

HERITAGE

INTERNATIONAL HOLDINGS LIMITED

INTERIM REPORT
2012

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Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Kwong Kai Sing, Benny (*Chairman*)

Ong Peter (*Managing Director*)

Poon Chi Wan

Chow Chi Wah, Vincent

Wu Jian (appointed on 5 September 2012)

Independent Non-executive Directors:

Chung Yuk Lun

To Shing Chuen

Ha Kee Choy, Eugene

Lo Wong Fung, JP

AUDIT COMMITTEE

Ha Kee Choy, Eugene (*Chairman*)

To Shing Chuen

Chung Yuk Lun

Lo Wong Fung, JP

REMUNERATION COMMITTEE

Ha Kee Choy, Eugene (*Chairman*)

To Shing Chuen

Poon Chi Wan

NOMINATION COMMITTEE

Ha Kee Choy, Eugene (*Chairman*)

To Shing Chuen

Poon Chi Wan

COMPANY SECRETARY

Chow Chi Wah, Vincent

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

PRINCIPAL OFFICE

29th Floor, China United Centre

28 Marble Road

North Point

Hong Kong

STOCK CODE

412

WARRANT CODE

1248

AUDITORS

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

LEGAL ADVISERS

Hong Kong law:
Iu Lai & Li Solicitors
20th Floor, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

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

PRINCIPAL BANKER

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

**PRINCIPAL REGISTRAR
IN BERMUDA**

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

**BRANCH REGISTRAR
IN HONG KONG**

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

Interim Consolidated Income Statement

For the six months ended 30 September 2012

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 2012 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 2012

		For the six months ended 30 September	
	Notes	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000 (Restated)
REVENUE	3	25,234	(16,638)
Other income		429	2,404
Changes in inventories and consumables used		(155)	(66)
Gains arising from changes in fair value of investment properties		5,300	2,800
Fair value losses on investments at fair value through profit or loss, net		(98,503)	(232,926)
Fair value gain on derivative financial instruments		861	–
Employee benefit expense		(5,179)	(5,135)
Depreciation		(2,043)	(1,729)
Minimum lease payments under operating leases in respect of land and buildings		(4,487)	(2,387)
Losses on disposal of subsidiaries		–	(4,954)
Other expenses		(11,438)	(8,354)
Finance costs	4	(333)	(621)
LOSS BEFORE TAX	5	(90,314)	(267,606)
Income tax	6	–	–
LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		(90,314)	(267,606)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			(Restated)
Basic	7	HK\$(0.07)	HK\$(1.04)
Diluted	7	HK\$(0.07)	HK\$(1.04)

Interim Consolidated Statement of Comprehensive Income

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For the six months ended 30 September 2012

For the six months
ended 30 September

	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000 (Restated)
LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	<u>(90,314)</u>	<u>(267,606)</u>

Interim Consolidated Statement of Financial Position

30 September 2012

		30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Restated) HK\$'000	1 April 2011 (Restated) HK\$'000
	Notes			
NON-CURRENT ASSETS				
Property, plant and equipment		11,023	13,052	6,047
Intangible asset	9	50,000	–	–
Investment properties		111,400	106,100	246,800
Available-for-sale investment		4,500	4,500	–
Rental deposit		700	700	–
Loans receivable	10	25,120	25,120	8,442
Deposits paid for purchases of items of property, plant and equipment		–	–	5,814
Investments at fair value through profit or loss	11	266,147	299,029	105,487
Total non-current assets		468,890	448,501	372,590
CURRENT ASSETS				
Inventories		135	137	–
Loans receivable	10	36,780	46,789	2,608
Investments at fair value through profit or loss	11	499,568	503,720	666,099
Derivative financial instruments		16,830	15,969	–
Prepayments, deposits and other receivables		8,275	3,297	6,293
Cash and cash equivalents		21,525	38,748	1,667
Total current assets		583,113	608,660	676,667
CURRENT LIABILITIES				
Other payables and accruals		3,722	5,293	11,204
Due to an associate		–	–	10,094
Interest-bearing bank borrowings	12	34,062	35,294	66,244
Total current liabilities		37,784	40,587	87,542
NET CURRENT ASSETS		545,329	568,073	589,125
Net assets		1,014,219	1,016,574	961,715

Interim Consolidated Statement of Financial Position

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30 September 2012

		30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Restated) HK\$'000	1 April 2011 (Restated) HK\$'000
	<i>Notes</i>			
EQUITY				
Equity attributable to equity holders of the parent				
Issued capital	13	1,875	77,276	2,849
Reserves		1,012,344	939,298	958,866
		<hr/>	<hr/>	<hr/>
Total equity		1,014,219	1,016,574	961,715
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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Interim Consolidated Statement of Changes in Equity

