



## INTERIM REPORT 2014



# HERITAGE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock code : 412

# CONTENTS



	<i>Pages</i>
Corporate Information	2
Condensed Consolidated Income Statement	4
Condensed Consolidated Statement of Comprehensive Income	5
Condensed Consolidated Statement of Financial Position	6
Condensed Consolidated Statement of Changes in Equity	8
Condensed Consolidated Statement of Cash Flows	11
Notes to the Condensed Consolidated Financial Statements	12
Management Discussion and Analysis	41
Directors' and Chief Executive's Interest	45
Substantial Shareholders' Interest	46
Corporate Governance	47

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors:*

Kwong Kai Sing, Benny (resigned on 7 August 2014)  
Ong Peter (*Managing Director*)  
Chow Chi Wah, Vincent (resigned on 6 October 2014)  
Chen Wei (resigned on 6 October 2014)  
Yau Wai Lung (appointed on 19 August 2014)  
Jonathan Ross (appointed on 6 October 2014)

#### *Independent Non-executive Directors:*

Chung Yuk Lun  
To Shing Chuen  
Ha Kee Choy, Eugene  
Lo Wong Fung, JP (retired on 18 August 2014)

### AUDIT COMMITTEE

Ha Kee Choy, Eugene (*Chairman*)  
To Shing Chuen  
Chung Yuk Lun  
Lo Wong Fung, JP (retired on 18 August 2014)

### REMUNERATION COMMITTEE

Ha Kee Choy, Eugene (*Chairman*)  
To Shing Chuen  
Kwong Kai Sing, Benny (resigned on 7 August 2014)  
Jonathan Ross (appointed on 6 October 2014)

### NOMINATION COMMITTEE

Ha Kee Choy, Eugene (*Chairman*)  
To Shing Chuen  
Kwong Kai Sing, Benny (resigned on 7 August 2014)  
Yau Wai Lung (appointed on 19 August 2014)

### COMPANY SECRETARY

Chow Chi Wah, Vincent (resigned on 6 October 2014)  
Mak Hing Keung, Thomas (appointed on 6 October 2014)

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

### PRINCIPAL OFFICE

29th Floor, China United Centre  
28 Marble Road  
North Point  
Hong Kong

### STOCK CODE

412

## CORPORATE INFORMATION

### AUDITORS

Graham H.Y. Chan & Co.  
*Certified Public Accountants (Practising)*  
Rooms 3719-26, 37/F.  
Sun Hang Kai Centre  
30 Harbour Road  
Wanchai  
Hong Kong

### LEGAL ADVISERS

*Hong Kong law:*  
Iu Lai & Li Solicitors  
Rooms 2201, 2201A & 2202, 22/F.  
Tower I, Admiralty Centre  
No.18 Harcourt Road  
Hong Kong

*Bermuda law:*  
Conyers Dill & Pearman  
2901 One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

### PRINCIPAL BANKER

The Hongkong and Shanghai Banking  
Corporation Limited  
No.1 Queen's Road Central  
Hong Kong

### PRINCIPAL REGISTRAR IN BERMUDA

Butterfield Fulcrum Group (Bermuda) Limited  
26 Burnaby Street  
Hamilton HM 11  
Bermuda

### BRANCH REGISTRAR IN HONG KONG

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-16, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### WEBSITE

[www.heritage.com.hk](http://www.heritage.com.hk)

**CONDENSED CONSOLIDATED INCOME STATEMENT**

For the six months ended 30 September 2014

		<b>For the six months ended 30 September</b>	
		<b>2014</b>	2013
		<b>(Unaudited)</b>	(Unaudited)
	Note	<b>HK\$'000</b>	HK\$'000
REVENUE	4	<b>3,754</b>	11,002
Other income		<b>169</b>	281
Changes in inventories and consumables used	6	<b>(161)</b>	(392)
Fair value gains on investments at fair value through profit or loss, net	6	<b>157,745</b>	78,359
Fair value (losses)/gains on derivative financial instruments	6	<b>(19,763)</b>	1,060
Loss on disposal of subsidiaries	17	<b>(1,423)</b>	–
Employee benefit expenses	6	<b>(6,504)</b>	(5,162)
Depreciation		<b>(2,201)</b>	(3,219)
Amortisation			
– prepaid lease payments		<b>(541)</b>	(546)
– intangible assets		<b>(8,307)</b>	(8,327)
Minimum lease payments under operating leases in respect of land and buildings		<b>(4,976)</b>	(4,487)
Other expenses		<b>(10,390)</b>	(12,416)
Finance costs	5	<b>(923)</b>	(12,091)
<b>PROFIT BEFORE TAX</b>	6	<b>106,479</b>	44,062
Income tax (charge)/credit	7	<b>(24,211)</b>	2,082
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<b>82,268</b>	46,144
<b>EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Basic	8	<b>HK1.94 cents</b>	(Restated) HK1.22 cents
Diluted		<b>HK1.94 cents</b>	HK1.22 cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2014

**For the six months  
ended 30 September**

	<b>2014</b>	<b>2013</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>PROFIT FOR THE PERIOD</b>	<b>82,268</b>	<b>46,144</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Items that may subsequently be reclassified to profit or loss:		
Available-for-sale investments:		
Reclassification adjustments for gains included in the condensed consolidated income statement upon disposal of a subsidiary	<b>(154)</b>	–
Exchange difference arising on translation of financial statements of foreign operations	<b>11,954</b>	10,920
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>94,068</b>	<b>57,064</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

