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HERITAGE INTERNATIONAL HOLDINGS LIMITED

漢基控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 412)

ANNOUNCEMENT OF SUMMARISED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

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 2009 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 2009

	Notes	For the six months ended 30 September	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
REVENUE	3	45,849	6,716
Other income and gains, net		463	3,040
Gains/(losses) arising from changes in fair value of investment properties		69,100	(16,100)
Fair value gains/(losses) on investments at fair value through profit or loss, net		74,978	(241,313)
Losses on disposal of subsidiaries, net		(37,231)	(6,909)
General and administrative expenses		(14,765)	(11,815)
Other expenses		–	(55,610)
Finance costs	4	(1,504)	(1,412)
Share of losses of jointly-controlled entities		(10,537)	–
PROFIT/(LOSS) BEFORE TAX	5	126,353	(323,403)
Tax	6	(11,508)	1,632
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>114,845</u>	<u>(321,771)</u>
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		<u>HK\$0.38</u>	<u>HK\$(1.28)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

* For identification only

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2009

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	114,845	(321,771)
Other comprehensive income/(loss) for the period:		
Exchange differences on translation of financial statements of foreign operation	<u>(47)</u>	<u>55</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>114,798</u>	<u>(321,716)</u>

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2009

	<i>Notes</i>	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		10,529	4,895
Investment properties		220,000	105,900
Interests in jointly-controlled entities		178,345	–
Available-for-sale investment		–	4,080
Loan receivable		–	3,302
Convertible bond – loan portion		2,515	2,556
Rental deposit		–	279
Deposits paid for purchase of items of property, plant and equipment		–	2,242
Investment at fair value through profit or loss	9	15,000	15,000
Total non-current assets		426,389	138,254
CURRENT ASSETS			
Loans receivable		–	402,188
Investments at fair value through profit or loss	9	748,372	346,389
Prepayments, deposits and other receivables		18,925	33,151
Tax recoverable		–	1,030
Cash and bank balances		43,089	29,473
Total current assets		810,386	812,231
CURRENT LIABILITIES			
Other payables and accruals		2,760	4,401
Interest-bearing bank borrowings		3,580	2,168
Amounts due to jointly-controlled entities	11(b)	106,695	–
Total current liabilities		113,035	6,569
NET CURRENT ASSETS		697,351	805,662
TOTAL ASSETS LESS CURRENT LIABILITIES		1,123,740	943,916
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		70,259	41,459
Deferred tax liabilities		11,454	52
Total non-current liabilities		81,713	41,511
Net assets		1,042,027	902,405

	<i>Notes</i>	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		30,677	25,577
Reserves		1,011,350	876,828
		<hr/>	<hr/>
Total equity		1,042,027	902,405
		<hr/> <hr/>	<hr/> <hr/>

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 2009

	Attributable to equity holders of the Company								
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Asset revaluation reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Available-for-sale investment revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 April 2008	213,167	694,592	1,177	3,046	1,029,780	440	-	(681,238)	1,260,964
Loss for the period	-	-	-	-	-	-	-	(321,771)	(321,771)
Exchange realignment	-	-	-	-	-	-	55	-	55
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	55	(321,771)	(321,716)
Disposal of subsidiaries	-	-	-	(3,046)	-	-	-	-	(3,046)
Placement of new shares	42,600	36,636	-	-	-	-	-	-	79,236
Share issue expenses	-	(1,981)	-	-	-	-	-	-	(1,981)
At 30 September 2008	<u>255,767</u>	<u>729,247</u>	<u>1,177</u>	<u>-</u>	<u>1,029,780</u>	<u>440</u>	<u>55</u>	<u>(1,003,009)</u>	<u>1,013,457</u>
At 1 April 2009	25,577	729,247	1,177	-	1,259,970	-	12	(1,113,578)	902,405
Profit for the period	-	-	-	-	-	-	-	114,845	114,845
Exchange realignment	-	-	-	-	-	-	(47)	-	(47)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(47)	114,845	114,798
Placement of new shares	5,100	20,400	-	-	-	-	-	-	25,500
Exercise of warrants	-	12	-	-	-	-	-	-	12
Share issue expenses	-	(688)	-	-	-	-	-	-	(688)
At 30 September 2009	<u>30,677</u>	<u>748,971*</u>	<u>1,177*</u>	<u>-*</u>	<u>1,259,970*</u>	<u>-*</u>	<u>(35)*</u>	<u>(998,733)*</u>	<u>1,042,027</u>

