

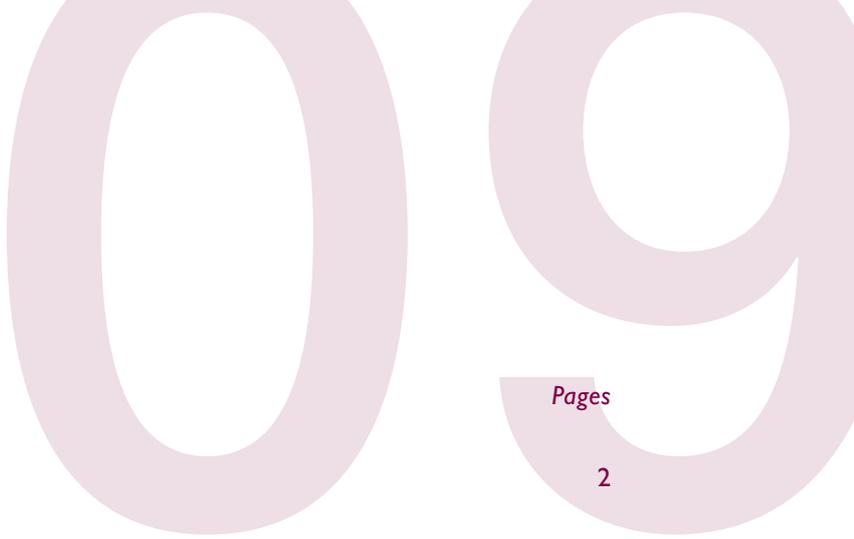


# 09

**Interim Report**

**Heritage International Holdings Limited**

(Incorporated in Bermuda with limited liability)  
Stock Code : 412



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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 2009 together with the comparative figures. This interim financial information has not been audited, but has been reviewed by the Company’s audit committee.

## INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2009

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

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

For the six months  
ended 30 September

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

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2009

	Notes	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	10,529	4,895
Investment properties		220,000	105,900
Interests in jointly-controlled entities		178,345	–
Available-for-sale investment	10	–	4,080
Loan receivable	11	–	3,302
Convertible bond – loan portion		2,515	2,556
Rental deposit		–	279
Deposits paid for purchase of items of property, plant and equipment		–	2,242
Investment at fair value through profit or loss	12	15,000	15,000
<b>Total non-current assets</b>		<b>426,389</b>	<b>138,254</b>
<b>CURRENT ASSETS</b>			
Loans receivable	11	–	402,188
Investments at fair value through profit or loss	12	748,372	346,389
Prepayments, deposits and other receivables		18,925	33,151
Tax recoverable		–	1,030
Cash and bank balances		43,089	29,473
<b>Total current assets</b>		<b>810,386</b>	<b>812,231</b>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		2,760	4,401
Interest-bearing bank borrowings	13	3,580	2,168
Amounts due to jointly-controlled entities	17(b)	106,695	–
<b>Total current liabilities</b>		<b>113,035</b>	<b>6,569</b>
<b>NET CURRENT ASSETS</b>		<b>697,351</b>	<b>805,662</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,123,740</b>	<b>943,916</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	13	70,259	41,459
Deferred tax liabilities		11,454	52
<b>Total non-current liabilities</b>		<b>81,713</b>	<b>41,511</b>
<b>Net assets</b>		<b>1,042,027</b>	<b>902,405</b>

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 September 2009

	Notes	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital	14	30,677	25,577
Reserves		1,011,350	876,828
Total equity		1,042,027	902,405