		<b>30 September 2014 (Unaudited) HK\$'000</b>	31 March 2014 (Audited) HK\$'000
	Note		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>3,482</b>	69,731
Prepaid lease payments	10	<b>44,952</b>	44,807
Intangible assets	11	<b>852,630</b>	847,954
Biological assets	12	<b>72,151</b>	70,737
Deposits paid for purchase of items of property, plant and equipment and land leases		<b>1,613</b>	1,423
Available-for-sale investments		<b>4,500</b>	17,606
Conversion options embedded in a convertible bond		–	2,379
Deposit		–	700
Investments at fair value through profit or loss	13	<b>340,800</b>	112,800
		<hr/>	<hr/>
Total non-current assets		<b>1,320,128</b>	1,168,137
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories		<b>159</b>	172
Loans receivable	14	<b>45,000</b>	30,000
Investments at fair value through profit or loss	13	<b>461,464</b>	514,502
Derivative financial instruments		–	19,763
Tax recoverable		–	38
Prepayments, deposits and other receivables		<b>2,558</b>	2,792
Cash and cash equivalents		<b>13,821</b>	6,122
		<hr/>	<hr/>
Total current assets		<b>523,002</b>	573,389
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	Note	<b>30 September 2014 (Unaudited) HK\$'000</b>	<b>31 March 2014 (Audited) HK\$'000</b>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		1,346	4,731
Borrowings	15	955	25,533
		<hr/>	<hr/>
Total current liabilities		2,301	30,264
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>520,701</b>	<b>543,125</b>
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,840,829</b>	<b>1,711,262</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	15	18,280	9,300
Deferred tax liabilities		219,407	192,888
		<hr/>	<hr/>
Total non-current liabilities		237,687	202,188
		<hr/>	<hr/>
Net assets		1,603,142	1,509,074
		<hr/> <hr/>	<hr/> <hr/>
<b>CAPITAL AND RESERVES</b>			
Issued capital	16	4,236	2,824
Reserves		1,598,906	1,506,250
		<hr/>	<hr/>
Total equity attributable to owners of the Company		1,603,142	1,509,074
		<hr/> <hr/>	<hr/> <hr/>



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	Attributable to owners of the Company															
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000								
									Issued	Share	Capital	Contributed	Available-	Translation	Accumulated	Total
									capital	premium	redemption	surplus	for-sale	reserve	losses	equity
account	reserve	reserve	investments	reserve	reserve	losses	equity									
At 1 April 2013 (audited)	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	-	-	-	-	-	10,920	-	10,920								
Total comprehensive income for the period	-	-	-	-	-	10,920	46,144	57,064								
Rights issue	940	201,104	-	-	-	-	-	202,044								
Exercise of warrants	2	453	-	-	-	-	-	455								
Share issue expenses	-	(5,651)	-	-	-	-	-	(5,651)								
At 30 September 2013 (unaudited)	2,819	1,650,272	1,177	1,524,577	120	10,920	(1,902,407)	1,287,478								

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

Attributable to owners of the Company

	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Available-	Translation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
					for-sale investments revaluation reserve (Unaudited) HK\$'000			
At 1 April 2014 (audited)	2,824	1,651,176	1,177	1,524,577	174	(3,328)	(1,667,526)	1,509,074
Profit for the period	-	-	-	-	-	-	82,268	82,268
Other comprehensive income for the period:								
Available-for-sale investments:								
Reclassification adjustments for gains included in the condensed consolidated income statement upon disposal of a subsidiary	-	-	-	-	(154)	-	-	(154)
Exchange difference arising on translation of financial statements of foreign operations	-	-	-	-	-	11,954	-	11,954
Total comprehensive income for the period	-	-	-	-	(154)	11,954	82,268	94,068
Bonus issue	1,412	(1,412)	-	-	-	-	-	-
At 30 September 2014 (unaudited)	4,236	1,649,764	1,177	1,524,577	20	8,626	(1,585,258)	1,603,142

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

*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 investments revaluation reserve comprises the cumulative net changes in fair value of available-for-sale investments 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 2014

**For the six months  
ended 30 September**

	<b>2014</b>	<b>2013</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
NET CASH FLOWS FROM/(USED IN):		
OPERATING ACTIVITIES	<b>(50,821)</b>	(216,793)
INVESTING ACTIVITIES	<b>49,982</b>	(324,571)
FINANCING ACTIVITIES	<b>8,441</b>	543,870
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<b>7,602</b>	2,506
Cash and cash equivalents at beginning of period	<b>6,122</b>	6,023
Effect of foreign exchange rate changes	<b>97</b>	90
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<b>13,821</b>	8,619
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and bank balances	<b>13,821</b>	8,619
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### I. 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 address of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and 29th Floor, China United Centre, 28 Mable Road, North Point, Hong Kong, respectively.

The Company acts as an investment holding company and its subsidiaries (together with the Company, collectively referred to as the “Group”) involve primarily in property investment, investments in securities, money lending, Chinese medicine clinic operations and management of the forestlands (the “Forestlands”).

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.

### 2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements, which comprise the condensed consolidated statement of financial position as at 30 September 2014, 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 2014.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 2. BASIS OF PREPARATION (continued)

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 2014, 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 2014. Details are as follows:

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – INT 21	Levies

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.

#### **Amendments to HKAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”**

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU determined based on its fair value less costs of disposal. 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 the amendments to HKAS 36. Application of the amendments to HKAS 36 has not had any material impact on the amounts recognised in the condensed consolidated financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 3. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the chief operating decision maker (“CODM”). The Group has six reportable operating segments. 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 Manchu Autonomos County (“Qinglong”) of the People’s Republic of China (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 tax recoverable and unallocated corporate assets. Goodwill is allocated to the management of the Forestlands segment as described in note 11; and
- all liabilities are allocated to reportable segments other than current and deferred tax liabilities, and unallocated corporate liabilities.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 3. OPERATING SEGMENT INFORMATION (continued)

