



HERITAGE

INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code : 412

INTERIM REPORT **2008**

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INTERIM FINANCIAL REPORT

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 2008 together with the comparative figures. This interim financial information has not been audited, but has been reviewed by the Company’s audit committee.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

		For the six months ended 30 September	
	Notes	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000 (Restated)
REVENUE	3	6,716	69,116
Other income and gains		3,040	4,228
Gains/(losses) arising from changes in fair value of investment properties		(16,100)	3,600
Fair value losses on investments at fair value through profit or loss, net		(241,313)	(113,420)
Gains/(losses) on disposal of subsidiaries, net		(6,909)	3,319
General and administrative expenses		(11,815)	(9,436)
Other expenses		(55,610)	(3,993)
Finance costs	4	(1,412)	(2,727)
LOSS BEFORE TAX	5	(323,403)	(49,313)
Tax	6	1,632	(630)
LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>(321,771)</u>	<u>(49,943)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		(Restated)
Basic		<u>HK\$(1.28)</u>	<u>HK\$(0.31)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2008

	Notes	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		7,846	16,314
Investment properties		141,600	150,500
Interests in jointly-controlled entities		–	–
Available-for-sale investments	9	12,080	9,130
Loan receivable	10	3,555	4,070
Convertible bond – loan portion		17,484	16,630
Total non-current assets		182,565	196,644
CURRENT ASSETS			
Loans receivable	10	529,196	569,499
Convertible bond – option derivatives		–	1,626
Other derivative financial instrument		7,214	–
Investments at fair value through profit or loss	11	308,637	357,627
Prepayments, deposits and other receivables		9,435	24,603
Cash and bank balances		33,982	205,172
Total current assets		888,464	1,158,527
CURRENT LIABILITIES			
Other payables and accruals		12,568	5,031
Interest-bearing bank borrowings	12	2,097	10,334
Tax payable		100	800
Total current liabilities		14,765	16,165
NET CURRENT ASSETS		873,699	1,142,362
TOTAL ASSETS LESS CURRENT LIABILITIES		1,056,264	1,339,006
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	12	42,593	68,672
Deferred tax liabilities		214	9,370
Total non-current liabilities		42,807	78,042
Net assets		1,013,457	1,260,964
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	13	255,767	213,167
Reserves		757,690	1,047,797
Total equity		1,013,457	1,260,964

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

Note	Attributable to equity holders of the Company										
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	Equity component			(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
			Share	of	Capital						
			Issued	convertible	redemption						
capital	premium	notes	reserve	revaluation	Contributed	Available- for-sale	Exchange	Accumulated	Total		
(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	
At 1 April 2007	348,270	461,217	4,419	1,177	3,046	319,113	(6,269)	-	(313,487)	817,486	
Change in fair value of available-for-sale investments and total income recognised directly in equity	-	-	-	-	-	-	8,976	-	-	8,976	
Loss for the period	-	-	-	-	-	-	-	-	(49,943)	(49,943)	
Total income and expense for the period	-	-	-	-	-	-	8,976	-	(49,943)	(40,967)	
Conversion of convertible notes	24,000	8,322	(4,419)	-	-	-	-	-	-	27,903	
Placement of new shares	219,953	188,262	-	-	-	-	-	-	-	408,215	
Share issue expenses	-	(10,205)	-	-	-	-	-	-	-	(10,205)	
At 30 September 2007	592,223	647,596	-	1,177	3,046	319,113	2,707	-	(363,430)	1,202,432	
At 1 April 2008	213,167	694,592	-	1,177	3,046	1,029,780	440	-	(681,238)	1,260,964	
Exchange realignment and total expense for the period recognised directly in equity	-	-	-	-	-	-	-	55	-	55	
Loss for the period	-	-	-	-	-	-	-	-	(321,771)	(321,771)	
Total income and expense 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	255,767	729,247*	-*	1,177*	-*	1,029,780*	440*	55*	(1,003,009)*	1,013,457	

* These reserve accounts comprise the consolidated reserves of HK\$757,690,000 (31 March 2008: HK\$1,047,797,000) in the interim condensed consolidated balance sheet.