* These reserve accounts comprise the consolidated reserves of HK\$1,011,350,000 (31 March 2009: HK\$876,828,000) in the interim consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2009

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM:		
OPERATING ACTIVITIES	23,985	(120,636)
INVESTING ACTIVITIES	(65,405)	(110,055)
FINANCING ACTIVITIES	55,036	59,501
	<u> </u>	<u> </u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	13,616	(171,190)
Cash and cash equivalents at beginning of period	29,473	205,172
	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>43,089</u>	<u>33,982</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>43,089</u>	<u>33,982</u>

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. 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 and investment holding.

Basis of preparation

This unaudited interim financial information of Heritage International Holdings Limited, which comprises the consolidated statement of financial position as at 30 September 2009, 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 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 (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 2009.

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 2009, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, 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 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>

HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	<i>Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	<i>Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i>

Apart from the above, the HKICPA also issued *Improvements to HKFRSs** in October 2008, which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for the annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

* *Improvements to HKFRSs* contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The consolidated statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, this standard introduces the consolidated statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. Adoption of this standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14.

Except for the above, the adoption of these new and revised HKFRSs and amendments to HKFRSs has had no significant financial 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.

HKFRS 1 Amendments	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i> ²
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Group Cash-settled Share-based Payment Transactions</i> ²
HKFRS 3 (Revised)	<i>Business Combinations</i> ¹
HKFRS 5 Amendments	Amendments to HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> ¹
HKFRS 9	<i>Financial Instruments</i> ⁵
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ⁴
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ¹
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i> ³
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> ¹
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i> ¹

¹ Effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2010

³ Effective for annual periods beginning on or after 1 February 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

Apart from the above, the HKICPA have also issued, *Improvements to HKFRSs 2009* in May 2009 which set out amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16, which are effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2010, although there are separate transitional provisions for certain amendments.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

2. SEGMENT INFORMATION

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

Summary details of the operating segments 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 in money operations in Hong Kong; and
- (iv) the investment holding segment engages primarily in holding investments for a continuing strategic or long term purpose, primarily for dividend income and capital appreciation.

There were no material intersegment sales and transfers during the period (six months ended 30 September 2008: Nil).

Operating segments

The following table presents revenue and results information for the Group's operating segments for the six months ended 30 September 2009 and 2008.

	Property investment		Investments in securities		Money lending		Investment holding		Adjustments		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	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	(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	1,387	2,600	38,478	(14,357)	5,984	18,473	-	-	-	-	45,849	6,716
Other revenue and gains, net	-	-	123	1,750	-	250	268	-	-	-	391	2,000
Total	1,387	2,600	38,601	(12,607)	5,984	18,723	268	-	-	-	46,240	8,716
Results:												
Segment profit/(loss) before tax	61,553	(27,475)	113,427	(252,370)	(4,547)	(30,427)	(6,078)	(7,966)	(38,002) ¹	(5,165) ¹	126,353	(323,403)

¹ The profit/(loss) for each operating segment does not include finance costs of HK\$1,504,000 (six months ended 30 September 2008: HK\$1,412,000), losses on disposal of subsidiaries, net, of HK\$37,231,000 (six months ended 30 September 2008: HK\$6,909,000) nor loss on disposal of items of property, plant and equipment of HK\$404,000 (six months ended 30 September 2008: gain of HK\$92,000). The profit/(loss) for each operating segment includes share of losses of jointly-controlled entities of HK\$10,537,000 (six months ended 30 September 2008: Nil).

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 investments at fair value through profit or loss; and gain/(loss) on sale of investments at fair value through profit or loss, net, during the period.

An analysis of revenue is as follows:

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Gross rental income from investment properties	1,387	2,600
Interest income from money lending operations	5,984	18,473
Dividend income from investments at fair value through profit or loss	14,523	2,624
Gain/(loss) on sale of investments at fair value through profit or loss, net*	23,955	(16,981)
	<u>45,849</u>	<u>6,716</u>

* Represents the proceeds from the sale of investments at fair value through profit or loss of HK\$391,021,000 (2008: HK\$154,461,000) less the cost of sales and carrying amount of the investments sold of HK\$367,066,000 (2008: HK\$171,442,000).