	Property investment		Investments in securities		Money lending		Investment holding		Management of the Forestlands		Chinese medicine clinic		The Group 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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Segment revenue</b>														
Revenue from external customers	820	1,133	1,396	3,563	355	4,993	-	-	-	-	1,183	1,313	3,754	11,002
Other income	-	-	-	279	-	-	-	2	169	-	-	-	169	281
<b>Total</b>	<b>820</b>	<b>1,133</b>	<b>1,396</b>	<b>3,842</b>	<b>355</b>	<b>4,993</b>	<b>-</b>	<b>2</b>	<b>169</b>	<b>-</b>	<b>1,183</b>	<b>1,313</b>	<b>3,923</b>	<b>11,283</b>
<b>Segment results</b>	<b>35</b>	<b>(76)</b>	<b>152,521</b>	<b>80,852</b>	<b>325</b>	<b>1,392</b>	<b>4,127</b>	<b>(17)</b>	<b>(11,567)</b>	<b>(10,343)</b>	<b>(26,545)</b>	<b>(3,067)</b>	<b>118,896</b>	<b>68,741</b>
Reconciliations:														
Unallocated finance costs													(923)	(11,029)
Unallocated expenses													(11,494)	(13,650)
<b>Profit before tax</b>													<b>106,479</b>	<b>44,062</b>
<b>Other segment information</b>														
Finance cost – allocated	-	(71)	-	(991)	-	-	-	-	-	-	-	-	-	(1,062)
Finance cost – unallocated													(923)	(11,029)
													(923)	(12,091)
Depreciation – allocated	-	-	-	-	-	-	-	-	(139)	(100)	(835)	(972)	(974)	(1,072)
Depreciation – unallocated													(1,227)	(2,147)
													(2,201)	(3,219)
Amortisation	-	-	-	-	-	-	-	-	(8,848)	(8,873)	-	-	(8,848)	(8,873)
(Loss)/gain on disposal of Subsidiaries (note 17)	-	-	(5,706)	-	-	-	4,283	-	-	-	-	-	(1,423)	-
Fair value gains on investments at fair value through profit or loss, net	-	-	157,745	78,359	-	-	-	-	-	-	-	-	157,745	78,359
Fair value (losses)/gains on derivative financial instruments	-	-	-	-	-	-	-	-	-	-	(19,763)	1,060	(19,763)	1,060
Impairment loss of loans receivable	-	-	-	-	-	(3,600)	-	-	-	-	-	-	-	(3,600)
Capital expenditure – allocated	-	-	-	-	-	-	-	-	26	10	395	-	421	10
Capital expenditure – unallocated													786	336
													1,207	346



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 3. OPERATING SEGMENT INFORMATION (continued)

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

	30 September 2014 (Unaudited) HK\$'000	31 March 2014 (Audited) HK\$'000
<b>Segment assets:</b>		
Property investment	–	–
Investment in securities	461,464	530,033
Money lending	45,000	30,133
Investment holding	340,800	112,800
Chinese medicine clinic	1,330	25,078
Management of the Forestlands	977,003	973,242
	<b>1,825,597</b>	<b>1,671,286</b>
Tax recoverable	–	38
Unallocated assets	17,533	70,202
	<b>1,843,130</b>	<b>1,741,526</b>
<b>Segment liabilities:</b>		
Property investment	–	–
Investment in securities	–	100
Money lending	–	–
Investment holding	–	–
Chinese medicine clinic	171	78
Management of the Forestlands	79	101
	<b>250</b>	<b>279</b>
Deferred tax liabilities	219,407	192,888
Unallocated liabilities	20,331	39,285
	<b>239,988</b>	<b>232,452</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 3. OPERATING SEGMENT INFORMATION (continued)

#### Revenue from external customers

The Group's revenue is substantially derived from its external customers in Hong Kong.

#### 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 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, and biological assets, and the location of the operation to which they are allocated, in the case of goodwill and favourable lease assets included in intangible assets, and deposits paid for purchase of items of property, plant and equipment. The information about the Group's non-current assets by geographical location of the assets is set out below:

	<b>30 September 2014 (Unaudited) HK\$'000</b>	31 March 2014 (Audited) HK\$'000
Hong Kong	<b>2,395</b>	68,539
Other parts of the PRC	<b>972,433</b>	966,113
	<b>974,828</b>	1,034,652

Note: Non-current assets exclude available-for-sale investments, conversion options embedded in a convertible bond, investments at fair value through profit or loss, and deposit.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 4. REVENUE

Revenue, which is also the Group's turnover, represents gross rental income received and receivable; interest income from money lending operations; dividend and interest income from investments at fair value through profit or loss; interest income from a convertible bond; and income from Chinese medicine clinic operations earned during the period.

An analysis of revenue is as follows:

	<b>For the six months ended 30 September</b>	
	<b>2014 (Unaudited) HK\$'000</b>	<b>2013 (Unaudited) HK\$'000</b>
Gross rental income	<b>820</b>	1,133
Interest income from money lending operations	<b>355</b>	4,993
Interest income from investments at fair value through profit or loss	<b>–</b>	72
Interest income from a convertible bond	<b>375</b>	–
Dividend income from investments at fair value through profit or loss	<b>1,021</b>	3,491
Income from Chinese medicine clinic operations	<b>1,183</b>	1,313
	<b>3,754</b>	11,002

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 5. FINANCE COSTS

	For the six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interest on bank borrowings wholly repayable within five years ( <i>note</i> )	166	296
Interest on margin and other loans wholly repayable within five years	310	991
Amortised interest on bonds	447	10,804
	923	12,091

*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."

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 6. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Cost of inventories sold and consumables used	161	392
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 approximately HK\$720,000 (2013: HK\$1,015,000))	2,587	2,513
– Retirement benefit scheme contributions (defined contribution scheme)	31	26
	<u>2,618</u>	<u>2,539</u>
Other staff's costs:		
– Salaries and allowances	3,088	2,511
– Retirement benefit scheme contributions (defined contribution scheme)	114	112
– Staff severance payment	684	–
	<u>3,886</u>	<u>2,623</u>
Total employee benefit expenses	<u>6,504</u>	<u>5,162</u>
Fair value (gains)/losses on investments at fair value through profit or loss, net:		
– realised losses/(gains)	10,202	(181)
– unrealised gains	(167,947)	(78,178)
	<u>(157,745)</u>	<u>(78,359)</u>
Fair value losses/(gains) on derivative financial instruments ( <i>note</i> )	19,763	(1,060)
Impairment loss of loans receivable	–	3,600
Loss on disposal of property, plant and equipment	2,815	–
Net foreign exchange loss	22	215
Gross rental income from investment properties	–	(125)
Direct operating expenses arising on rental-earning investment properties	–	12
	<u>–</u>	<u>(113)</u>
Direct operating expenses arising on non-rental-earning investment properties	–	50

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 6. PROFIT BEFORE TAX (continued)

Note:

On 26 August 2014, the Group and an independent third party (the “Buyer”) entered into a termination deed pursuant to which the Group and the Buyer agreed to terminate an options agreement (the “Options Agreement”) to purchase the entire interest in Apex Corporate Investments Limited (“Apex”) and its subsidiaries (collectively referred to as the “Apex Group”) dated 11 July 2011 (the “Termination”). The fair value of the Options Agreement was recognised as derivative financial instruments as at 31 March 2014. Upon the Termination, fair value losses on derivative financial instruments have been recognised in the condensed consolidated income statement for the six months ended 30 September 2014.

