



INTERIM
REPORT
2010
HERITAGE

International Holdings Limited

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

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2 Interim Consolidated Income Statement

For the six months ended 30 September 2010

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 2010 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 2010

	Notes	For the six months ended 30 September	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
REVENUE	3	(146,458)	45,849
Other income and gains, net		27	463
Gains arising from changes in fair value of investment properties, net		900	69,100
Fair value gains/(losses) on investments at fair value through profit or loss, net		(49,589)	74,978
Gains/(losses) on disposal of subsidiaries, net		1,490	(37,231)
General and administrative expenses		(18,864)	(14,765)
Finance costs	4	(917)	(1,504)
Share of losses of jointly-controlled entities		–	(10,537)
Share of profits of associates		1,989	–
PROFIT/(LOSS) BEFORE TAX	5	(211,422)	126,353
Income tax	6	(149)	(11,508)
PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(211,571)	114,845
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		HK\$(0.17)	HK\$0.38

Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2010

For the six months
ended 30 September

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	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	(211,571)	114,845
Other comprehensive loss for the period:		
Exchange differences on translation of financial statements of foreign operation	-	(47)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>(211,571)</u>	<u>114,798</u>

4 Interim Consolidated Statement of Financial Position

30 September 2010

	Notes	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		7,205	8,185
Investment properties		237,100	236,200
Interests in jointly-controlled entities		–	–
Interests in associates		184,576	182,587
Investments at fair value through profit or loss	10	–	122,130
Total non-current assets		428,881	549,102
CURRENT ASSETS			
Loans receivable	9	10,500	–
Convertible bond – loan portion		2,106	2,106
Investments at fair value through profit or loss	10	600,025	718,632
Prepayments, deposits and other receivables		19,958	7,608
Due from an associate		–	546
Cash and bank balances		84,289	10,583
Total current assets		716,878	739,475
CURRENT LIABILITIES			
Interest-bearing bank borrowings	11	3,926	3,563
Other payables and accruals		5,070	18,357
Due to an associate		7,454	–
Total current liabilities		16,450	21,920
NET CURRENT ASSETS		700,428	717,555
TOTAL ASSETS LESS CURRENT LIABILITIES		1,129,309	1,266,657
NON-CURRENT LIABILITIES			
Convertible note	12	–	80,712
Interest-bearing bank borrowings	11	64,329	68,424
Deferred tax liabilities		4,351	4,202
Total non-current liabilities		68,680	153,338
Net assets		1,060,629	1,113,319

**Interim Consolidated Statement of Financial Position
(continued)**

30 September 2010

	Notes	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	158,303	82,730
Reserves		902,326	1,030,589
Total equity		<u>1,060,629</u>	<u>1,113,319</u>

6 Interim Consolidated Statement of Changes in Equity

For the six months ended 30 September 2010

		Attributable to owners of the Company							
		Share	Capital	Share	Contributed	Exchange	Accumulated	Total	
Notes	Issued	premium	redemption	option	surplus	fluctuation	losses	equity	
	capital	account	reserve	reserve	surplus	reserve	losses	equity	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	At 1 April 2009	25,577	729,247	1,177	-	1,259,970	12	(1,113,578)	902,405
	Total comprehensive income/								
	(loss) for the period	-	-	-	-	-	(47)	114,845	114,798
	Placement of new shares	5,100	20,400	-	-	-	-	-	25,500
	Exercise of warrants	-	12	-	-	-	-	-	12
	Share issue expenses	-	(688)	-	-	-	-	-	(688)
	At 30 September 2009	30,677	748,971	1,177	-	1,259,970	(35)	(998,733)	1,042,027
	At 1 April 2010	82,730	890,349	1,177	-	1,259,970	53	(1,120,960)	1,113,319
	Total comprehensive loss								
	for the period	-	-	-	-	-	-	(211,571)	(211,571)
	Placement of new shares	13(a)	58,201	62,184	-	-	-	-	120,385
	Exercise of share options	13(b)	17,372	18,028	-	-	-	-	35,400
	Share issue expenses	-	(2,600)	-	-	-	-	-	(2,600)
	Equity-settled share option								
	expenses	-	-	-	5,696	-	-	-	5,696
	Transfer from share option								
	reserve	-	5,696	-	(5,696)	-	-	-	-
	At 30 September 2010	158,303	973,657*	1,177*	-*	1,259,970*	53*	(1,332,531)*	1,060,629

