u>-</u>	<u>68,741</u>	<u>(75,543)</u>
Reconciliations:														
Unallocated finance costs													(11,028)	-
Unallocated expenses													(13,651)	(14,771)
Profit/(loss) before tax													<u>44,062</u>	<u>(90,314)</u>

The following is an analysis of the Group's assets and liabilities by reportable operating segments:

	30 September	31 March
	2013	2013
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Segment assets:		
Property investment	45,062	44,989
Investment in securities	492,426	335,590
Money lending	233,720	109,913
Investment holding	3	470,011
Chinese medicine clinic	25,060	25,054
Management of the Forestlands	1,001,025	–
	<hr/>	<hr/>
	1,797,296	985,557
Available-for-sale investment	4,600	4,600
Unallocated assets	77,313	81,744
	<hr/>	<hr/>
Total assets	1,879,209	1,071,901
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities:		
Property investment	5,979	6,542
Investment in securities	35,495	–
Money lending	486	486
Investment holding	–	50
Chinese medicine clinic	60	94
Management of the Forestlands	441	–
	<hr/>	<hr/>
	42,461	7,172
Deferred tax liabilities	198,378	598
Unallocated liabilities	350,892	30,565
	<hr/>	<hr/>
Total liabilities	591,731	38,335
	<hr/> <hr/>	<hr/> <hr/>

Geographical information

The Group's operations are mainly located in Hong Kong and other parts of the PRC. All segments are carried out in Hong Kong except for the management of the Forestlands that is carried out in other parts of the PRC. The Group's revenue is substantially derived from its external customers in Hong Kong. The geographical location of the non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, prepaid lease payments, favourable lease asset included in intangible assets, biological assets, and investment properties, and the location of the operation to which they are allocated, in the case of goodwill included in intangible assets, deposits paid for purchase of items of property, plant and equipment, deposits and loans receivable. The information about the Group's non-current assets by geographical location of the assets are set out below:

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Hong Kong (place of domicile)	123,718	151,409
Other parts of the PRC	995,064	470,000
	1,118,782	621,409

Note: Non-current assets exclude investments in jointly-controlled entities, available-for-sale investment and investments at fair value through profit or loss.

3. REVENUE

Revenue, which is also the Group's turnover, represents gross rental income received and receivable; interest income earned from money lending operations; dividend and interest income from investments at fair value through profit or loss; 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	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000 (Restated)
Gross rental income	1,133	510
Interest income from money lending operations	4,993	2,992
Interest income from investments at fair value through profit or loss	72	2,679
Dividend income from investments at fair value through profit or loss	3,491	3,523
Income from Chinese medicine clinic operations	1,313	1,318
	11,002	11,022

4. FINANCE COSTS

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years (<i>note</i>)	296	333
Interest on margin loans	991	–
Amortised interest on bonds	10,804	–
	<hr/>	<hr/>
	12,091	333
	<hr/> <hr/>	<hr/> <hr/>

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

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold and consumables used	392	155
Employee benefit expenses (including directors' remuneration):		
Directors' remuneration:		
– Fee	–	–
– Salaries, allowances and benefits in kind (excluding an estimated value of a director's quarter plus the related charges borne by the Group totaling HK\$1,015,000 (2012: nil))	2,513	2,815
– Retirement benefit scheme contributions (defined contribution scheme)	26	29
	<hr/> 2,539 <hr/>	<hr/> 2,844 <hr/>
Other staff's costs:		
– Salaries and allowances	2,511	2,233
– Retirement benefit scheme contributions (defined contribution scheme)	112	102
	<hr/> 2,623 <hr/>	<hr/> 2,335 <hr/>
Total employee benefit expenses	<hr/> 5,162 <hr/>	<hr/> 5,179 <hr/>
Equity-settled share option expenses in respect of share options granted to an investment advisor for investment advisory services	–	1,287
Impairment loss/(reversal of impairment loss) of loans receivable	3,600	(9)
Net foreign exchange loss	215	–
Gross rental income from investment properties	(125)	(510)
Direct operating expenses arising on rental-earning investment properties	12	60
	<hr/> (113) <hr/>	<hr/> (450) <hr/>
Direct operating expenses arising on non-rental-earning investment properties	<hr/> 50 <hr/>	<hr/> 102 <hr/>