### 7. INCOME TAX (CHARGE)/CREDIT

	<b>For the six months ended 30 September</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current tax – Hong Kong Profits Tax	–	–
Deferred tax (charge)/credit	<b>(24,211)</b>	2,082
Total income tax (charge)/credit recognised in profit and loss	<b>(24,211)</b>	2,082

No provision for Hong Kong Profits Tax was made for the six months ended 30 September 2014 and 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.

No provision for PRC Enterprise Income Tax was made for the six months ended 30 September 2014 as the Group had no assessable profits derived in the PRC in the current period (six months ended 30 September 2013: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 8. EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

#### (a) Basic earnings per share

	<b>For the six months ended 30 September</b>	
	<b>2014 (Unaudited) HK\$'000</b>	<b>2013 (Unaudited) HK\$'000</b>
<b>Earnings</b>		
Earnings for the purpose of calculation of basic earnings per share attributable to owners of the Company	<u>82,268</u>	<u>46,144</u>
	<b>For the six months ended 30 September</b>	
	<b>2014 (Unaudited)</b>	<b>2013 (Unaudited) (Restated)</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share for the period	<u>4,235,929,561</u>	<u>3,770,285,863</u>

*Note:* The weighted average number of ordinary shares in issue for the six months ended 30 September 2013 was adjusted to reflect the bonus issue during the current period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 8. EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

#### (b) Diluted earnings per share

	For the six months ended 30 September	
	2014 (Unaudited)	2013 (Unaudited) (Restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue during the period for the purpose of basic earnings per share for the period	4,235,929,561	3,770,285,863
Effect of dilutive potential ordinary shares:		
Warrants	–	1,298,334
Weighted average number of ordinary shares for the purposes of diluted earnings per share	4,235,929,561	3,771,584,197

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 September 2014 as there was no dilutive potential ordinary shares in existence as at 30 September 2014.

### 9. DIVIDEND

The board of directors of the Company does not recommend the payment of any interim dividend in respect of the current period (six months ended 30 September 2013: Nil).



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 10. PREPAID LEASE PAYMENTS

	(Unaudited) HK\$'000	
Leasehold land in the PRC under medium-term lease:		
At 1 April 2014 (audited)		45,873
Amortisation during the period		(541)
Exchange realignment		702
		<u>46,034</u>
At 30 September 2014 (unaudited)		<u><u>46,034</u></u>
	<b>30 September 2014 (Unaudited) HK\$'000</b>	31 March 2014 (Audited) HK\$'000
Analysed for reporting purposes as:		
Current assets, included in prepayments, deposits and other receivables	<b>1,082</b>	1,066
Non-current assets	<b>44,952</b>	44,807
	<u><b>46,034</b></u>	<u>45,873</u>

The Group's prepaid lease payments represent the land portion of the Forestlands use rights granted to the 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 11. INTANGIBLE ASSETS

	<b>Favourable lease asset</b>	<b>Goodwill</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014 (audited)	703,635	144,319	847,954
Amortisation during the period	(8,307)	–	(8,307)
Exchange realignment	10,774	2,209	12,983
	<u>706,102</u>	<u>146,528</u>	<u>852,630</u>
At 30 September 2014 (unaudited)	<u>706,102</u>	<u>146,528</u>	<u>852,630</u>

Note:

- (a) Favourable lease asset represents the terms of the Forestlands use rights granted to the acquired subsidiaries which are favourable relative to the market terms as at the date of acquisition. Favourable lease asset is amortised on straight-line basis over the remaining term of the lease of the Forestlands. Details are set out in note 10 above.
- (b) Goodwill was arising from the acquisition and has been allocated to a CGU that is expected to benefit from the acquisition. The entire carrying amount of goodwill has been allocated to the management of the Forestlands segment.

### 12. BIOLOGICAL ASSETS

	(Unaudited) HK\$'000
At 1 April 2014 (audited)	70,737
Additions during the period	328
Exchange realignment	1,086
	<u>72,151</u>
At 30 September 2014 (unaudited)	<u>72,151</u>

Biological assets predominately consist of various standing fruit trees that are attached to the Forestlands on which the Group undertakes agricultural activities to cultivate the fruit trees to produce various fruits as agricultural produce for sale. During the period, the Group has also planted apple tree saplings and chrysanthemum which are immature at 30 September 2014.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 13. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

		30 September 2014 (Unaudited) HK\$'000	31 March 2014 (Audited) HK\$'000
	Note		
<b>Non-current assets</b>			
Unlisted investments, designated at fair value through profit or loss upon initial recognition	(a)	<u>340,800</u>	<u>112,800</u>
<b>Current assets</b>			
Held-for-trading listed equity investments, at fair value:	(b)		
Hong Kong		461,464	477,809
Elsewhere		–	36,693
		<u>461,464</u>	<u>514,502</u>

Note:

- (a) On 12 June 2014, the Group through its indirectly wholly-owned subsidiary and HEC Capital Limited entered into a subscription agreement (“Subscription Agreement”) pursuant to which the Group agreed to subscribe 38,000,000 subscription shares at a subscription price of HK\$228,000,000 (the “Subscription”). Details of the Subscription Agreement are set out in the Company’s announcement dated on 12 June 2014. After the completion of the Subscription and as at 30 September 2014, the Group held 56,800,000 shares in HEC Capital Limited.
- (b) At the end of the reporting period, the Group’s investment in listed equity securities with an aggregate carrying amount of approximately HK\$461,464,000 (31 March 2014: HK\$477,809,000) were pledged to certain financial institutions to secure certain margin financing facilities granted to the Group. Details are set out in note 15.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 14. LOANS RECEIVABLE

	<b>30 September 2014 (Unaudited) HK\$'000</b>	<b>31 March 2014 (Audited) HK\$'000</b>
Loans receivable	45,000	32,489
Less: impairment	–	(2,489)
	<b>45,000</b>	<b>30,000</b>
	<b>45,000</b>	<b>30,000</b>

Loans receivable as at 30 September 2014 represented receivables arising from the money lending business of the Group and carry interest at fixed contractual rate of 9.8% per annum (31 March 2014: at variable interest rate of 2.5% per annum over Hong Kong Dollar prime rate). The effective interest rate of such loans as at 30 September 2014 is 9.8% (31 March 2014: 7.5%) per annum.