* These reserve accounts comprise the consolidated reserves of HK\$902,326,000 (31 March 2010: HK\$1,030,589,000) in the interim consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2010

For the six months
ended 30 September

	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
NET CASH FLOWS FROM/(USED IN):		
OPERATING ACTIVITIES	(202,407)	23,985
INVESTING ACTIVITIES	126,659	(65,405)
FINANCING ACTIVITIES	149,454	55,036
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	73,706	13,616
Cash and cash equivalents at beginning of period	10,583	29,473
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>84,289</u>	<u>43,089</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>84,289</u>	<u>43,089</u>

8 Notes to Unaudited Interim Financial Information

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

Corporate information

Heritage International Holdings Limited (the “Company”) 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, securities investment, money lending and investment holding.

Basis of preparation

This unaudited interim financial information of the Company and its subsidiaries, which comprises the consolidated statement of financial position as at 30 September 2010, 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 2010.

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 2010, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) and amendments to HKFRSs issued by the HKICPA for the first time for the current period’s unaudited interim financial information:

Notes to Unaudited Interim Financial Information

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

Significant accounting policies (continued)

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>

Apart from the above, the Group adopted all the *Improvements to HKFRSs 2009* issued in May 2009.

The adoption of these new and revised HKFRSs has had no significant financial effect on this unaudited interim financial information and there have been no significant changes in accounting policies applied in this financial information.

The Group has not early applied any new and revised HKFRSs, that have been issued but are not yet effective for the six months ended 30 September 2010, in this financial information. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

10 Notes to Unaudited Interim Financial Information

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four operating segments 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 securities investment 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 investments holding 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 2009: Nil).

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that certain gains, losses and unallocated expenses are excluded from such measurement.

The Group's revenue is substantially derived from its external customers in Hong Kong and the Group's operating assets are substantially located in Hong Kong.

Notes to Unaudited Interim Financial Information

2. OPERATING SEGMENT INFORMATION (continued)

	Property investment		Securities investment		Money lending		Investment holding		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	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000								
Segment revenue:										
Revenue from external customers	462	1,387	(146,959)	38,478	39	5,984	-	-	(146,458)	45,849
Other income and gains, net	-	-	-	123	-	-	27	268	27	391
Total	<u>462</u>	<u>1,387</u>	<u>(146,959)</u>	<u>38,601</u>	<u>39</u>	<u>5,984</u>	<u>27</u>	<u>268</u>	<u>(146,431)</u>	<u>46,240</u>
Segment results	<u>(2,422)</u>	<u>60,049</u>	<u>(187,438)</u>	<u>111,345</u>	<u>2,027</u>	<u>(39,696)</u>	<u>(73)</u>	<u>(9)</u>	<u>(187,906)</u>	<u>131,689</u>
Reconciliation:										
Gains on disposal of subsidiaries – unallocated									1,490	-
Loss on disposal of items of property, plant and equipment – unallocated									-	(404)
Loss on redemption of convertible note – unallocated									(9,288)	-
Unallocated expenses									(15,718)	(4,932)
Profit/(loss) before tax									<u>(211,422)</u>	<u>126,353</u>

12 Notes to Unaudited Interim Financial Information

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) 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	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Gross rental income from investment properties	462	1,387
Interest income from money lending operations	39	5,984
Dividend and interest income from investments at fair value through profit or loss	12,507	14,523
Gain/(loss) on sale of investments at fair value through profit or loss, net*	(159,466)	23,955
	(146,458)	45,849

* Represents the proceeds from the sale of investments at fair value through profit or loss of HK\$359,925,000 (six months ended 30 September 2009: HK\$391,021,000) less the cost of sales and carrying amount of the investments sold of HK\$519,391,000 (six months ended 30 September 2009: HK\$367,066,000).

Notes to Unaudited Interim Financial Information

4. FINANCE COSTS

	For the six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Interest on:		
Bank loans not wholly repayable within five years	917	1,027
Amount due to a jointly-controlled entity (note 15(a))	–	477
	<hr/>	<hr/>
Total finance costs for the period	917	1,504
	<hr/> <hr/>	<hr/> <hr/>

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Depreciation	972	1,828
Loss on disposal of items of property, plant and equipment	–	404
Equity-settled share option expenses	5,696	–
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>

14 Notes to Unaudited Interim Financial Information

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period. Hong Kong profits tax in the prior period had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during that period.

