



HERITAGE INTERNATIONAL HOLDINGS LIMITED

漢基控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 412)

ANNOUNCEMENT OF SUMMARISED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

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 2007 together with the comparative figures. This interim financial information has not been audited, but has been reviewed by the Company’s audit committee.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2007

		For the six months ended 30 September	
		2007	2006
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	3	674,396	248,658
Cost of sales and carrying amount of equity investments sold		<u>(605,280)</u>	<u>(211,101)</u>
Gross profit		69,116	37,557
Other income and gains		4,228	4,334
Gains/(losses) arising from changes in fair value of investment properties		3,600	(8,700)
Fair value losses on equity investments at fair value through profit or loss, net		(113,420)	(161,826)
Gains/(losses) on disposal of subsidiaries		3,319	(362)
General and administrative expenses		(9,436)	(13,320)
Other expenses		(3,993)	(47,018)
Finance costs	4	<u>(2,727)</u>	<u>(15,088)</u>
LOSS BEFORE TAX	5	(49,313)	(204,423)
Tax	6	<u>(630)</u>	<u>1,523</u>
LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>(49,943)</u>	<u>(202,900)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		(Restated)
Basic		<u>HK(1.13) cents</u>	<u>HK(10.57) cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

* For identification purposes only

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2007

	30 September 2007 (Unaudited) HK\$'000	31 March 2007 (Audited) HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	28,516	30,742
Investment properties	152,200	168,600
Available-for-sale investments	17,695	8,719
Loan receivable	–	1,000
	<hr/>	<hr/>
Total non-current assets	198,411	209,061
CURRENT ASSETS		
Investments at fair value through profit or loss	469,889	352,195
Loans receivable	45,400	296,850
Prepayments, deposits and other receivables	29,338	16,431
Cash and bank balances	567,180	127,695
	<hr/>	<hr/>
Total current assets	1,111,807	793,171
CURRENT LIABILITIES		
Other payables and accruals	5,781	37,374
Interest-bearing bank borrowings	9,269	9,274
Derivative financial instrument	1,050	557
Tax payable	1,270	1,270
	<hr/>	<hr/>
Total current liabilities	17,370	48,475
NET CURRENT ASSETS	<hr/> 1,094,437	<hr/> 744,696
TOTAL ASSETS LESS CURRENT LIABILITIES	<hr/> 1,292,848	<hr/> 953,757
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	81,963	100,108
Convertible notes	–	27,810
Deferred tax liabilities	8,453	8,353
	<hr/>	<hr/>
Total non-current liabilities	90,416	136,271
Net assets	<hr/> 1,202,432	<hr/> 817,486
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	592,223	348,270
Equity component of convertible notes	–	4,419
Reserves	610,209	464,797
	<hr/>	<hr/>
Total equity	<hr/> 1,202,432	<hr/> 817,486

NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

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

Corporate information

Heritage International Holdings Limited is a limited liability company incorporated in Bermuda.

During the period, the Group was primarily involved in property investment, investments in securities, money lending and investment holding.

Basis of preparation

The unaudited interim financial information, which comprises the condensed consolidated balance sheet of the Company as at 30 September 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and explanatory notes, 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 (“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 2007.

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 2007, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include HKASs and Interpretations) issued by the HKICPA for the first time for the current period’s unaudited interim financial information:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions

The adoption of these new and revised standards and interpretations has had no material effect on this unaudited interim financial information.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this unaudited interim financial information. The Group has already commenced an assessment of the potential impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

HKFRS 8	Operating Segments
HKAS 23 (Revised)	Borrowing Costs
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

HKFRS 8, HKAS 23 (Revised), HK(IFRIC)-Int 12, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 shall be applied for annual periods beginning on or after 1 January 2009, 1 January 2009, 1 January 2008, 1 July 2008 and 1 January 2008, respectively.

2. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments.