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009

Attributable to equity holders of the Company

Notes	Attributable to equity holders of the Company								
	Issued capital	Share premium account	Capital redemption reserve	Asset revaluation reserve	Contributed surplus	Available-for-sale investment revaluation reserve	Exchange fluctuation reserve	Accumulated losses	Total equity
	(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
At 1 April 2008	213,167	694,592	1,177	3,046	1,029,780	440	-	(681,238)	1,260,964
Loss for the period	-	-	-	-	-	-	-	(321,771)	(321,771)
Exchange realignment	-	-	-	-	-	-	55	-	55
Total comprehensive income/ (loss) for the period	-	-	-	-	-	-	55	(321,771)	(321,716)
Disposal of subsidiaries	-	-	-	(3,046)	-	-	-	-	(3,046)
Placement of new shares	42,600	36,636	-	-	-	-	-	-	79,236
Share issue expenses	-	(1,981)	-	-	-	-	-	-	(1,981)
At 30 September 2008	<u>255,767</u>	<u>729,247</u>	<u>1,177</u>	<u>-</u>	<u>1,029,780</u>	<u>440</u>	<u>55</u>	<u>(1,003,009)</u>	<u>1,013,457</u>
At 1 April 2009	25,577	729,247	1,177	-	1,259,970	-	12	(1,113,578)	902,405
Profit for the period	-	-	-	-	-	-	-	114,845	114,845
Exchange realignment	-	-	-	-	-	-	(47)	-	(47)
Total comprehensive income/ (loss) for the period	-	-	-	-	-	-	(47)	114,845	114,798
Placement of new shares	14(b) 5,100	20,400	-	-	-	-	-	-	25,500
Exercise of warrants	14(c) -	12	-	-	-	-	-	-	12
Share issue expenses	-	(688)	-	-	-	-	-	-	(688)
At 30 September 2009	<u>30,677</u>	<u>748,971*</u>	<u>1,177*</u>	<u>-*</u>	<u>1,259,970*</u>	<u>-*</u>	<u>(35)*</u>	<u>(998,733)*</u>	<u>1,042,027</u>

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2009

For the six months  
ended 30 September

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

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

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

#### Basis of preparation

This unaudited interim financial information of Heritage International Holdings Limited, which comprises the consolidated statement of financial position as at 30 September 2009, and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended, and explanatory notes, has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The unaudited interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2009.

#### Significant accounting policies

The accounting policies adopted in the preparation of this unaudited interim financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2009, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, HKASs and Interpretations) and amendments to HKFRSs issued by the HKICPA for the first time for the current period’s unaudited interim financial information:

## 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</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i>

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

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

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

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

### Significant accounting policies (continued)

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

Except for the above, the adoption of these new and revised HKFRSs and amendments to HKFRSs has had no significant financial effect on this unaudited interim financial information.

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2013

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

### **Significant accounting policies** (continued)

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

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

## **2. SEGMENT INFORMATION**

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

Summary details of the operating segments are as follows:

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

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

## 2. SEGMENT INFORMATION (continued)

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

	Property investment		Investments in securities		Money lending		Investment holding		Adjustments		Total	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000										
Segment revenue:												
Revenue from external customers	1,387	2,600	38,478	(14,357)	5,984	18,473	-	-	-	-	45,849	6,716
Other income and gains, net	-	-	123	1,750	-	250	268	-	-	-	391	2,000
<b>Total</b>	<b>1,387</b>	<b>2,600</b>	<b>38,601</b>	<b>(12,607)</b>	<b>5,984</b>	<b>18,723</b>	<b>268</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,240</b>	<b>8,716</b>
Results:												
Segment profit/(loss) before tax	61,533	(27,475)	113,427	(252,370)	(4,547)	(30,427)	(6,078)	(7,966)	(38,002) <sup>1</sup>	(5,165) <sup>1</sup>	126,353	(323,403)

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

### 3. REVENUE

Revenue, which is also the Group's turnover, represents gross rental income received and receivable from investment properties; interest income earned from money lending operations; dividend income from investments at fair value through profit or loss; and gain/(loss) on sale of investments at fair value through profit or loss, net, during the period.

An analysis of revenue is as follows:

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

\* Represents the proceeds from the sale of investments at fair value through profit or loss of HK\$391,021,000 (six months ended 30 September 2008: HK\$154,461,000) less the cost of sales and carrying amount of the investments sold of HK\$367,066,000 (six months ended 30 September 2008: HK\$171,442,000).

### 4. FINANCE COSTS

	For the six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interest on:		
Bank loans not wholly repayable within five years	1,027	1,412
Amount due to a jointly-controlled entity (note 17(a))	477	–
	<u>1,504</u>	<u>1,412</u>

## 5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Depreciation	1,828	1,898
Impairment of loans receivable*	–	18,224
Impairment of loan interest receivables*	–	3,374
Impairment of an available-for-sale investment*	–	4,836
Write-off of loans receivables*	–	27,550
Fair value loss on derivative financial instruments*	–	1,626
Loss/(gain) on disposal of items of property, plant and equipment	404	(92)
	<u>404</u>	<u>(92)</u>

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

## 6. TAX

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

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

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

### (a) Basic earnings/(loss) per share

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

### (b) Diluted earnings/(loss) per share

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

## 8. DIVIDEND

The board of directors of the Company does not recommend the payment of any interim dividend in respect of the period (six months ended 30 September 2008: Nil).