	For the six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Current – Hong Kong		
Charge for the period	–	106
Deferred	149	11,402
	<hr/>	<hr/>
Total tax charge for the period	149	11,508
	<hr/> <hr/>	<hr/> <hr/>

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 amount for the period is based on (i) the loss for the period attributable to owners of the Company of HK\$211,571,000 (six months ended 30 September 2009: earnings of HK\$114,845,000) and (ii) the weighted average number of 1,248,789,000 (six months ended 30 September 2009: 299,243,190) ordinary shares in issue during the period.

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share amount for the six months ended 30 September 2010 and 2009 has been disclosed as the warrants, options and convertible note classified as financial liability at fair value through profit or loss outstanding during these periods had an anti-dilutive effect on the basic earnings/(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 2009: Nil).

Notes to Unaudited Interim Financial Information

9. LOANS RECEIVABLE

Loans receivable as at 30 September 2010 represented receivables arising from the money lending business of the Group and bear interest at rates ranging from 1.34% per annum to 12% 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 receivable as at 30 September 2010 were neither past due nor impaired and relate to two borrowers for whom there was no recent history of default.

10. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Non-current assets		
Convertible notes classified as financial assets at fair value through profit or loss, at fair value	-	122,103
Current assets		
Unlisted investment, at fair value	15,000	15,000
Listed equity investments, at market value:		
Hong Kong	529,199	669,012
Elsewhere	26,878	25,262
	571,077	709,274
Convertible notes classified as financial assets at fair value through profit or loss, at fair value	28,948	9,358
	600,025	718,632

At the end of the reporting period, the Group's investments in certain listed equity securities were pledged to certain financial institutions to secure certain margin financing facilities granted to the Group.

16 Notes to Unaudited Interim Financial Information

II. INTEREST-BEARING BANK BORROWINGS

	Contractual interest rate (%)	Maturity**	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Current				
Bank loan – secured	Prime* – 2.5	2011	1,056	1,041
Bank loan – secured	Prime* – 2.0	2011	1,551	–
Bank loan – secured	Prime#	2011	–	1,196
Bank loan – secured	HIBOR [^] +1.5	2011	1,319	1,326
			<u>3,926</u>	<u>3,563</u>
Non-current				
Bank loan – secured	Prime* – 2.5	2018	8,004	8,541
Bank loan – secured	Prime* – 2.0	2025	27,749	–
Bank loan – secured	Prime#	2027	–	30,646
Bank loan – secured	HIBOR [^] + 1.5	2029	28,576	29,237
			<u>64,329</u>	<u>68,424</u>
			<u>68,255</u>	<u>71,987</u>

[^] Represents 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.

Notes to Unaudited Interim Financial Information

11. INTEREST-BEARING BANK BORROWINGS (continued)

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 as at the end of the reporting period of approximately HK\$234,800,000 (31 March 2010: HK\$234,000,000); and
- (ii) corporate guarantees given by the Company up to HK\$61,500,000 (31 March 2010: HK\$65,500,000) as at the end of reporting period.

12. CONVERTIBLE NOTE

On 12 October 2009, the Group issued a zero coupon convertible note due 2012 in the principal amount of HK\$90 million (the "Note") to an independent third party. The Note is unsecured, non-interest-bearing and will mature in 2012. During the period, the Group fully redeemed the Note in the principal amount of HK\$90 million and recognised a loss on redemption of HK\$9,288,000.

13. SHARE CAPITAL

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Authorised:		
5,000,000,000 (31 March 2010: 5,000,000,000) ordinary shares of HK\$0.10 each	500,000	500,000
Issued and fully paid:		
1,583,038,992 (31 March 2010: 827,302,494) ordinary shares of HK\$0.10 each	158,303	82,730

18 Notes to Unaudited Interim Financial Information

13. SHARE CAPITAL (continued)

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 (unaudited)	Issued share capital (unaudited) HK\$'000	Share premium account (unaudited) HK\$'000	Total (unaudited) HK\$'000
At 1 April 2010		827,302,494	82,730	890,349	973,079
Placement of new shares	(a)	582,006,498	58,201	62,184	120,385
Exercise of share options	(b)	173,730,000	17,372	18,028	35,400
Share issue expenses		–	–	(2,600)	(2,600)
Transfer from share option reserve		–	–	5,696	5,696
At 30 September 2010		<u>1,583,038,992</u>	<u>158,303</u>	<u>973,657</u>	<u>1,131,960</u>

Notes:

- (a) During the six months ended 30 September 2010, the Company had the following placements of shares:
- (i) On 3 June 2010, the Company allotted and issued a total of 400,000,000 ordinary shares of HK\$0.10 each for cash at a price of HK\$0.25 per share. Further details of the placing are set out in the Company's announcement dated 9 April 2010.
 - (ii) On 2 August 2010, the Company allotted and issued a total of 182,006,498 ordinary shares of HK\$0.10 each for cash at a price of HK\$0.112 per share. Further details of the placing are set out in the Company's announcement dated 27 July 2010.