4. FINANCE COSTS

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank loans not wholly repayable within five years	1,027	1,412
Amount due to a jointly-controlled entity (note 11(a))	477	–
	<u>1,504</u>	<u>1,412</u>

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	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	1,828	1,898
Impairment of loans receivable*	–	18,224
Impairment of loan interest receivables*	–	3,374
Impairment of an available-for-sale investment*	–	4,836
Write-off of loans receivables*	–	27,550
Fair value loss on derivative financial instruments*	–	1,626
Loss/(gain) on disposal of items of property, plant and equipment	404	(92)

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

6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	106	–
Underprovision in prior periods	–	1,024
Deferred	11,402	(2,656)
Total tax charge/(credit) for the period	11,508	(1,632)

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share amounts for the period is based on (i) the profit for the period attributable to ordinary equity holders of the Company of HK\$114,845,000 (six months ended 30 September 2008: loss of HK\$321,771,000) and (ii) the weighted average number of 299,243,190 (six months ended 30 September 2008: 250,851,407) ordinary shares in issue during the period.

(b) Diluted earnings/(loss) per share

No diluted earnings per share is presented for the six months ended 30 September 2009 as the Company had no diluting events existed during the period. Diluted loss per share amount for the six months ended 30 September 2008 has not been disclosed, as the warrants outstanding during that period had an anti-dilutive effect on the basic loss per share for 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 2008: Nil).

9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
Non-current asset		
Unlisted investment, at fair value	15,000	15,000
Current assets		
Listed equity investments, at market value:		
Hong Kong	667,169	246,565
Elsewhere	30,346	14,022
	697,515	260,587
Convertible notes, at fair value	50,857	85,802
	748,372	346,389

At the statement of financial position date, the Group's investments in certain listed equity securities were pledged to certain financial institutions to secure certain margin financing facilities provided to the Group.

10. DISPOSAL OF SUBSIDIARIES

On 8 June 2009, the Group entered into a conditional sale and purchase agreement with Welltodo Investment Limited, a wholly-owned subsidiary of Willie International Holdings Limited (“Willie”), a company incorporated and listed in Hong Kong, to dispose (the “Disposal”) of 50% of the issued share capital of Best Purpose Limited (“Best Purpose”), an indirect wholly-owned subsidiary of the Company incorporated in the British Virgin Islands on 12 May 2009, at a total consideration of HK\$180 million. The consideration was satisfied by the 2% convertible note issued by Willie. The convertible note was valued on the completion date of the Disposal by Asset Appraisal Limited, independent professional qualified valuers, at HK\$161,339,000. Best Purpose is primarily involved in investment holding. Double Smart Finance Limited, a wholly-owned subsidiary of Best Purpose, is primarily involved in the money lending business. Further details of the above transactions are also set out in the Company’s circular dated 17 July 2009. The Disposal was completed on 7 August 2009 and Best Purpose became a jointly-controlled entity of the Group thereafter. The loss on disposal amounted to HK\$35,149,000.

11. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in this unaudited interim financial information, the Group had the following transaction with a related party during the period:

	For the six months ended 30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expense charged by a jointly-controlled entity	477	–

The interest expense charged by a jointly-controlled entity arose from the amount due thereto, details of which are set out in note (b) below.

- (b) The amounts due to jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment, except for a loan of HK\$100,000,000 (31 March 2009: Nil) which bears interest at 2% per annum below the Prime Rate and is repayable within the next twelve months.