**INTERIM CONDENSED CONSOLIDATED CASH FLOW
STATEMENT**

For the six months ended 30 September 2008

	For the six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM:		
OPERATING ACTIVITIES	(120,636)	26,738
INVESTING ACTIVITIES	(110,055)	19,529
FINANCING ACTIVITIES	59,501	393,218
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(171,190)	439,485
Cash and cash equivalents at beginning of period	205,172	127,695
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	33,982	567,180
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	33,982	567,180
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NOTES TO UNAUDITED INTERIM FINANCIAL INFORMATION

I. 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 32nd 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 condensed consolidated balance sheet as at 30 September 2008, and the related condensed consolidated income statement, statement of changes in equity and cash flow statement 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 2008.

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 2008, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA for the first time for the current period’s unaudited interim financial information:

HK(IFRIC)-Int 12	<i>Service Concession Arrangements</i>
HK(IFRIC)-Int 14	<i>HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

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

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this unaudited interim financial information. The Group 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.

I. CORPORATE INFORMATION, BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i> ¹
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i> ¹
HKFRS 3 (Revised)	<i>Business Combinations</i> ⁴
HKFRS 8	<i>Operating Segments</i> ¹
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i> ¹
HKAS 23 (Revised)	<i>Borrowing Costs</i> ¹
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ⁴
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i> ¹
HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurements and HKFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets</i> ⁵
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurements – Eligible Hedged Items</i> ⁴
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i> ²
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i> ¹
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i> ³
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i> ⁴

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

² Effective for annual periods beginning on or after 1 July 2008

³ Effective for annual periods beginning on or after 1 October 2008

⁴ Effective for annual periods beginning on or after 1 July 2009

⁵ Effective from 1 July 2008

2. SEGMENT INFORMATION

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

Summary details of the business segments are as follows:

- (i) the property investment segment engages primarily in the investments in commercial and residential properties for rental income potential and/or appreciation in values;

2. SEGMENT INFORMATION (continued)

- (ii) the investments in securities segment engages in the purchase and sale of securities and the holding of equity and debt investments primarily for interest income, dividend income and fair value/capital appreciation;
- (iii) the money lending segment engages in money lending operations in Hong Kong; and
- (iv) the investment holding segment engages in holding investments for a continuing strategic or long term purpose, primarily for dividend income and capital appreciation.

There were no material intersegment sales and transfers during the period (six months ended 30 September 2007: Nil).

Business segments

The following table presents revenue and results information for the Group's business segments for the six months ended 30 September 2008 and 2007.

	Property investment		Investments in securities		Money lending		Investment holding		Consolidated	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000 (Restated)	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000 (Restated)	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000 (Restated)
Segment revenue:										
Revenue from external customers	2,600	4,197	(14,357)	57,231	18,473	7,688	-	-	6,716	69,116
Other revenue and gains	-	3,600	1,750	-	250	-	-	-	2,000	3,600
Total	2,600	7,797	(12,607)	57,231	18,723	7,688	-	-	8,716	72,716
Segment results	(27,475)	6,106	(252,370)	(56,770)	(30,427)	4,153	(7,966)	(3,663)	(318,238)	(50,174)
Unallocated other income and gains									1,040	7,547
Unallocated losses and expenses, net									(4,793)	(3,959)
Finance costs									(1,412)	(2,727)
Loss before tax									(323,403)	(49,313)
Tax									1,632	(630)
Loss for the period									(321,771)	(49,943)

3. REVENUE

Revenue, which is also the Group's turnover, represents gross rental income received and receivable from investment properties; interest income earned from money lending operations; dividend and interest income from investments at fair value through profit or loss; and gain/(loss) from 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	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000 (Restated)
Gross rental income from investment properties	2,600	4,197
Interest income from money lending operations	18,473	7,688
Dividend and interest income from investments at fair value through profit or loss	2,624	2,252
Gain/(loss) on sale of investments at fair value through profit or loss, net*	(16,981)	54,979
	6,716	69,116

* Represents the proceeds from the sale of investments at fair value through profit or loss of HK\$154,461,000 (2007: HK\$660,259,000) less the cost of sales and carrying amount of the investments sold of HK\$171,442,000 (2007: HK\$605,280,000).