Notes to Unaudited Interim Financial Information

13. SHARE CAPITAL (continued)

(b) During the six months period ended 30 September 2010, the following share options were granted by the Company and were exercised:

- (i) On 27 April 2010, subscription rights attaching 82,730,000 share options were granted and exercised at subscription price of HK\$0.299 per share, resulting in the issuance of 82,730,000 ordinary shares of HK\$0.10 each for a total cash consideration, before expenses, of HK\$24,736,000.
- (ii) On 9 August 2010, subscription rights attaching 91,000,000 share options were granted and exercised at subscription price of HK\$0.1172 per share, resulting in the issuance of 91,000,000 ordinary shares of HK\$0.10 each for a total cash consideration, before expenses, of HK\$10,665,000.

Details of the Company's share option schemes are included in Management Discussion and Analysis.

(c) Subsequent to the end of the reporting period, on 19 October 2010, the Company allotted and issued a total of 316,607,798 ordinary shares of HK\$0.10 each for cash at a price of HK\$0.102 per share. Further details of the placing are set out in the Company's announcement dated 5 October 2010.

14. COMMITMENTS

Operating lease arrangements

(a) *As lessor*

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

At 30 September 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Within one year	448	910

20 Notes to Unaudited Interim Financial Information

14. 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 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Within one year	2,087	3,920

Capital commitments

In addition to the operating lease commitments detailed in note 14(b) above, the Group had the following capital commitments at the end of the reporting period:

	30 September 2010 (Unaudited) HK\$'000	31 March 2010 (Audited) HK\$'000
Contracted, but not provided for:		
Acquisition of office equipment	112	130
Renovation for investment properties	544	1,949
	656	2,079

Notes to Unaudited Interim Financial Information

15. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Interest expense charged by a jointly-controlled entity	-	477

The interest expense charged by a jointly-controlled entity arose from the amount due thereto during the prior period. Such amount due to a jointly-controlled entity was unsecured, bore interest at 2% per annum below the prime rate as quoted by the Hong Kong and Shanghai Banking Corporation Limited and was fully repaid before the end of the prior reporting period.

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

	For the six months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Short term employee benefits	2,790	2,638
Post-employment benefits	30	27
Total compensation paid to key management personnel	2,820	2,665

22 Notes to Unaudited Interim Financial Information

16. COMPARATIVE AMOUNTS

Certain comparative amounts under “Operating Segment Information” have been reclassified to conform with the current period’s presentation. The directors are in the opinion that such presentation would give a fairer presentation of the operation of the Group.

17. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information was approved and authorised for issue by the board of directors on 22 November 2010.

Management Discussion and Analysis

FINANCIAL RESULTS

The Board announces that the Group has made a loss before tax of approximately HK\$212 million for the six months ended 30 September 2010. The loss is mainly attributable to loss on sale of investments at fair value through profit or loss and fair value losses arisen from 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. With the increase in property prices in Hong Kong the Group's property portfolio appreciated in value. The gain arising from changes in fair value amounted to approximately HK\$0.9 million during the six months period ended. The value of the Group's property investment stood at HK\$237 million as at 30 September 2010.

b) Investment in Listed Securities

The Group's securities portfolio has suffered a loss on sale of investments at fair value through profit or loss of approximately HK\$159 million for the six months ended 30 September 2010. Besides, there is fair value loss on investments at fair value through profit and loss of approximately HK\$50 million in the same period.

c) Money Lending Business

The Group's associated company engaging in money lending has contributed a gain of approximately HK\$2 million for the six months ended 30 September 2010. Besides, a new wholly owned subsidiary was formed to engage in the money lending business. The operation generated positive result for the period concerned.

d) Investment in Lottery Related Business in the People's Republic of China (the "PRC")

The Group has a 20% interest in a company engaging in lottery related business in the PRC (the "PRC Company"). The PRC Company has obtained lottery selling rights for China Welfare Lottery Tickets in over 10 provinces in China. Since early of 2010, the PRC Company has commenced selling Sports Lottery tickets in Shanghai. With the gaining popularity in single match betting game, business has been very good in this area of sale. The PRC Company is still in discussion with certain institutional investors to increase its capital base to increase its presence in the lottery industry in the PRC.