6. INCOME TAX

Income tax recognised in profit or loss

	For the six months ended 30 September	
	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
Current tax	—	—
Deferred tax credit	<u>2,082</u>	—
Total income tax credit recognised in profit or loss	<u><u>2,082</u></u>	<u><u>—</u></u>

No provision for Hong Kong Profits Tax was made for the six months ended 30 September 2013 as the Group either had no assessable profits arising in Hong Kong or the assessable profits for the period were wholly absorbed by tax losses brought forward (six months ended 30 September 2012: nil). No provision for PRC Enterprise Income Tax was made for the six months ended 30 September 2013 as the Group had no assessable profits derived in the PRC in the current period (six months ended 30 September 2012: nil).

Income tax recognised in other comprehensive income

	For the six months ended 30 September	
	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
Deferred tax charge:		
– exchange difference arising on translation of financial statements of foreign operations	<u>2,690</u>	—
Total income tax charged to other comprehensive income	<u><u>2,690</u></u>	<u><u>—</u></u>

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic earnings/(loss) per share

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Profit/(loss) for the purpose of calculation of basic earnings/(loss) per share attributable to owners of the Company	<u>46,144</u>	<u>(90,314)</u>
	Number of shares (Restated)	
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings/(loss) per share for the period (note)	<u>2,513,523,909</u>	<u>1,340,848,136</u>

Note: The weighted average number of ordinary shares in issue for the six months ended 30 September 2012 was adjusted to reflect the rights issue during the current period.

(b) Diluted earnings/(loss) per share

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
	Number of shares (Restated)	
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings/(loss) per share for the period	<u>2,513,523,909</u>	1,340,848,136
Effect of dilutive potential ordinary shares:		
Warrants	<u>865,556</u>	—
Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share	<u>2,514,389,465</u>	<u>1,340,848,136</u>

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 September 2012 in respect of a dilution as the impact of the warrants outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

8. DIVIDEND

The Board of the Company does not recommend the payment of any interim dividend in respect of the current period (six months ended 30 September 2012: nil).

9. PREPAID LEASE PAYMENTS

	(Unaudited) HK\$'000
Leasehold land in the PRC under medium-term lease:	
At 1 April 2013	–
Acquisition of subsidiaries (<i>note 15</i>)	47,128
Amortisation during the period	(546)
Exchange realignment	647
	<hr/>
At 30 September 2013	47,229
	<hr/> <hr/>
Analysed for reporting purposes as:	
Current assets, included in prepayments, deposits, interest and other receivables	1,086
Non-current assets	46,143
	<hr/>
	47,229
	<hr/> <hr/>

The Group's prepaid lease payments, acquired through the business combination of Global Castle Group, represent the land portion of the Forestlands use rights granted to Global Castle Group and are located in Qinglong of the PRC. The Forestlands use rights will expire in the year 2057. Usage of the Forestlands is regulated by the implementation regulations of the PRC Forest Law promulgated by the State Council of the PRC.

The prepaid lease payments are amortised on a straight-line basis over the remaining term of the lease of the Forestlands.

10. INTANGIBLE ASSETS

	Favourable lease asset (Unaudited) HK\$'000	Goodwill (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2013	–	–	–
Acquisition of subsidiaries (<i>note 15</i>)	722,900	148,635	871,535
Amortisation during the period	(8,327)	–	(8,327)
Exchange realignment	9,864	2,028	11,892
	<hr/>	<hr/>	<hr/>
At 30 September 2013	724,437	150,663	875,100
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) Favourable lease asset arising from the business combination of Global Castle Group represents the terms of the Forestlands use rights granted to Global Castle Group which are favourable relative to the market terms of the Forestlands use rights at the date of acquisition. Favourable lease asset is amortised on straight-line basis over the remaining term of the lease of the Forestlands as explained in note 9 above. The fair value of the favourable lease asset was determined based on an assumption that the fair values of biological assets attached to the Forestlands as determined in note 11 below together with the fair value of lease assets in relation to land portion of the Forestlands form the entire fair value of the Forestlands.

LCH (Asia-Pacific) Surveyors Limited (“LCH”) determined the fair values of the entire fair value of the Forestlands using the Comparable Sales Approach.