## 9. PROPERTY, PLANT AND EQUIPMENT

The total cost of additions of items of property, plant and equipment of the Group during the six months ended 30 September 2009 was HK\$7,866,000 (six months ended 30 September 2008: HK\$1,862,000) which mainly represented leasehold improvements. The net book value of disposals of items of property, plant and equipment during the six months ended 30 September 2009 was HK\$404,000 (six months ended 30 September 2008: HK\$7,878,000) which mainly represented disposals of office equipment.

## 10. AVAILABLE-FOR-SALE INVESTMENT

	<b>30 September 2009 (Unaudited) HK\$'000</b>	<b>31 March 2009 (Audited) HK\$'000</b>
Listed equity investment, at fair value:		
Not listed in Hong Kong	–	4,080
	<u>          </u>	<u>          </u>

## II. LOANS RECEIVABLE

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Loans receivable	–	423,490
Impairment	–	(18,000)
	<hr/>	<hr/>
	–	405,490
Portion classified as current assets	–	(402,188)
	<hr/>	<hr/>
Non-current portion	–	3,302
	<hr/> <hr/>	<hr/> <hr/>

Loans receivable as at 31 March 2009 represented receivables arising from the money lending business of the Group and bore interest at rates ranging from 2% below the Hong Kong dollar prime lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited (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. The loans were disposed of upon the disposal of subsidiaries (note 15).

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

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

## 12. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

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

## 13. INTEREST-BEARING BANK BORROWINGS

	Contractual interest rate (%)	Maturity**	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
<b>Current</b>				
Bank loan – secured	Prime* – 2.50	2010	1,043	1,019
Bank loan – secured	Prime#	2010	1,180	1,149
Bank loan – secured	HIBOR^ + 1.50	2010	1,357	–
			<b>3,580</b>	<b>2,168</b>
<b>Non-current</b>				
Bank loan – secured	Prime* – 2.50	2018	9,071	9,596
Bank loan – secured	Prime#	2027	31,265	31,863
Bank loan – secured	HIBOR^ + 1.50	2029	29,923	–
			<b>70,259</b>	<b>41,459</b>
			<b>73,839</b>	<b>43,627</b>

^ Denotes the Hong Kong Interbank Offered Rate.

\* Represents the Hong Kong dollar prime lending rate as quoted by The Bank of East Asia, Limited.

# Represents the Hong Kong dollar prime lending rate as quoted by Chong Hing Bank Limited.

\*\* For bank loans repayable by instalments, this denotes the maturity of the last instalment of the relevant period.

Certain of the Group's bank loans are secured by:

- (i) mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying amount at the statement of financial position date of approximately HK\$220,000,000 (31 March 2009: HK\$105,900,000); and
- (ii) a corporate guarantee given by the Company up to HK\$65,500,000 (31 March 2009: HK\$34,000,000) as at the statement of financial position date.

## 14. SHARE CAPITAL

	Note	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
Authorised:			
5,000,000,000 (31 March 2009: 1,000,000,000) ordinary shares of HK\$0.10 each	(a)	500,000	100,000
Issued and fully paid:			
306,768,745 (31 March 2009: 255,766,791) ordinary shares of HK\$0.10 each		30,677	25,577

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

	Notes	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2009		255,766,791	25,577	729,247	754,824
Placement of new shares	(b)	51,000,000	5,100	20,400	25,500
Exercise of warrants	(c)	1,954	–	12	12
Share issue expenses		–	–	(688)	(688)
At 30 September 2009		306,768,745	30,677	748,971	779,648

Notes:

- (a) Pursuant to an ordinary resolution passed on 31 August 2009, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$500,000,000 by the creation of 4,000,000,000 additional shares of HK\$0.10 each, ranking pari passu in all respects with the existing share capital of the Company.
- (b) On 28 April 2009, the Company allotted and issued a total of 51,000,000 ordinary shares of HK\$0.10 each for cash at a price of HK\$0.50 per share. Further details of the placing are set out in the Company's announcement dated 28 April 2009.

#### 14. SHARE CAPITAL (continued)

- (c) During the period, 1,954 shares of HK\$0.10 each were issued for cash at a subscription price of HK\$6.00 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK\$11,724.
- (d) Subsequent to the statement of financial position date, on 13 October 2009 and 26 November 2009, the Company allotted and issued a total of 61,350,000 and 300,000,000 ordinary shares, respectively, of HK\$0.10 each for cash at a price of HK\$0.44 per share. Further details of the placing are set out in the Company's announcements dated 30 September 2009.

#### 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 originally entitled 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 would be 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.