24 Management Discussion and Analysis

Prospect

Global economy has stabilized from the financial tsunami since 2009 and is undergoing a recovery stage. However unemployment rates in Europe and the United States remain high and consumers' confidence has yet to fully pick up. Furthermore, the quantitative easing of money supply in the United States has led to rising inflationary expectations and has great impact on the global market. On the other hand, the financial market has rallied in the second half of 2010 after bouncing back from bottom in the financial crisis. These two factors contributed significantly to the overall market improvement in the year 2010. Barring unforeseen circumstances in the coming year 2011, the business outlook for Hong Kong is positive albeit possibly at a slower growth rate compared with that of 2010. In response to this unstable economy and uncertainties, the Group will adopt a more conservative approach in its future investments.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2010, the Group's total assets and borrowings were approximately HK\$1,146 million and HK\$68 million respectively. The borrowings of the Group carried floating interest rates with reference to Hong Kong dollar prime rate/HIBOR and were denominated in Hong Kong dollars, and thus, there is no exposure to fluctuations in exchange rate. The gearing ratio (total borrowings/total assets) at 30 September 2010 was 6%. As at 30 September 2010, investment properties amounted to approximately HK\$235 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\$529 million were pledged to certain financial institutes to secure margin financing facilities provided to the Group.

CURRENCY RISK MANAGEMENT

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

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2010 (31 March 2010: Nil).

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

At 30 September 2010, 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	0.10%
Ong, Peter	859,536	–		859,536	0.05%
Poon Chi Wan	118,800	–		118,800	0.01%

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 2010, 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.

26 Directors' Interest

SHARE OPTION SCHEMES

The Company adopted a share option scheme on 10 October 1996, which was subsequently amended on 30 September 1997, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations (the "Old Share Option Scheme"). The provisions of the Old Share Option Scheme did not comply with the current requirements of Chapter 17 of the Listing Rules. Accordingly, pursuant to an ordinary resolution passed at a special general meeting of the Company held on 28 September 2004, a new share option scheme (the "New Share Option Scheme") which complies with Chapter 17 of the Listing Rules was adopted to replace the Old Share Option Scheme and the Old Share Option Scheme was terminated with immediate effect. Details of New Share Option Scheme are disclosed in the Group's annual financial statements for the year ended 31 March 2010.

The following share options were granted and exercised under the New Share Option Scheme during the six months ended 30 September 2010:

Name or category of participant	Number of share options**				Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$ per share	Price of the Company's shares***		
	At 1 April 2010	Granted during the period	Exercised during the period	At 30 September 2010				At grant date of share options	Immediately before the exercise date	At exercise date of share options
	'000	'000	'000	'000				HK\$ per share	HK\$ per share	HK\$ per share
Investment advisors										
In aggregate	-	82,730	(82,730)	-	27-4-2010	27-4-2010 to 26-4-2020	0.2990	0.300	0.300	0.290
In aggregate	-	91,000	(91,000)	-	9-8-2010	9-8-2010 to 8-8-2020	0.1172	0.117	0.117	0.117
	-	173,730	(173,730)	-						

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price and the number of share options are subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options. The price of the Company's shares disclosed immediately before the exercise date of the share options is the weighted average of the Stock Exchange closing prices immediately before the dates on which the options were exercised over all of the exercises of options within the disclosure line.

The fair value of the share options granted during the period was HK\$5,696,000 of which the Group recognised equity-settled share option expenses of HK\$5,696,000 during the six months ended 30 September 2010.

Substantial Shareholders' Interest

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

At 30 September 2010, 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	Number of Shares or Capacity in which such interests were held	underlying Shares	Approximate percentage of existing issued share capital of the Company
Anwar Hendra	Individual interest	182,006,498	11.50%

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.

28 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 2010, except for the following deviations:

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

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

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group’s financial reporting processes and internal controls. The audit committee comprises the five independent non-executive directors of the Company. The Company’s unaudited interim financial information for the six months ended 30 September 2010 has been reviewed by the audit committee of the Company.

COMPLICATION WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code for securities transactions by directors of the Company. Following specific enquiry by the Company, the directors have confirmed that they have complied with the required standard under the Model Code for the six months ended 30 September 2010.

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

Hong Kong, 22 November 2010