	(Unaudited) HK\$'000
The entire fair value of the Forestlands	841,050
Less: fair value of biological assets (<i>note 11</i>)	(71,022)
Less: prepaid lease payments (<i>note 9</i>)	(47,128)
	<hr/>
Fair value of favourable lease asset at date of acquisition	<u>722,900</u>

- (b) Goodwill was arising from the business combination of Global Castle Group and was allocated to the management of the Forestlands segment. Details of the Acquisition are set out in note 15.

11. BIOLOGICAL ASSETS

	(Unaudited) HK\$'000
At 1 April 2013	–
Acquisition of subsidiaries (<i>note 15</i>)	71,022
Exchange realignment	969
	<hr/>
At 30 September 2013	<u>71,991</u>

During the period, the Group acquired Global Castle Group which principally holds the Forestlands use rights in Qinglong of the PRC. The Forestlands had a total leasehold land base of 63,035.29 Chinese Mu (“mu”). All of the forestry ownership certificates were obtained from the Forest Bureau in Qinglong prior to the Acquisition.

Biological assets predominately consist of various standing fruit trees that are attached to the Forestlands. Pursuant to a forest survey report (the “Investigation Report”) prepared by an independent licensed forestry professionals and consultants in the PRC (the “Forest Survey Team”), there were 40,571.54 mu of the Forestlands planted with 4 major species of fruits (the “Relevant Biological Assets”), which about 33,653.66 mu planted with apricot trees, about 5,341.15 mu planted with hawthorn trees, about 990.65 mu planted with chestnut trees and about 586.08 mu planted with pear trees.

The Group’s biological assets are measured at fair value less costs to sell at the date of acquisition and at the end of the reporting period in accordance with HKAS 41 “Agriculture”. The fair values of the biological assets were determined with reference to the work performed by LCH. As advised by the Forest Survey Team, tree species other than the Relevant Biological Assets attached to the remaining areas of the Forestlands have no significant economic value. Accordingly, LCH determined the fair values of the Relevant Biological Assets as the fair values of the biological assets at the date of acquisition and at the end of the reporting period. There was no change in fair value of the biological assets during the period as there were no material physical changes noted on the Relevant Biological Assets during the period.

LCH determined the fair values of the Relevant Biological Assets using the Comparable Sales Approach which based on a special assumption (the “Special Assumption”) that Relevant Biological Assets could be sold in an active market which is not the case as neither Global Castle Group nor the Group had any licenses and approvals from the relevant authorities on out planting, cutting, logging, transplanting or selling the biological assets on piecemeal basis (hereinafter the “Relevant Licenses and Approvals”) at the date of acquisition and at the end of the reporting period. The Group will proceed to obtain the Relevant Licenses and Approvals. As of the date of this announcement, the Group has not obtained the Relevant Licenses and Approvals.

If the Group fails to obtain the Relevant Licenses and Approvals and the alternative estimates of fair value of the biological assets are either not available or determined to be clearly unreliable, the carrying amount of the biological assets may adversely affect. However, the management of the Group considers that no impairment is necessary as at 30 September 2013 as the Group considers that the Relevant Licenses and Approvals are not unobtainable.

In addition to the Special Assumption, the principal valuation methodology and assumptions adopted by LCH to value the fair values of the Relevant Biological Assets are as follows:

- the end product or the market being assessed are for inventory of standing trees;
- the number of each tree species considered in the valuation is based on the Investigation Report and was applied to the Relevant Biological assets as at the valuation dates;
- the prices for each tree species are homogenous and the average price for each species was used as valuation basis. LCH has also factored in the condition of the tree species such as their species, age and breast width; and

- prices for each species were taken from LCH’s on-site research and interview, official construction cost journals, local practitioners, and forestry products industry information in the PRC from various websites in the public domain. No allowances for transportation were considered as these costs are normally paid for by the buyer. However, the referenced prices adopted are after allowance for the uprooting and loading.