Summary details of the business segments are as follows:

- (i) the property investment segment engages primarily in the investments in commercial and residential properties for rental income potential and/or appreciation in values;
- (ii) the investments in securities segment engages in the purchase and sale of securities and the holding of equity investments primarily for interest income, dividend income and capital appreciation;
- (iii) the money lending segment engages in money lending operations; and
- (iv) the investment holding segment engages in holding investments for a continuing strategic or long term purpose, primarily for dividend income and capital appreciation.

Business segments

The following table presents revenue and results information for the Group's business segments for the six months ended 30 September 2007 and 2006.

	Property investment		Investments in securities		Money lending		Investment holding		Consolidated	
	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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000								
Segment revenue:										
Revenue from external customers	4,197	3,588	662,511	233,315	7,688	11,755	-	-	674,396	248,658
Other revenue and gains	3,600	-	-	-	-	-	3,319	3,934	6,919	3,934
Total	<u>7,797</u>	<u>3,588</u>	<u>662,511</u>	<u>233,315</u>	<u>7,688</u>	<u>11,755</u>	<u>3,319</u>	<u>3,934</u>	<u>681,315</u>	<u>252,592</u>
Segment results	<u>6,106</u>	<u>(8,148)</u>	<u>(56,770)</u>	<u>(149,005)</u>	<u>4,153</u>	<u>1,733</u>	<u>(344)</u>	<u>(33,027)</u>	<u>(46,855)</u>	<u>(188,447)</u>
Unallocated other income and gains									4,228	400
Unallocated expenses									(3,959)	(1,301)
Finance costs									<u>(2,727)</u>	<u>(15,075)</u>
Loss before tax									(49,313)	(204,423)
Tax									<u>(630)</u>	<u>1,523</u>
Loss for the period									<u>(49,943)</u>	<u>(202,900)</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 income from equity investments; and proceeds from sale of investments at fair value through profit or loss during the period.

An analysis of revenue is as follows:

	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Gross rental income from investment properties	4,197	3,588
Interest income from money lending operations	7,688	11,755
Dividend income from investments at fair value through profit or loss	2,252	2,294
Proceeds from sale of investments at fair value through profit or loss	660,259	231,021
	<u>674,396</u>	<u>248,658</u>

4. FINANCE COSTS

	For the six months ended 30 September	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank loans wholly repayable within five years	60	969
Bank loans not wholly repayable within five years	2,594	1,885
Convertible notes	93	12,247
Total interest	2,747	15,101
Less: Interest expense classified as cost of sales	(20)	(13)
Total finance costs for the period	<u>2,727</u>	<u>15,088</u>

5. LOSS BEFORE TAX

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

	For the six months ended 30 September	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation	2,087	2,124
Impairment of loans receivable*	3,500	10,000
Impairment of an available-for-sale investment*	–	11,560
Impairment of a loan to an investee company*	–	24,838
Loss on disposal of an investment property*	–	620
Fair value loss on a derivative financial instrument*	493	–
Fair value gain on a derivative financial instrument	–	(396)
Gain on disposal of an available-for-sale investment	–	(6,104)
Gain on disposal of items of property, plant and equipment	<u>(81)</u>	<u>–</u>

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

6. TAX

No provision for current Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (2006: Nil).

	For the six months ended 30 September	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Group:		
Deferred tax charge/(credit) – Hong Kong	<u>630</u>	<u>(1,523)</u>

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

(a) Basic loss per share

The calculation of basic loss per share amounts is based on (i) the loss for the period attributable to equity holders of the Company of HK\$49,943,000 (2006: HK\$202,900,000) and (ii) the weighted average number of 4,414,285,784 (2006 (restated): 1,919,731,142) ordinary shares in issue during the period, as adjusted to reflect the share consolidation of the Company during the period.

(b) Diluted loss per share

Diluted loss per share amounts for the six months ended 30 September 2007 and 2006 have not been disclosed, as the share options, warrants and convertible notes outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group made an after tax loss of approximately HK\$50 million mainly caused by unrealized loss of approximately HK\$113 million arisen from fair value losses on equity investments at fair value through profit or loss as at financial half year end. As the securities market price fluctuates from time to time, this loss may be reversed by financial year end.