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 September	
	2009	2008
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Short term employee benefits	2,638	3,030
Post-employment benefits	27	30
	<hr/>	<hr/>
Total compensation paid to key management personnel	2,665	3,060
	<hr/> <hr/>	<hr/> <hr/>

12. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 15 July 2009, the Group entered into a conditional subscription agreement with Neptune Group Limited (“Neptune”), a company incorporated in Hong Kong with limited liability and the shares of which are listed on The Stock Exchange of Hong Kong Limited, to subscribe the convertible note due 2012 to be issued by Neptune in the principal amount of HK\$100 million (the “Neptune Convertible Note”), the subscription price of which will be satisfied by the Group by the issue of a zero coupon convertible note due 2012 in the principal amount of HK\$100 million by the Company (the “Heritage Convertible Note”). The initial conversion price of the Neptune Convertible Note is HK\$0.13 per ordinary share of HK\$0.20 each of Neptune (the “Neptune Share”), while the initial conversion price of Heritage Convertible Note is HK\$0.96 per ordinary share of HK\$0.10 each of the Company (the “Heritage Share”). Further details of the proposed subscription are set out in the Company’s announcement dated 16 July 2009.

On 7 September 2009, the Group entered into a supplemental subscription agreement with Neptune to amend certain terms of the conditional subscription agreement. Pursuant to the supplemental subscription agreement, the principal amount of both the Neptune Convertible Note and the Heritage Convertible Note is reduced from HK\$100 million to HK\$90 million, and their respective conversion prices are reduced from HK\$0.13 to HK\$0.117 per Neptune Share, and from HK\$0.96 to HK\$0.76 per Heritage Share, respectively. Further details of the supplemental subscription agreement are set out in the Company’s announcement dated 8 September 2009 (the “Announcement”).

On 12 October 2009, all the conditions precedent to the conditional subscription agreement and supplemental subscription agreement (the “Agreements”) had been fulfilled, and both the Neptune Convertible Note and the Heritage Convertible Note were issued according to the terms of the Agreements.

13. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information was approved and authorised for issue by the board of directors on 18 December 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Board is pleased to announce that the Group has made a profit before tax of approximately HK\$126 million for the 6 months ended 30 September 2009. The profit is mainly attributable to property revaluation surplus as well as fair value gains arisen from equity investments at fair value through profit or loss of the Group's securities investment as at the fiscal half year end date.

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

- a) **Real Estate Investment:** the Group owned certain commercial properties in North Point and a luxury residential property in Stanley. The revaluation surplus amounted to approximately HK\$69 million as at 30 September 2009.
- b) **Investment in Listed Securities:** this sector recorded a profit of approximately HK\$75 million for the first half of the year as market value of the Group's securities investments have increased in line with the global stock market recovery.
- c) **Money Lending Business:** the Group has disposed of 50% of its money lending business for HK\$161 million.
- d) **Investment in Lottery Related Business in the PRC:** the Group has a 20% interest in a company engaging in lottery related business in the PRC. Other than the advertising rights outside those lottery tickets selling booths provided to China Welfare Lottery Issuance Centre by the company, it has obtained lottery selling rights in over 10 provinces in China. The Group has intended to increase its investment into this associated company but the plan was temporary put on hold as the intended expansion plan of the associated company has been delayed.

Prospect

While the global economy appears to have bottomed out and is on the upswing, there are still plenty of uncertainties in the market. The Group will take a very cautious approach in its expansion plan in the coming year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2009, the Group's total assets and borrowings were approximately HK\$1,237 million and HK\$173.8 million respectively. The borrowings of the Group carried floating interest rates with reference to Hong Kong dollar prime lending rate and were made in Hong Kong dollar, and thus, there is no exposure to fluctuations in interest rate. The gearing ratio (total borrowings/total assets) at 30 September 2009 was 14%. As at 30 September 2009, investment properties amounted to approximately HK\$220.0 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\$667.2 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 2009 (31 March 2009: 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 2009, except for the following deviations:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Dr. Kwong Kai Sing, Benny, assumes the roles of both Chairman and Chief Executive Officer of the Company, and is in charge of the overall management of the Company. The Company considers that the combination of the roles of the Chairman and Chief Executive Officer can promote the efficient formulation and implementation of the Company's strategies which will enable the Group to grasp business opportunities efficiently and promptly. The Company considers that through the supervision of its Board and its independent non-executive directors, a balancing mechanism exists so that the interests of the shareholders are adequately and fairly represented.

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

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group's financial reporting processes and internal controls. The audit committee comprises the five independent non-executive directors of the Company. The Company's unaudited interim financial information for the six months ended 30 September 2009 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 2009.

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

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

Hong Kong, 18 December 2009