12. LOANS RECEIVABLE

Included in the balance of loans receivable as at 30 September 2013 is an aggregate original carrying amount of HK\$24,800,000 (31 March 2013: HK\$29,400,000) due from two borrowers (the “Loans”) which were secured by the pledge of certain collaterals including properties and shares in a private company. A portion of HK\$4,600,000 was classified as current portion while the remaining balance of HK\$24,800,000 was classified as non-current portion as at 31 March 2013. Pursuant to a loan participation agreement entered between the Group and a participant company (the “Participant”), the Participant agreed to arrange and provide to the Group a participation scheme in respect of the Loans in that the Participant irrevocably offers to the Group to participate in each of the Loans to the extent of 100% thereof in the consideration of HK\$24,800,000 (the “Participation”). In consideration of the Participant’s arrangement of the Participation, the Group shall pay an arrangement fee of HK\$3,600,000 and the interests on the Loans of HK\$400,000 to the Participant or its nominee. Accordingly, an impairment loss on loans receivable of HK\$3,600,000 was made in the condensed consolidated income statement for the six months ended 30 September 2013 and the aggregate carrying amount of the Loans was reduced to HK\$21,200,000 and was classified as current portion as at 30 September 2013.

13. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2013 (Unaudited) HK\$’000	31 March 2013 (Audited) HK\$’000
Non-current assets		
Unlisted investments, designated at fair value through profit or loss	112,800	112,800
Current assets		
Held-for-trading listed equity investments, at fair value:		
Hong Kong	344,393	180,619
Elsewhere	35,135	31,921
	379,528	212,540

At the end of the reporting period, the Group’s investment in listed equity securities with an aggregate carrying amount of approximately HK\$344,393,000 (31 March 2013: HK\$180,619,000) were pledged to certain financial institutions to secure certain margin financing facilities granted to the Group. Details are set out in note 14.

14. BORROWINGS

	Range of effective interest rates	Maturity*	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Interest-bearing bank borrowings:				
– portion of bank loans due for repayment within one year	1.7% – 2.4%	2013 – 2014	2,572	2,473
– portion of bank loans due for repayment after one year which contain a repayment on demand clause	1.7% – 2.4%	2014 – 2029	28,967	30,329
Margin loans repayable on demand	9.3% – 12.0%	N/A	35,495	–
Bonds due for repayment within one year	6.0% – 6.4%	2013 – 2014	16,462	–
Bonds due for repayment after one year	6.0% – 6.4%	2014 – 2020	307,131	–
			390,627	32,802
Less: amount classified as current liabilities			(83,496)	(32,802)
Amount classified as non-current liabilities			307,131	–
Analysed as:				
Secured			67,034	32,802
Unsecured			323,593	–
			390,627	32,802

* The maturity denotes the year when the last instalment of the borrowings falls due which ignore the effect of any repayment on demand clause.

15. BUSINESS COMBINATIONS

On 5 April 2013, the Group acquired the entire share capital of Global Castle and the entire shareholder loan and other indebtedness due to Speedy Harvest Holdings Limited (the “Vendor”) owed by Global Castle Group pursuant to a sales and purchase agreement dated 5 October 2012 which was supplemented by a supplemental agreement dated 24 December 2012 between the Group and the Vendor, at a total consideration of HK\$800,000,000.

As a result of the Acquisition, the Group expects to diversify its business to capture the benefits from the trend of ecotourism in the PRC by utilising the Forestlands in Qinglong in the PRC whose rights to use were held by Global Castle Group at the date of acquisition. Goodwill of approximately HK\$148,635,000 arising from the Acquisition is attributable to the management of the Forestlands segment of the Group.

None of the goodwill recognised is expected to be deductible for income tax purposes. The following table summarises the consideration paid for the Acquisition and the amounts of assets acquired and liabilities assumed recognised at the date of acquisition, together with the fair value adjustments in relation to biological assets and favourable lease asset and their corresponding deferred tax effects at the date of acquisition.