The Group has the following major lines of business:

- a) **Real Estate Investment:** the three stories of office properties owned by the Group are fully leased and have generated a stable recurrent income. With the gradual increase in the office property rental market, it is expected the upcoming rental revision will further enhance the rental income of the Group.
- b) **Investments in Listed Securities:** the fair value losses on equity investments at fair value through profit or loss was HK\$113 million. This, however, maybe reversed by year end as the securities market fluctuates all the time.
- c) **Money Lending Business:** the money lending business continues to be profitable with a profit of around HK\$4 million net of provision. This line of business serves to provide reasonable return for the Group's surplus cash with manageable risk.
- d) **Investment in Advertising and Lottery related business in the People's Republic of China ("PRC"):** the Group has a 20% interest in a company engaging in advertising and lottery related business in the PRC (the "Joint Venture"). Other than the advertising business, the Joint Venture manages a few shops in Shanghai and Hangzhou which sell both lottery tickets as well as video lottery terminals. It is in active negotiation with one of the largest lottery products companies in the world to cooperate in its national expansion of lotteries selling outlets.

- e) Investment in Gaming Related Business in Macau: The negotiation with a Las Vegas style hotel casino for the provision of certain management services to the casino is still ongoing. It is hopeful that a definitive agreement can be reached as soon as practicable.

Prospect

Subsequent to the balance sheet date, the Company conducted a rights issue as well as certain corporate reorganization exercises with an aim to increase the capital base of the Company as well as to reduce transactional cost for trading in the Company's securities for all shareholders. As at fiscal half year end, the Group's cash resources stood at HK\$567 million. The Group therefore is in a very advantageous position to take on new business opportunities as and when they arise.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2007, the Group's total assets and borrowings were HK\$1,310.2 million and HK\$91.2 million respectively. The borrowings of the Group carried floating interest rates with reference to Hong Kong dollar prime rate and were made in Hong Kong dollar, and thus, there is no exposure to fluctuations in exchange rate. The gearing ratio (total borrowings/total assets) at 30 September 2007 was 7.0%. As at 30 September 2007, investment properties and a leasehold property amounted to HK\$152.2 million and HK\$18.7 million, respectively were pledged to banks to secure certain loan facilities granted to the Group and investment in securities with carrying amount of HK\$427.7 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 2007 (31 March 2007: Nil).

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

There was no purchase, redemption or sale of the Company's listed securities by the Company or any of its subsidiaries during the period.

EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

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

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 September 2007, except for the following deviations:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated 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. Mr. Kwong Kai Sing, Benny, assumes the roles of both the Chairman and Chief Executive Officer of the Company, and is in charge of the overall management of the Company. The Company considers that the combination of the roles of the Chairman and Chief Executive Officer can promote the efficient formulation and implementation of the Company's strategies which will enable the Group to grasp business opportunities efficiently and promptly. The Company considers that through the supervision of its Board and its independent non-executive directors, a balancing mechanism exists so that the interests of the shareholders are adequately and fairly represented.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for specific term, subject for re-election. None of the existing directors are appointed for specific term. However, all the directors shall be subject to retirement by rotation at the annual general meetings pursuant to the Company's Bye-laws (Code Provision A.4.2 stipulates that all directors appointed should be subject to retirement by rotation at least once every three years (the "Rotation Period Restriction")). As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group's financial reporting processes and internal controls. The audit committee comprises the five independent non-executive directors of the Company. The Company's unaudited interim financial information for the six months ended 30 September 2007 has been reviewed by the audit committee of the Company.

COMPILATION 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 2007.

PUBLICATION OF THE INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

All the information of the Company required by Paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) in due course.

As at the date of this report, the Company has five executive Directors, being Mr. Kwong Kai Sing, Benny, Ms. Lo Ki Yan, Karen, Mr. Ong Peter, Ms. Poon Chi Wan and Mr. Chow Chi Wah, Vincent, and five independent non-executive Directors, being Mr. Chan Sze Hung, Mr. To Shing Chuen, Mr. Ha Ki Choy, Eugene, Mr. Chung Yuk Lun and Mr. Lo Wong Fung.

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

Hong Kong, 21 December 2007