As at 30 September 2014 and 31 March 2014, the Group did not hold any collateral or other credit enhancements over the loans receivable.

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

	<b>30 September 2014 (Unaudited) HK\$'000</b>	<b>31 March 2014 (Audited) HK\$'000</b>
Neither past due nor impaired	45,000	30,000
	<b>45,000</b>	<b>30,000</b>
	<b>45,000</b>	<b>30,000</b>

Receivables that were neither past due nor impaired relate to a number of borrowers for whom there was no past history of default. Based on past experience, the executive directors of the Company in charge of the Group's money lending operations were of the opinion that no allowance for impairment was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 15. BORROWINGS

	30 September 2014 (Unaudited) HK\$'000	31 March 2014 (Audited) HK\$'000
Note		
Interest-bearing bank borrowings:		
– portion of bank borrowings due for repayment within one year	–	1,405
– portion of bank borrowings due for repayment after one year which contain a repayment on demand clause	–	23,640
Bonds due for repayment:		
– within one year	955	488
– after one year	18,280	9,300
	<b>19,235</b>	34,833
Less: amount classified as current liabilities	<b>(955)</b>	(25,533)
Amount classified as non-current liabilities	<b>18,280</b>	9,300
Analysed as:		
Secured	–	25,045
Unsecured	19,235	9,788
	<b>19,235</b>	34,833

Note:

(a) Interest-bearing bank borrowings

At 30 September 2014, the Group has no bank borrowings after the Group has disposed the entire share capital of Golden Victory Holdings Limited (“Golden Victory”) during the period. Details are set out in note 17 below.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 15. BORROWINGS (continued)

Note: (continued)

(b) Bonds	HK\$'000
At 1 April 2014 (audited)	9,788
Gross proceeds from issue of bonds during the period	10,000
Less: transaction costs arising from issue of bonds	(500)
	9,500
Interest charged calculated at an effective interest rate (note 5)	447
Less: repayment during the period	(500)
	19,235
	19,235

(c) Pledge of assets

At 30 September 2014, the Group's investments in listed equity securities with an aggregate carrying amount of approximately HK\$461,464,000 (31 March 2014: HK\$477,809,000) were pledged to certain financial institutions to secure certain margin financing facilities granted to the Group which have not been utilised as at 30 September 2014 and 31 March 2014. Details are set out in note 13 above.

At 31 March 2014, the Group's interest-bearing bank borrowings with carrying amount of approximately HK\$25,045,000 were secured by mortgage over the Group's leasehold land and building which was situated in Hong Kong with carrying amount of approximately HK\$63,195,000 and a corporate guarantee with amount up to HK\$31,500,000 executed by the Company.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 16. ISSUED CAPITAL

	30 September 2014 (Unaudited) HK\$'000	31 March 2014 (Audited) HK\$'000
Authorised capital:		
500,000,000,000 (31 March 2014: 500,000,000,000) ordinary shares of HK\$0.001 (31 March 2014: HK\$0.001) each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
4,235,929,561 (31 March 2014: 2,823,953,041) ordinary shares of HK\$0.001 (31 March 2014: HK\$0.001) each	<u>4,236</u>	<u>2,824</u>

A summary of the movements in the Company's issued ordinary share capital and share premium account is as follows:

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2014 (audited)	2,823,953,041	2,824	1,651,176	1,654,000
Bonus issue ( <i>note</i> )	1,411,976,520	1,412	(1,412)	–
At 30 September 2014 (unaudited)	<u>4,235,929,561</u>	<u>4,236</u>	<u>1,649,764</u>	<u>1,654,000</u>

*Note:* On 18 July 2014, the Company announced that the Board proposed a bonus issue on the basis of one bonus issue for every two existing shares held by members of the Company on the register of members on 26 August 2014. Further details of the bonus issue are set out in the Company's circular dated 1 August 2014 and the Company's announcement date 18 July 2014.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 17. DISPOSAL OF SUBSIDIARIES

**(a) Disposal of entire interest in Golden Victory**

On 11 August 2014, Coupeville Limited (“Coupeville”), a wholly-owned subsidiary of the Company, entered into an agreement with Sun Metro Global Limited (“Sun Metro”), a company wholly-owned by Dr. Kwong Kai Sing, Benny (“Dr. Kwong”), who was a former chairman and executive director of the Company, pursuant to which Coupeville agreed to sell and Sun Metro agreed to purchase the entire interest in Golden Victory and its subsidiary (“Golden Victory Group”), which principally held a property used by Dr. Kwong, for a cash consideration of HK\$41,000,000. The transaction was completed on 19 September 2014 and has resulted in the recognition of a gain of approximately HK\$3,627,000 in the condensed consolidated income statement for the six months ended 30 September 2014.

**(b) Disposal of entire interest in Alpha Ease International Limited (“Alpha Ease”)**

On 20 August 2014, Coupeville entered into an agreement with an independent third party to dispose the entire interest in Alpha Ease International Limited (“Alpha Ease”), which held a convertible bond, for a cash consideration of HK\$10,000,000. The transaction was completed on the same day and has resulted in the recognition of a loss of approximately HK\$5,706,000 in the condensed consolidated income statement for the six months ended 30 September 2014.

**(c) Disposal of entire interest in Heritage International Finance Limited (“Heritage Finance”)**

On 28 August 2014, Coupeville entered into an agreement with Sun Metro to dispose the entire interest in Heritage International Finance Limited (“Heritage Finance”), which was principally engaged in money lending business, for a cash consideration of HK\$100,000. The transaction was completed on 29 August 2014 and has resulted in the recognition of a gain of approximately HK\$99,000 in the condensed consolidated income statement for the six months ended 30 September 2014.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 17. DISPOSAL OF SUBSIDIARIES (continued)

**(d) Disposal of entire interest in Dollar Group Limited (“Dollar Group”)**

On 1 August 2014, the Group entered into an agreement with an independent third party to dispose the entire interest in Dollar Group Limited (“Dollar Group”), which was principally engaged in investment in securities and did not hold any securities at the date of disposal, for a cash consideration of HK\$100,000. The transaction was completed on the same day and has resulted in the recognition of a gain of approximately HK\$88,000 in the condensed consolidated income statement for the six months ended 30 September 2014.