	(Unaudited) HK\$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	974
Prepaid lease payments (<i>note 9</i>)	47,128
Biological assets (<i>note 11</i>)	5,236
Prepayments and other receivables	375
Cash and cash equivalents	6,599
Other payables and accruals	(461)
Loan from and amount due to the Vendor	(62,898)
	<hr/>
Total identifiable net liabilities of subsidiaries assumed	(3,047)
	<hr/>
Fair value adjustments on:	
Favourable lease asset, included in intangible assets (<i>note 10</i>)	722,900
Biological assets (<i>note 11</i>)	65,786
Deferred tax liabilities	(197,172)
	<hr/>
Total identifiable net assets	588,467
Loan from and amount due to the Vendor acquired by the Group	62,898
Goodwill (<i>note 10</i>)	148,635
	<hr/>
	800,000
	<hr/> <hr/>
Total consideration satisfied by:	
Cash consideration paid during the year ended 31 March 2013 and recognised as deposits as at 31 March 2013	470,000
Cash consideration paid during the current period	330,000
	<hr/>
	800,000
	<hr/> <hr/>
Net cash outflow arising on the Acquisition during the period:	
Cash consideration paid during the current period	330,000
Cash and cash equivalents acquired	(6,599)
	<hr/>
	323,401
	<hr/> <hr/>

Acquisition-related costs of approximately HK\$2,993,000 were charged to other expenses in the consolidated income statement for the year ended 31 March 2013. No acquisition-related costs were recognised during the six months ended 30 September 2013 (six months ended 30 September 2012: approximately HK\$384,000).

The determinations of fair values of favourable lease asset and biological assets at the date of acquisition are set out in note 10 and note 11 respectively.

During the current period, Global Castle Group had no revenue contributed to the Group since the Acquisition. The profit/(loss) per the condensed consolidated income statement for the six months ended 30 September 2013 includes a loss of approximately HK\$8,072,000 contributed by Global Castle Group over the same period. Had the Acquisition been completed on 1 April 2013, the condensed consolidated income statement would have included revenue of nil and loss of approximately HK\$8,072,000.

16. CAPITAL COMMITMENTS

The Group has the following capital commitments at the end of the reporting period:

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Contracted, but not provided for in the condensed consolidated financial statements:		
Leasehold land and buildings (<i>note</i>)	2,137	–
Office equipment	–	39
Leasehold improvement	–	69
Acquisition of subsidiaries	–	330,000
	<hr/> 2,137 <hr/>	<hr/> 330,108 <hr/>

Note: Pursuant to the sales and purchase agreement between the Group and the vendor of the leasehold land and buildings, upon completion, the title of the leasehold land and buildings would be transferred to a proposed incorporated subsidiary of the Company which has not yet been formed at the end of the reporting period and as at the date of this announcement.

17. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	For the six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	3,528	2,815
Post-employment benefits	26	29
	<hr/>	<hr/>
Total compensation paid to key management personnel	3,554	2,844
	<hr/> <hr/>	<hr/> <hr/>

18. COMPARATIVE AMOUNTS

As further explained in note 1, due to the reclassification of gain/loss on sale of investments at fair value through profit or loss from revenue to fair value gain/loss on investments at fair value through profit or loss, certain prior period comparative amounts have been reclassified and restated to conform to the current period's revised presentation.

19. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been reviewed by the Audit Committee of the Company and were approved and authorised for issue by the Board on 29 November 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Board announces that the Group has made a profit before tax of approximately HK\$44 million for the six months ended 30 September 2013. The profit is mainly attributable to the fair value gain arisen from equity investments at fair value through profit and loss for the six months ended 30 September 2013.

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

a) Real Estate Investment

The Group owned two commercial properties in North Point and Kowloon east. With the enhanced cool down measure of Buyer's Stamp Duty and Special Stamp Duty implemented by the Hong Kong Government since 2012, the property market in Hong Kong was stable for the six months ended 30 September 2013. Thus Group's property portfolio did not appreciate in value. The value of the Group's property investment stood at approximately HK\$44.8 million as at 30 September 2013.

b) Investment in Listed Securities

The Group's securities portfolio has a fair value gain on investments at fair value through profit or loss of approximately HK\$78.4 million for the six months ended 30 September 2013. Besides, there is a fair value gain on derivative financial instruments of approximately HK\$1.1 million in the same period.

c) Money Lending Business

The Group's wholly owned subsidiary engaged in money lending business segment recorded a positive result for the period concerned. The management will continue taking cautious approach in this line of business.

d) Chinese Medicine Clinic operation

The Group's operation in traditional Chinese Medicine industry through the operation of the Hon Chinese Medicine Clinic has run for approximately two years. The operation is still not making positive contribution to the Group due to keen competition in this market and inherent limitations and the turnover remains stable throughout the six months ended 30 September 2013. The management will continue to focus on promotion activities of the clinic and implement corresponding measures to increase the revenue and return to the Group in the future.