In the prior period's unaudited interim financial information, the Group separately presented the proceeds from the sale of investments at fair value through profit or loss as "revenue" and the cost of investments at fair value through profit or loss disposed of as "cost of sales and carrying amount of equity investments sold". For the current period, the Group changed its presentation to present the gain/loss on sale of investments at fair value through profit or loss as "revenue" on the net basis as, in the opinion of the directors, it would result in a more appropriate presentation of the revenue of the Group.

The effect of this change in presentation was to decrease the "revenue" and the "cost of sales and carrying amount of equity investments sold" for the six months ended 30 September 2008 by HK\$171,442,000, representing the cost of investments at fair value through profit or loss disposed of during the current period.

3. REVENUE (continued)

This change in presentation has had no impact to the loss for the period attributable to equity holders of the Company.

To conform with the current period's presentation, the cost of investments at fair value through profit or loss disposed of for the six months ended 30 September 2007 of HK\$605,280,000 has been reclassified from the "cost of sales and carrying amount of equity investments sold", resulting in a decrease in the "revenue" and the "cost of sales and carrying amount of equity investments sold" for that period by the same amount. This has resulted in no change to the amount of the loss for that period attributable to equity holders of the Company, or accumulated losses as at 1 April 2007.

4. FINANCE COSTS

	For the six months ended 30 September	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest on:		
Bank loans wholly repayable within five years	–	60
Bank loans not wholly repayable within five years	1,412	2,594
Convertible notes	–	93
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	1,412	2,747
Less: Interest expense included in gain/(loss) on sale of investments at fair value through profit or loss, net	–	(20)
	<hr/>	<hr/>
Total finance costs for the period	1,412	2,727
	<hr/> <hr/>	<hr/> <hr/>

5. LOSS BEFORE TAX

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

	For the six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	1,898	2,087
Impairment of loans receivable*	18,224	3,500
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	493
Gain on disposal of items of property, plant and equipment	(92)	(81)
	<u> </u>	<u> </u>

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

6. TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period.

In the prior period, no provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the prior period.

	For the six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Underprovision in prior periods	1,024	–
Deferred tax charge/(credit)	(2,656)	630
	<u> </u>	<u> </u>
Total tax charge/(credit) for the period	<u>(1,632)</u>	<u>630</u>

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

(a) Basic loss per share

The calculation of the basic loss per share amounts for the period is based on (i) the loss for the period attributable to equity holders of the Company of HK\$321,771,000 (six months ended 30 September 2007: HK\$49,943,000) and (ii) the weighted average number of 250,851,407 (2007: 158,966,114 (restated)) ordinary shares in issue during the period, as adjusted to reflect the consolidation of shares subsequent to the balance sheet date (note 18). The basic loss per share amount for the six months ended 30 September 2007 has been adjusted to reflect the rights issue and the consolidation of shares during the year ended 31 March 2008 and the consolidation of shares subsequent to the balance sheet date (note 18).

(b) Diluted loss per share

Diluted loss per share amounts for the six months ended 30 September 2008 and 2007 have not been disclosed, as the warrants and convertible notes outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.

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 2007: Nil).

9. AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Listed equity investments, at fair value:		
Not listed in Hong Kong	3,224	8,060
Unlisted investments, at cost	62,666	54,880
Less: Provision for impairment	(54,880)	(54,880)
	<u>7,786</u>	<u>–</u>
Club membership debenture, at fair value	1,070	1,070
	<u>12,080</u>	<u>9,130</u>

10. LOANS RECEIVABLE

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Loans receivable	592,525	587,569
Less: Provision for impairment	(59,774)	(14,000)
	532,751	573,569
Less: Balances due within one year included in current assets	(529,196)	(569,499)
Non-current portion	3,555	4,070

Loans receivable represented receivables arising from the money lending business of the Group and bear interest at rates ranging from the Hong Kong dollar prime rate as quoted by The Hongkong and Shanghai Banking Corporation Limited (the "Prime Rate") to 24% per annum (31 March 2008: ranging from the Prime Rate to 24% per annum). The granting of these loans has been approved and monitored by the Company's executive directors in charge of the Group's money lending operations.

11. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Listed equity investments, at market value:		
Hong Kong	164,277	316,186
Elsewhere	31,517	41,441
	195,794	357,627
Unlisted investments, at fair value	112,843	–
	308,637	357,627

At the balance sheet 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 (note 12).

12. INTEREST-BEARING BANK BORROWINGS

	Contractual interest rate (%)	Maturity	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Current				
Bank loans – secured	HIBOR [^] + 1.25	September 2009	–	1,872
Bank loans – secured	HIBOR [^] + 1.50	September 2009	–	5,170
Bank loans – secured	Prime* – 2.50	September 2009	1,007	994
Bank loans – secured	5.10	September 2009	–	2,298
Bank loans – secured	Prime*	September 2009	1,090	–
			2,097	10,334
Non-current				
Bank loans – secured	HIBOR [^] + 1.25	June 2021 [#]	–	23,164
Bank loans – secured	HIBOR [^] + 1.50	June 2010 [#]	–	10,488
Bank loans – secured	Prime* – 2.50	July 2018 [#]	9,949	10,631
Bank loans – secured	5.10	June 2018 [#]	–	24,389
Bank loans – secured	Prime*	January 2027 [#]	32,644	–
			42,593	68,672
			44,690	79,006

[^] Denotes the Hong Kong Interbank Offered Rate.

* Represents the Hong Kong dollar prime lending rate as quoted by the Bank of East Asia Limited or Chong Hing Bank Limited.

[#] The bank loans are repayable by monthly instalments.

12. INTEREST-BEARING BANK BORROWINGS (continued)

- (a) Certain of the Group's bank loans are secured by:
- (i) mortgages over the Group's leasehold land and buildings situated in Hong Kong, which had an aggregate carrying value at 31 March 2008 of approximately HK\$7,878,000. The mortgages were released upon the disposal of a subsidiary during the period;
 - (ii) mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK\$141,600,000 (31 March 2008: HK\$150,500,000); and
 - (iii) a corporate guarantee given by the Company up to HK\$90,000,000 (31 March 2008: HK\$112,000,000) as at the balance sheet date.
- (b) The Group's investments in listed equity securities with an aggregate carrying value at the balance sheet date of approximately HK\$164,277,000 (31 March 2008: HK\$316,186,000) were pledged to certain financial institutions to secure certain margin financing facilities provided to the Group which were not utilised as at 30 September 2008 and 31 March 2008 (note 11).

13. SHARE CAPITAL

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Authorised:		
10,000,000,000 (31 March 2008: 10,000,000,000) ordinary shares of HK\$0.10 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
2,557,667,916 (31 March 2008: 2,131,667,916) ordinary shares of HK\$0.10 each	<u>255,767</u>	<u>213,167</u>

13. SHARE CAPITAL (continued)

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

	Note	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2008		2,131,667,916	213,167	694,592	907,759
Placement of new shares	(a)	426,000,000	42,600	36,636	79,236
Share issue expenses		–	–	(1,981)	(1,981)
At 30 September 2008		<u>2,557,667,916</u>	<u>255,767</u>	<u>729,247</u>	<u>985,014</u>

Note:

- (a) On 22 April 2008, the Company allotted and issued a total of 426,000,000 ordinary shares of HK\$0.10 each for cash at a price of HK\$0.186 per share. Further details of the placing are also set out in the Company's announcement dated 22 April 2008.

Warrants

During the year ended 31 March 2008, a bonus issue of warrants (the "Warrants") in the proportion of one Warrant for every five shares held by members of the Company on the register of members of the Company on 20 December 2007 was made, resulting in 355,333,583 Warrants being issued. Each Warrant entitles the holder thereof to subscribe for one ordinary share of the Company of HK\$0.10 at an initial subscription price of HK\$0.60 per share, payable in cash and subject to adjustment, and the Warrant is exercisable at any time between the date of issue of the Warrants and the day immediately preceding the date which is 18 months after the date of issue.

During the period, no warrant was exercised. As 30 September 2008, the Company had 355,333,583 (31 March 2008: 355,333,583) Warrants outstanding. The exercise in full of such Warrants would, under the present capital structure of the Company, result in the issue of 355,333,583 additional shares of the Company of HK\$0.10 each.