**(e) Disposal of entire interest in Mild City Limited (“Mild City”) and Rainbow Fair Development Limited (“Rainbow Fair”)**

On 25 August 2014, the Group entered into two agreements with an independent third party to dispose the entire interests in Mild City Limited (“Mild City”) and Rainbow Fair Development Limited (“Rainbow Fair”), both of which held motor vehicles, for an aggregate cash consideration of HK\$500,000. The transactions were completed on the same day and have resulted in the recognition of an aggregate gain of approximately HK\$469,000 in the condensed consolidated income statement for the six months ended 30 September 2014.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 17. DISPOSAL OF SUBSIDIARIES (continued)

The net assets of the subsidiaries at the respective dates of disposal were as follows:

	Golden Victory Group at 19 September 2014 (Unaudited) HK\$'000	Alpha Ease at 20 August 2014 (Unaudited) HK\$'000	Heritage Finance at 29 August 2014 (Unaudited) HK\$'000	Dollar Group at 1 August 2014 (Unaudited) HK\$'000	Mild City at 25 August 2014 (Unaudited) HK\$'000	Rainbow Fair at 25 August 2014 (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
<b>Analysis of assets and liabilities over which control was lost:</b>							
Property, plant and equipment	62,420	-	-	-	29	-	62,449
Available-for-sale investments	-	13,106	-	-	-	-	13,106
Conversion options embedded in a convertible bond	-	2,379	-	-	-	-	2,379
Prepayments, deposits and other receivables	32	375	-	3	2	-	412
Cash and cash equivalents	5	-	1	9	-	-	15
Borrowings	(24,486)	-	-	-	-	-	(24,486)
Deferred tax	(598)	-	-	-	-	-	(598)
Net assets disposed of	<u>37,373</u>	<u>15,860</u>	<u>1</u>	<u>12</u>	<u>31</u>	<u>-</u>	<u>53,277</u>
<b>(Loss)/gain on disposal of subsidiaries</b>							
Consideration received	41,000	10,000	100	100	400	100	51,700
Net assets disposed of	<u>(37,373)</u>	<u>(15,860)</u>	<u>(1)</u>	<u>(12)</u>	<u>(31)</u>	<u>-</u>	<u>(53,277)</u>
<b>(Loss)/gain on disposal before release of available-for-sale investments revaluation reserve</b>							
	3,627	(5,860)	99	88	369	100	(1,577)
<b>Cumulative fair value changes of an available-for-sale investment reclassified to profit or loss</b>							
	-	154	-	-	-	-	154
<b>(Loss)/gain on disposal after release of available-for-sale investments revaluation reserve</b>							
	<u>3,627</u>	<u>(5,706)</u>	<u>99</u>	<u>88</u>	<u>369</u>	<u>100</u>	<u>(1,423)</u>
<b>Net cash inflow arising on disposal:</b>							
Cash consideration received	41,000	10,000	100	100	400	100	51,700
Less: cash and cash equivalents disposed of	<u>(5)</u>	<u>-</u>	<u>(1)</u>	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>(15)</u>
	<u>40,995</u>	<u>10,000</u>	<u>99</u>	<u>91</u>	<u>400</u>	<u>100</u>	<u>51,685</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 18. COMMITMENTS

#### Operating lease arrangements

(a) *As lessor*

The Group leases certain of its office premises under operating lease arrangements, with leases negotiated for initial terms ranging from five months to three years.

At 30 September 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>30 September 2014 (Unaudited) HK\$'000</b>	31 March 2014 (Audited) HK\$'000
Within one year	<b>181</b>	2,016
In the second to fifth years, inclusive	<b>–</b>	1,703
	<b>181</b>	3,719

(b) *As lessee*

The Group leases certain office premises under operating lease arrangements, with leases negotiated for initial terms ranging from one to five years.

At 30 September 2014, the Group had total future minimum lease payables under non-cancellable operating leases falling due as follows:

	<b>30 September 2014 (Unaudited) HK\$'000</b>	31 March 2014 (Audited) HK\$'000
Within one year	<b>4,020</b>	9,795
In the second to fifth years, inclusive	<b>1,958</b>	8,296
	<b>5,978</b>	18,091

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 18. COMMITMENTS (continued)

#### Capital commitments

In addition to the operating lease commitments detailed above, the Group has the following capital commitments at the end of the reporting period:

	<b>30 September 2014 (Unaudited) HK\$'000</b>	<b>31 March 2014 (Audited) HK\$'000</b>
Contracted, but not provided for in the condensed consolidated financial statements:		
Leasehold land and buildings	2,132	2,100
Leasehold improvement	–	936
	2,132	3,036
	2,132	3,036

### 19. TRANSACTIONS WITH RELATED PARTIES AND A CONNECTED PERSON

During the period, the Group had the following transactions with related parties and a connected person:

#### (a) Transactions with Sun Metro

The Group entered into agreements with Sun Metro to dispose the entire interest in Golden Victory Group and Heritage Finance for considerations of HK\$41,000,000 and HK\$100,000, respectively. Details of the disposal are set out in note 17 above. Sun Metro is wholly-owned by Dr. Kwong and therefore is a connected person of the Company as defined under the Listing Rules. As such, the transactions with Sun Metro constitute connected transactions of the Company but were exempted from independent shareholders' approval requirements. However, the disposal of the entire interest in Golden Victory Group is subject to reporting and announcement requirements, which details are set out in the Company's announcement dated 11 August 2014.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 19. TRANSACTIONS WITH RELATED PARTIES AND A CONNECTED PERSON (continued)

#### (b) Compensation of key management personnel of the Group:

	For the six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Short term employee benefits	2,587	3,528
Post-employment benefits	31	26
	<hr/>	<hr/>
Total compensation paid to key management personnel	<b>2,618</b>	<b>3,554</b>
	<hr/> <hr/>	<hr/> <hr/>