Pursuant to the terms and conditions of the instrument creating the Warrants, the subscription price and rights of the outstanding Warrants of the Company was adjusted as a result of a capital reorganisation of the Company which became effective on 28 November 2008. 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 ordinary share of the Company to the rights to subscribe for 0.1 consolidated share.

During the period, 19,540 Warrants were exercised (six months ended 30 September 2008: Nil), resulted in the issue of 1,954 additional shares of the Company at HK\$0.10 each. The remaining Warrants were expired on 30 June 2009.

## 15. DISPOSAL OF SUBSIDIARIES

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

## 16. COMMITMENTS

### 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 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Within one year	1,960	–
In the second to fifth years, inclusive	420	–
	<hr/>	<hr/>
	<b>2,380</b>	–
	<hr/> <hr/>	<hr/> <hr/>

## 16. COMMITMENTS (continued)

### Operating lease arrangements (continued)

(b) As lessee

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

At 30 September 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Within one year	4,829	3,734
In the second to fifth years, inclusive	1,394	3,252
	<u>6,223</u>	<u>6,986</u>

### Capital commitment

In addition to the operating lease commitments detailed above, the Group's share of its jointly-controlled entities' own capital commitment, is as follows:

	<b>30 September 2009 (Unaudited) HK\$'000</b>	31 March 2009 (Audited) HK\$'000
Contracted, but not provided for	<u>1,695</u>	<u>1,695</u>

On 11 March 2009, a subsidiary of New Range Investments Limited ("New Range"), a jointly-controlled entity, entered into a framework agreement (the "Framework Agreement") with an entity (the "PRC Entity") established in the People's Republic of China (the "PRC") for the long term co-operation in the development and management of lottery ticket services (including, inter alia, advertising services at the back of lottery tickets, LCD display services in lottery ticket sale counters, and lottery ticket services for the Expo 2010 Shanghai China) in the PRC. According to the Framework Agreement, the subsidiary and the PRC Entity will establish a jointly-owned entity in the PRC and each party will invest an amount of RMB7,500,000. Further agreements will be signed between the subsidiary of New Range and the PRC Entity for specific projects to be enforced in the future.

## 17. RELATED PARTY TRANSACTIONS

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

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

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

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

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

## **18. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE**

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

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

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

## **19. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL INFORMATION**

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS

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

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

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

#### Prospect

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

#### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2009, the Group's total assets and borrowings were approximately HK\$1,237 million and HK\$173.8 million respectively. The borrowings of the Group carried floating interest rates with reference to Hong Kong dollar prime lending rate and were made in Hong Kong dollar, and thus, there is no exposure to fluctuations in interest rate. The gearing ratio (total borrowings/total assets) at 30 September 2009 was 14%. As at 30 September 2009, investment properties amounted to approximately HK\$220.0 million were pledged to banks to secure certain loan facilities granted to the Group and investments at fair value through profit or loss with carrying amount of approximately HK\$667.2 million were pledged to certain financial institutes to secure margin financing facilities provided to the Group.

## DISPOSAL OF SUBSIDIARIES

Details of disposal of the subsidiaries during the period are set out in note 15 to the unaudited interim financial information.

## CURRENCY RISK MANAGEMENT

Most cash and bank balances are dominated in Hong Kong dollars. The Group's foreign currency assets are immaterial. The Group's exposure to foreign exchange risk is minimal and as such did not have any requirement to use financial instruments for hedging purpose.

## CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2009 (31 March 2009: Nil).

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

At 30 September 2009, 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	1,544,400	–		1,544,400	0.50%
Ong, Peter	859,536	–		859,536	0.28%
Poon Chi Wan	118,800	–		118,800	0.04%

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 2009, 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 2009.

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

At 30 September 2009, 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:

<b>Name of shareholder</b>	<b>Capacity in which such interests were held</b>	<b>Number of Shares or underlying Shares</b>	<b>Approximate percentage of existing issued share capital of the Company</b>
Neptune Group Limited	Corporate interest	118,421,052 <sup>Note</sup>	38.60%

Note: This represented 118,421,052 underlying Shares issuable by the Company under the convertible note issued by the Company in the aggregate principle amount of HK\$90 million to Neptune Group Limited on 12 October 2009.

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 2009 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 2009, except for the following deviations:

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

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

### **COMPLICATION WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code for securities transactions by directors of the Company. Following specific enquiry by the Company, the directors have confirmed that they have complied with the required standard under the Model Code for the six months ended 30 September 2009.

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

Hong Kong, 18 December 2009