14. ACQUISITION OF SUBSIDIARIES

On 25 April 2008, the Group entered into a sale and purchase agreement with an independent third party to acquire the entire equity interest in E-Garden Properties Limited (“E-Garden”) for a cash consideration of approximately HK\$101,170,000. The principal activity of E-Garden is investment holding. Fast Champion Limited, a wholly-owned subsidiary of E-Garden, is the registered owner of a property located at the basement of China United Centre, 28 Marble Road, North Point, Hong Kong. Further details of the above transaction are also set out in a circular of the Company dated 15 May 2008.

15. DISPOSAL OF SUBSIDIARIES

On 19 May 2008, the Group entered into three sale and purchase agreements with three third parties (collectively the “Purchasers”) to dispose of its entire equity interests in Glamorous Investments Limited (“Glamorous”), Best Inspire Limited (“Best Inspire”) and Bright Majestic Limited (“Bright Majestic”) for considerations of approximately HK\$20,000,000, HK\$32,000,000 and HK\$34,000,000, respectively. The aggregate considerations were satisfied by the convertible notes (the “Notes”) issued by Willie International Holdings Limited (“Willie”), the holding company of the Purchasers. Glamorous, Best Inspire and Bright Majestic hold properties located at 30th, 31st and 32nd floors of China United Centre, 28 Marble Road, North Point, Hong Kong, respectively. Further details of the above transactions are also set out in a circular of the Company dated 30 May 2008.

On 11 September 2008, the Group entered into a termination deed with Willie, pursuant to which the parties conditionally agreed to terminate the Notes. In consideration therefor, Willie issued an aggregate of 650,000,000 ordinary shares of HK\$0.10 each in the share capital of Willie, all credited as fully paid, to the Group. Further details of the above transaction are also set out in a circular of the Company dated 29 October 2008. The resolution approving the termination deed and the transactions contemplated thereunder was duly passed by the independent shareholders of the Company by way of poll at a special general meeting of the Company held on 14 November 2008.

16. OPERATING LEASE ARRANGEMENTS**(a) As lessor**

The Group leases certain of its investment properties under operating lease arrangements, with leases negotiated for terms of two years.

At 30 September 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Within one year	30	7,434
In the second to fifth years, inclusive	—	2,314
	<u>30</u>	<u>9,748</u>
	<u><u>30</u></u>	<u><u>9,748</u></u>

(b) As lessee

The Group leases its office premises, under an operating lease arrangement, with the lease negotiated for a term of two years.

At 30 September 2008, the Group had total future minimum lease payments under a non-cancellable operating lease falling due as follows:

	30 September 2008 (Unaudited) HK\$'000	31 March 2008 (Audited) HK\$'000
Within one year	1,676	—
In the second to fifth years, inclusive	1,257	—
	<u>2,933</u>	<u>—</u>
	<u><u>2,933</u></u>	<u><u>—</u></u>

17. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in this unaudited interim financial information, the Group had the following transactions with related parties during the period:

- (a) During the year ended 31 March 2007, the Group granted a loan of HK\$25,000,000 to Century Ample Finance Limited (“Century Ample”), a company incorporated in the British Virgin Islands, whose director is also a director of the Company. The loan was unsecured, bore interest at the Prime Rate and was fully repaid during the year ended 31 March 2008. The amount of interest charged to Century Ample during the six months ended 30 September 2007 was approximately HK\$647,000.
- (b) During the six months ended 30 September 2008, the Group granted a loan of HK\$20,000,000 to Radford Capital Investment Limited (“Radford”), a company incorporated in the Cayman Islands, whose director is also a director of the Company. The loan is unsecured, bears interest at the Prime Rate and repayable on 14 November 2008. The amount of interest charged to Radford during the six months ended 30 September 2008 was approximately HK\$400,000.
- (c) Compensation of key management personnel of the Group:

	For the six months ended 30 September	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short term employee benefits	3,030	3,030
Post-employment benefits	30	12
	<hr/>	<hr/>
Total compensation paid to key management personnel	3,060	3,042
	<hr/> <hr/>	<hr/> <hr/>

18. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following significant events of the Group, not disclosed elsewhere in this unaudited interim financial information, took place:

- (a) On 24 September 2008, the Group entered into a conditional settlement deed (as supplemented by a supplemental deed dated 26 September 2008) (collectively the “Radford Settlement Deeds”) with Radford, a loan borrower of the Group which has borrowed a loan of HK\$20,000,000 (the “Radford Loan”) during the six months ended 30 September 2008 with repayment date on 14 November 2008. Pursuant to the Radford Settlement Deeds, Radford agreed to issue a zero coupon convertible bond due 2011 with an aggregate principal amount of HK\$20,000,000 to the Group in settlement of the Radford Loan. Further details of the above transaction are also set out in a circular of the Company dated 17 October 2008. The resolution approving the issue of the convertible bond was duly passed by the shareholders of Radford at an extraordinary general meeting of Radford on 27 November 2008.
- (b) On 8 October 2008, the Group entered into a conditional settlement deed (the “Unity Settlement Deed”) with Unity Investments Holdings Limited (“Unity”), a loan borrower of the Group which has borrowed a loan of HK\$20,000,000 (the “Unity Loan”) during the six months ended 30 September 2008 with repayment date on 13 November 2008. Pursuant to the Unity Settlement Deed, Unity conditionally agreed to issue a zero coupon convertible note due 2011 with an aggregate principal amount of HK\$20,000,000 to the Group in settlement of the Unity Loan. Further details of the above transaction are also set out in a circular of the Company dated 21 October 2008. The resolution approving the issue of the convertible note was duly passed by the shareholders of Unity at an extraordinary general meeting of Unity held on 24 November 2008.
- (c) On 16 February 2008, the Group entered into a subscription agreement with Hang Fa Lau Holdings Limited (“Hang Fa Lau”), a private company incorporated in Hong Kong with limited liability, for the subscription of a 2% convertible bond due 2011 (the “Convertible Bond”) with an aggregate principal amount of HK\$18 million issued by Hang Fa Lau. Further details of the subscription of the Convertible Bond are set out in an announcement and a circular of the Company dated 18 February 2008 and 6 March 2008, respectively.

Subsequent to the balance sheet date, Hang Fa Lau has requested to early redeem part of the Convertible Bond with an aggregate principal amount of HK\$15 million. The redemption was made at 100% (instead of 108% under the terms of the Convertible Bond) of the principal amount to be redeemed. The Group has agreed to waive the premium to be received from Hang Fa Lau as a result of early redemption. Further details of the above transaction are also set out in an announcement of the Company dated 9 October 2008.

18. POST BALANCE SHEET EVENTS (continued)

- (d) At a special general meeting of the Company held on 27 November 2008 (the “SGM”), the Company put forward to its shareholders a special resolution to approve a capital reorganisation of the Company (the “Capital Reorganisation”) comprising a capital reduction (the “Capital Reduction”), a share subdivision (the “Subdivision”), a reduction of authorised share capital (the “Reduction of Authorised Share Capital”) and a share consolidation (the “Share Consolidation”). The special resolution approving the Capital Reorganisation was duly passed by the shareholders of the Company at the SGM.

The Capital Reduction reduced the issued share capital of the Company by cancelling the paid-up capital to the extent of HK\$0.09 on each issued share; forthwith upon the Capital Reduction taking effect, every authorised but unissued share was subdivided into ten shares of HK\$0.01 each; following the Subdivision, the authorised share capital of the Company was reduced from HK\$1,000,000,000 to HK\$100,000,000 by cancelling 90,000,000,000 unissued shares of HK\$0.01 each; upon the Capital Reduction, the Subdivision and the Reduction of Authorised Share Capital becoming effective, every ten shares of HK\$0.01 each in both the issued and unissued share capital of the Company were consolidated into one consolidated share of HK\$0.10 each (the “Consolidated Share”).

Pursuant to the terms and conditions of the instrument creating the warrants of the Company, the subscription price of the outstanding warrants of the Company was adjusted from HK\$0.60 per share to HK\$6.00 per Consolidated Share and the subscription rights attached to each warrant was adjusted from the rights to subscribe for one share to the rights to subscribe for 0.1 Consolidated Share, as a result of the Capital Reorganisation. The adjustments have taken effect from the close of business on 27 November 2008, being the business day immediately preceding the date on which the Capital Reorganisation became effective.