### 20. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS

#### (a) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 20. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

#### (a) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30 September 2014 (Unaudited) HK\$000	31 March 2014 (Audited) HK\$000		
1) Club membership debenture	4,500	4,500	Level 2	Quoted prices in an open market taken into account the estimated transfer fee of the club membership upon sale.
2) Investment in an unlisted equity securities	340,800	112,800	Level 2	Subscription prices of other recent share allotments of those investees with other independent third parties
3) Investments in listed equity securities	461,464	514,502	Level 1	Quoted bid prices in an active market
4) Call and put options	–	19,763	Level 3	The fair value is determined based on asset-based approach with reference to the equity value of Apex Group
5) Convertible bond: – debt element	–	13,106	Level 2	Discounted cash flow with future cash flows based on contractual amounts and coupons rates, discounted at a rate that reflects the credit risk of the counterparty
– conversion options embedded in a convertible bond	–	2,379	Level 3	The fair value is determined by binomial tree pricing model taking into account the expected net profit of the counterparty, Price to Earnings (P/E), Enterprise Value to Earnings before Interest, Tax, Depreciation and Amortisation (EV to EBITDA) of companies principally engaged into similar business as the counterparty, discount of lack of marketability, estimated volatility, and estimated amounts of debt and cash balance of the counterparty

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 20. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS

#### (continued)

#### (a) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

During the period ended 30 September 2014, the Group does not have any financial assets transferred between Level 1 and Level 2 fair value hierarchy and no transfer into or out of Level 3 fair value hierarchy.

*Financial assets measured at fair value:*

	Fair value hierarchy			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>As at 30 September 2014</b>				
<b>(unaudited)</b>				
Available-for-sale investments	–	4,500	–	4,500
Investments at fair value through profit or loss	461,464	340,800	–	802,264
	<u>461,464</u>	<u>345,300</u>	<u>–</u>	<u>806,764</u>
<b>As at 31 March 2014</b>				
<b>(audited)</b>				
Available-for-sale investments	–	17,606	–	17,606
Investments at fair value through profit or loss	514,502	112,800	–	627,302
Conversion options embedded in a convertible bond	–	–	2,379	2,379
Derivative financial instruments	–	–	19,763	19,763
	<u>514,502</u>	<u>130,406</u>	<u>22,142</u>	<u>667,050</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2014

### 20. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS

#### (continued)

#### (b) Reconciliation of recurring Level 3 fair value measurements of financial assets

	<b>Call and put options</b> HK\$'000
At 1 April 2014 (audited)	19,763
Total realised loss recognised in the condensed consolidated income statement ( <i>note</i> )	(19,763) <hr style="width: 100%; border: 0.5px solid black;"/>
At 30 September 2014 (unaudited)	– <hr style="width: 100%; border: 1.5px solid black;"/>
<b>Conversion options</b>	
	<b>embedded in a convertible bond</b> HK\$'000
At 1 April 2014 (audited)	2,379
Disposal of Alpha Ease ( <i>note 17</i> )	(2,379) <hr style="width: 100%; border: 0.5px solid black;"/>
At 30 September 2014 (unaudited)	– <hr style="width: 100%; border: 1.5px solid black;"/>

*Note:* Total loss of call and put options recognised in the current period are included in fair value losses/gains on derivative financial instruments in the condensed consolidated income statement.



## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

30 September 2014

### **20. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)**

#### **(c) Fair value measurement and valuation process**

The management of the Group is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of a financial asset or a financial liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engaged independent qualified external valuers to perform the valuation. The management of the Group works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Group reports to executive directors semi-annually to explain the cause of fluctuations in the fair value of the financial assets and financial liabilities.

### **21. EVENT AFTER THE END OF THE REPORTING PERIOD**

On 5 November 2014, the Company announced that Power Global Limited (“Power Global”), a wholly owned subsidiary of the Company, and High Rhine Limited (“High Rhine”) entered into a sales and purchase agreement, pursuant to which Power Global agreed to sell and High Rhine agreed to purchase the entire share capital of Apex Group together with the assignment of the outstanding shareholder loan advanced by the Company to the Apex Group, for a consideration of HK\$500,000. The transaction has been completed on 20 November 2014.

### **22. 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 of directors on 27 November 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS

The Board announces that the Group has made a profit before tax of approximately HK\$106.48 million for the six months ended 30 September 2014. The profit is mainly attributable to the unrealised fair value gain arising from equity investments at fair value through profit or loss for the six months ended 30 September 2014.

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

**a) Investment in Forest Interest in the PRC**

On 5 April 2013, the Group completed the acquisition of a group of companies, the principal asset of which is forestlands with a total area of 63,035.29 mu located in Qinglong Manchu Autonomous County of Hebei Province, the PRC. The Company has positioned forestry management business and ecotourism as one of its core businesses.

The Group's prepaid lease payments and favourable lease asset arising from the acquisition represent the land portion and the forestlands use rights granted to the acquired subsidiaries at the date of acquisition. Both are amortised on a straight-line basis over the remaining term of the lease of the Forestlands.

Collection of fruit products and enhancing the quality and quantity of existing fruit trees is the primary long term plan of the Company. First, the management has started negotiation with the farmers on a certain way of cooperation whereby they will be paid on the amount of fruits they pick at a discount to market price. Second, apple trees and flowers have been planted and cultivated using new improved methods technically advised by Beijing Academy of Agriculture and Forestry Science. Furthermore, the management is now exploring e-commerce channels which will be used to distribute our own farm products as well as local specialty products.

For ecotourism, the management is in discussion with various investors regarding future cooperation. No final agreement has been reached. The forestry management business and ecotourism business are still at its development stage and no profit contribution is expected in the near future. However the management is confident that this line of business has a great potential to appreciate in the long run.

## MANAGEMENT DISCUSSION AND ANALYSIS

### b) Investment in Listed Securities

The Group's securities portfolio has an unrealised fair value gain on investments at fair value through profit or loss of approximately HK\$167.95 million for the six months ended 30 September 2014 and a realised loss of HK\$10.2 million. The positive results in this period is mainly attributable to the net fair value gain on the Group's listed equity investment at 30 September 2014.

### c) Money Lending Business

The Group's wholly owned subsidiary engaged in money lending business recorded a moderate profit of approximately HK\$0.33 million for the period concerned. The management will continue taking a cautious approach to this line of business.

### d) Investment holding

The Group holds an unlisted investment at fair value of the amount of approximately HK\$340.8 million as at 30 September 2014. On 12 June 2014, the Group has agreed conditionally to increase the investment by way of subscription of shares at the total amount of approximately HK\$228 million. The management is positive on the future prospect of this investment.

### e) Real Estate Investment

The Group disposed of its commercial properties during the fiscal year ended 31 March 2014. As at 30 September 2014, the Group did not hold any property. Given the current market sentiment and situation, the management will take a conservative approach in taking up new investment going forward.