e) Investment in Forest Interest in the PRC

On 5 April 2013, the Company completed the acquisition of a group of companies of which the principal asset is forestland with a total area of 63,035.29 mu located in Qinglong Manchu Autonomous County of Hebei Province, the PRC. In October 2013, the company has applied through local Land Bureau to change 400 mu forestland to construction land. The Company has positioned forestry management business and ecotourism as one of its core businesses of the Group. Even though the forestry management business and ecotourism is still at its preliminary stage, the management is confident this line of business has a great potential to appreciate in long run.

Prospect

Although the US market has shown signs of gradual recovery, the economic outlook for the Greater China region is not anticipated to achieve a tremendous growth. The business environment is still challenging. However, with low gearing and solid financial position, the management will continue to take a cautious approach in its future growth in order to sustain in this uncertain economy.

The Company is in discussion with an independent third party regarding a possible investment in an instant noodle factory in Hebei, the People's Republic of China. As of the date of this announcement, no legally binding agreement or contract relating to such investment has been entered by the Company. In the event that any agreement or contract regarding the possible investment is entered into by the Company, the Company will make further announcement.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2013, the Group's total assets and borrowings were approximately HK\$1,879.2 million and HK\$390.6 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. The gearing ratio (total borrowings/total assets) at 30 September 2013 was 21%. As at 30 September 2013, investment properties and certain property, plant and equipment amounted to approximately HK\$41.8 million and HK\$70.9 million respectively 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\$344.3 million were pledged to certain financial institutes to secure margin financing facilities provided to the Group.

On 15 October 2012, the Company entered into a selling agreement (the "Selling Agreement") with Freeman Securities Limited ("Freeman"), pursuant to which Freeman agreed to sell a series of 5% unsecured seven-year straight bonds with an aggregate principal amount up to HK\$450 million to be issued by the Company during a 6-month selling period ended which was further extended to 30 June 2013. During the period, such straight bonds with an aggregate principal amount of HK\$350 million were issued.

During the period, the Company also issued a 5% unsecured seven-year straight bonds with principal amount of HK\$10 million to an independent third party.

On 9 May 2013, a rights issue of one rights share for every two existing shares held by members of the Company on the register of members on 9 May 2013 was made by the Company, at an issue price of HK\$0.215 per rights share, resulting in the issuance of 939,739,198 ordinary shares of the Company of HK\$0.001 each for a total consideration, before expenses, of approximately HK\$202 million. Further details of the rights issue are set out in the Company's prospectus dated 10 May 2013 and the Company's announcement date 4 June 2013.

CURRENCY RISK MANAGEMENT

The Group's transactions are mainly denominated in Hong Kong dollars and RMB. Therefore, the Group is exposed to exchange rate risk. The majority of the Group's cash and bank balances are also denominated in these two currencies. During the six months ended 30 September 2013, the Group did not experience significant exposure to exchange rate and interest rate fluctuations. Accordingly, the Group has not implemented any foreign currency hedging policy at the moment. However, the management of the Group will constantly review the economic situation, development of each business segment and the overall foreign exchange risk profile, and will consider appropriate hedging measures in the future when necessary.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2013 (31 March 2013: 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 2013, 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"), 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 annual general meeting held on 22 August 2013 ("AGM") due to overseas commitments or other prior business engagements.

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 condensed consolidated financial statements for the six months ended 30 September 2013 has been reviewed by the audit committee of the Company.

COMPLIANCE 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 2013.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to the disclosure requirement under Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors for the six months ended 30 September 2013 and up to the date of this announcement are set out as below:

Name of Director	Details of changes
Dr. Wu Jian	Resigned as executive Director of the Company with effective from 30 June 2013
Ms. Chen Wei	Appointed as executive Director of the Company with effective form 7 October 2013

Saved as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 2013 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 2013

As at the date of this announcement, the Board comprises four executive Directors, being Dr. Kwong Kai Sing, Benny, Mr. Ong Peter, Mr. Chow Chi Wah Vincent and Ms. Chen Wei 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.