Further details of the Capital Reorganisation are also set out in a circular of the Company dated 4 November 2008.

19. COMPARATIVE AMOUNTS

Certain comparative amounts under segment information have been reclassified to conform with the current period’s presentation. The directors consider that such reclassification will better reflect the nature of the transactions.

As further explained in note 3 to the unaudited interim financial information, certain comparative amounts have been reclassified to conform with the current period’s presentation.

20. 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 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Group made an after tax loss of approximately HK\$322 million mainly caused by unrealised loss of approximately HK\$241 million arisen from fair value losses on equity and debt investments at fair value through profit or loss as at financial half year end. As the securities market price fluctuates from time to time, this loss may be reversed by financial year end.

The Group has the following major lines of business:

- (a) **Real Estate Investment:** the three stories of office properties owned by the Group were sold during the six months ended September 2008 at a loss of HK\$7 million. During the same period, the Group bought a retail property at HK\$101 million and the management is considering to turn this into a wine storage warehouse in anticipation of the recent import tax waiver against table wine as announced by the government.
- (b) **Investments in Equity and Debt Securities:** the fair value losses on equity and debt investments at fair value through profit or loss was HK\$241 million. This, however, may be reversed by year end as the securities market fluctuates from time to time.
- (c) **Money Lending Business:** the money lending business suffered a setback during the period as some of the borrowers have defaulted amidst the financial turmoil happening globally. The management will take steps to tighten its credit control policy in future lending.
- (d) **Investment in Advertising and Lottery related business in the People's Republic of China ("PRC"):** the Group has a 20% interest in a company engaging in advertising and lottery related business in the PRC (the "Joint Venture"). So far the Joint Venture has supplied over 20,000 lottery selling booths to over 10 provinces in the PRC. Active negotiation has started to bring in advertising revenue as the numbers have reached a critical mass to be considered by advertisers.
- (e) **Investment in Gaming Related Business in Macau:** The negotiation with a Las Vegas style hotel casino for the provision of certain management services to the casino was suspended for the time being as the said casino resort has delayed its opening date. The management, however, is still optimistic at the long term potential in this market and will continue to look for opportunity in the area.

Prospect

2008 is an exceptional year as we have witnessed the biggest financial crisis in the world since 1929. Most sectors are affected and economists generally agree that the worst has yet to come. Though incurring a loss of approximately HK\$322 million, the Group is still financially sound with very low gearing and good liquidity. The management has taken a very cautious approach in taking on new investments.

The current security market appears to have stabilised and we hope that the Group's annual result would improve.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2008, the Group's total assets and borrowings were approximately HK\$1,071.0 million and HK\$44.7 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 exchange rate. The gearing ratio (total borrowings/total assets) at 30 September 2008 was 4.2%. As at 30 September 2008, investment properties amounted to approximately HK\$141.6 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\$164.3 million were pledged to certain financial institutes to secure margin financing facilities provided to the Group.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Details of acquisition and disposal of the subsidiaries during the period are set out in notes 14 and 15 to the unaudited interim financial information, respectively.

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 2008 (31 March 2008: Nil).

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

At 30 September 2008, the interests of the directors and chief executive of the Company in the shares of the Company or any of 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 Companies (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of director	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation			
Kwong Kai Sing, Benny	15,444,000	–		15,444,000	0.60%
Ong, Peter	8,595,360	–		8,595,360	0.34%
Poon Chi Wan	1,188,000	–		1,188,000	0.05%

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with minimum company membership requirements.

Save as disclosed above, as at 30 September 2008, none of the directors and chief executive of the Company, or any of their associates, had registered any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be 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 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.

SHARE OPTION SCHEMES

There was no share option granted and exercised under the New Share Option Scheme during the six months ended 30 September 2008.

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

At 30 September 2008, 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 interests were held	Number of Shares or underlying Shares	Approximate percentage of existing issued share capital of the Company
Radford Capital Investment Limited	Corporate interest	222,711,300	8.71%
Willie International Holdings Limited	Corporate interest	209,541,280	8.19%
Unity Investments Holdings Limited	Corporate interest	188,140,705	7.36%

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.

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.

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 2008 has been reviewed by the audit committee of the Company.

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 2008, 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. Mr. 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.

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 2008.

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