### f) Chinese Medicine Clinic operations

The Group's operations in the traditional Chinese Medicine industry through the Hon Chinese Medicine Clinic have run for approximately three years. During this period, this operation incurred a loss of approximately HK\$26.55 million. Having considered the continuous losses incurred, the Group decided to dispose the Chinese Medicine Clinic operations in November 2014 so that the Group can focus its resources on profitable business and at the same time seek diversified business opportunities.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Prospect

Although the Hong Kong stock market has been volatile in 2014 because of the impact of the US Federal Reserve tapering and other uncertainties in the global economy, the Group still holds a cautiously optimistic view on Hong Kong's economy as well as the prospect of the Group's business.

The launch of Shanghai-Hong Kong Stock Connect on 17 November 2014 is an important step towards the opening up of the capital markets in China. The Group is optimistic about the performance of the stock markets in China and Hong Kong and expects that the implementation of the Shanghai-Hong Kong Stock Connect may be a good business opportunity for the Group.

The Group is still optimistic on the money lending business and plans to increase its effort in this line of business. 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.

Moving forward, the Group will continue to concentrate on forestry management, investment in listed securities and money lending as core businesses and will also seek diversified business opportunities in other areas with an objective to enhance the performance of the Group and increase shareholders' value.

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2014, the Group's total assets and borrowings were approximately HK\$1,843,130,000 and HK\$19,235,000, respectively. The borrowings of the Group represented two unsecured seven-year bonds with fixed rate of interest of 5% per annum, one of which was newly issued to an independent third party in the current period with principal amount of HK\$10 million and final maturity in the year 2021. The bonds were denominated in Hong Kong dollars and thus there is no exposure to fluctuations in exchange rate. The gearing ratio (total borrowings/total assets) at 30 September 2014 was approximately 1%.

On 18 July 2014, the Company announced that the Board proposed a bonus issue on the basis of one bonus issue for every two existing shares held by members of the Company on the register of members on 26 August 2014. Further details of the bonus issue are set out in the Company's circular dated 1 August 2014 and the Company's announcement date 18 July 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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 2014, 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 2014 (31 March 2014: 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.

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Save as disclosed in note 17 to the condensed consolidated financial statements, the Group has no material acquisition and disposal of subsidiaries during the six months ended 30 September 2014.

### EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

As at 30 September 2014, the Group had an available workforce, including Directors of the Company, of 24, of which 11 were based in the PRC. Staff costs incurred and charged to profit or loss for the period including directors' remuneration, was approximately HK\$6.5 million (six months ended 30 September 2013: HK\$5.2 million).

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

## DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST

### DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

At 30 September 2014, the interests of the Directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in the ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Ong, Peter	1,589,692	–	1,589,692	0.04%

Save as disclosed above, as at 30 September 2014, none of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' INTEREST

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST IN SHARES AND UNDERLYING SHARES

At 30 September 2014, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

#### Long position:

Name of shareholder	Capacity in which such interest were held	Number of shares or underlying shares	Approximate percentage of existing issued share capital of the Company
Hao Tin Development Group Limited	Ultimately beneficially owned	1,222,875,000 (Note)	28.87%
Hao Tin Management (Hong Kong) Limited	Through controlled corporations	1,222,875,000 (Note)	28.87%
Win Team Investments Limited	Directly beneficially owned	1,222,875,000 (Note)	28.87%

Note:

Based on the filings under the SFO, Win Team Investments Limited is wholly-owned by Hao Tin Management (Hong Kong) Limited, which is wholly-owned by Hao Tin Development Group Limited.

Save as disclosed above, no person, other than the Directors and Chief Executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## CORPORATE GOVERNANCE

Throughout the six months ended 30 September 2014, 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 Chairman and Chief Executive Officer should be clearly established and set out in writing. Dr. Kwong Kai Sing, Benny, assumed the roles of both Chairman and Chief Executive Officer of the Company, and was in charge of the overall management of the Company until he resigned on 7 August 2014. The Company considers that the combination of the roles of 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. However, the Company understands the importance to comply with Code Provision and it is also the Company’s aim to comply with Code Provisions. Therefore, the Company will continue to consider the feasibility to comply with Code Provision A.2.1. If compliance is determined, appropriate persons will be nominated to the different roles of Chairman and Chief Executive Officer.

Although not less than one-third of the Directors of the Company (both Executive and Non-Executive) are subject to retirement by rotation at the Company’s annual general meeting (Code Provision A.4.2 requires every Director should be subject to retirement by rotation at least once every three years (the “Rotation Period Restriction”)) as specified by the Company’s bye-laws, they are not appointed for a specific term. Thus the Company has deviated from Code Provision A.4.1. The Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are similar to those provided in the Code.

Code provision D.1.4 sets out that issuers should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for all Directors. All of the Directors of the Company are, however, required to refer to the guidelines set out in “A Guide on Directors’ Duties” issued by the Companies Registry and “Guidelines for Directors” and “Guide for Independent Non- Executive Directors” published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. In the opinion of the Directors, this meets the objective of the Code provision D.1.4.

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 18 August 2014 due to overseas commitments or other prior business engagements.



## CORPORATE GOVERNANCE

### 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 three Independent Non-Executive Directors of the Company. The Company's unaudited interim condensed consolidated financial statements for the six months ended 30 September 2014 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 2014.

### 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 2014 and up to the date of this report are set out as below:

<b>Name of Director</b>	<b>Details of changes</b>
Dr. Kwong Kai Sing, Benny	Resigned as Chairman and Executive Director of the Company with effective from 7 August 2014
Mr. Lo Wong Fung, JP	Retired as Independent Non-Executive Director of the Company with effective from 18 August 2014
Mr. Yau Wai Lung	Appointed as Executive Director of the Company with effective from 19 August 2014
Dr. Jonathan Ross	Appointed as Executive Director of the Company with effective from 6 October 2014
Ms. Chen Wei	Resigned as Executive Director of the Company with effective from 6 October 2014
Mr. Chow Chi Wah, Vincent	Resigned as Executive Director and Company Secretary of the Company with effective from 6 October 2014

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

By Order of the Board  
**Heritage International Holdings Limited**  
**Yau Wai Lung**  
*Executive Director*

Hong Kong, 27 November 2014