For the six months ended 30 September 2012

		Attributable to equity holders of the parent							
		Share	Share	Capital		Available-for-			
		Issued	premium	option	redemption	Contributed	sale investment	Accumulated	
		capital	account	reserve	reserve	surplus	reserve	losses	
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
								Total	
								equity	
								(Unaudited)	
								HK\$'000	
At 1 April 2011									
	As previously reported	2,849	1,018,777	-	1,177	1,448,035	-	(1,512,868)	957,970
	Effect of adopting HKAS 12								
	Amendments	I -	-	-	-	-	-	3,745	3,745
	As restated	2,849	1,018,777	-	1,177	1,448,035	-	(1,509,123)	961,715
Loss for the period and total comprehensive loss for the period (restated)		-	-	-	-	-	-	(267,606)	(267,606)
At 30 September 2011		2,849	1,018,777	-	1,177	1,448,035	-	(1,776,729)	694,109

Interim Consolidated Statement of Changes in Equity

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For the six months ended 30 September 2012

Attributable to equity holders of the parent

	Notes	Attributable to equity holders of the parent							
		Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Available-for-sale investment revaluation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 April 2012									
As previously reported		77,276	1,368,311	-	1,177	1,448,035	20	(1,880,945)	1,013,874
Effect of adopting HKAS 12									
Amendments	I	-	-	-	-	-	-	2,700	2,700
As restated		77,276	1,368,311	-	1,177	1,448,035	20	(1,878,245)	1,016,574
Loss for the period and total comprehensive									
loss for the period		-	-	-	-	-	-	(90,314)	(90,314)
Placement of new shares	13(a)	882	87,185	-	-	-	-	-	88,067
Capital reorganisation	13(b)	(76,542)	-	-	-	76,542	-	-	-
Warrants exercised	13(c)	259	789	-	-	-	-	-	1,048
Share issue expenses	13	-	(2,443)	-	-	-	-	-	(2,443)
Equity-settled share option arrangements		-	-	1,287	-	-	-	-	1,287
Cancellation of equity-settled share option arrangements		-	-	(1,287)	-	-	-	1,287	-
At 30 September 2012		1,875	1,453,842*	-*	1,177*	1,524,577*	20*	(1,967,272)*	1,014,219

* These reserve accounts comprise the consolidated reserves of HK\$1,012,344,000 (31 March 2012: HK\$939,298,000 (restated)) in the interim consolidated statement of financial position.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2012

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
NET CASH FLOWS FROM/(USED IN):		
OPERATING ACTIVITIES	(52,649)	(44,625)
INVESTING ACTIVITIES	(50,014)	111,783
FINANCING ACTIVITIES	85,440	(1,698)
	<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(17,223)	65,460
Cash and cash equivalents at beginning of period	38,748	1,667
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	21,525	67,127
	<hr/> <hr/>	<hr/> <hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	21,525	67,127
	<hr/> <hr/>	<hr/> <hr/>

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, investments in securities, money lending, investment holding, Chinese medicine clinic operations and holding of certain rights and interests in respect of certain forest land.

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 2012, 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 information, 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 2012.

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 2012, 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

30 September 2012

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

Significant accounting policies (continued)

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

Other than as further explained below regarding the impact of HKAS 12 Amendments, the adoption of the new and revised HKFRSs has had no material impact on the Group's results of operations and financial position.

The principal effects of adopting the new and revised HKFRSs are as follows:

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis.

As a result of the change in accounting policy arising from amendments to HKAS 12, the Group now measures the deferred tax liability arising from the fair value changes of the investment properties in Hong Kong using the tax rate that would apply on recovery of the assets through sale, rather than through use prior to the adoption of these amendments. This change in accounting policy has been applied retrospectively and the effects of the adoption of the above amendments to the Group are summarised as follows:

30 September 2012

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

Significant accounting policies (continued)

	For the six months ended 30 September		
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	
<i>Consolidated income statement</i>			
Decrease in income tax expense and loss for the period attributable to equity holders of the parent	875	462	
	HK\$	HK\$	
Change in basic loss per share attributable to ordinary equity holders of the parent	-	-	
Change in diluted loss per share attributable to ordinary equity holders of the parent	-	-	
 <i>Consolidated statement of financial position</i>			
Decrease in deferred tax liabilities and accumulated losses	3,575	2,700	3,745

Notes to Unaudited Interim Financial Information

30 September 2012

2. OPERATING SEGMENT INFORMATION

For management purposes, save as the acquisition of certain interest in certain rights and interests in respect of certain forest land, the Group is organised into business units based on their products and services and has five reportable 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 investments in securities segment engages primarily in the purchase and sale of securities and the holding of equity and debt investments primarily for interest income, dividend income and capital appreciation;
- (iii) the money lending segment engages primarily in money lending operations in Hong Kong;
- (iv) the investment holding segment engages primarily in investment holding for a continuing strategic or long term purpose, primarily for dividend income and capital appreciation; and
- (v) the Chinese medicine clinic segment engages primarily in Chinese medicine clinic operations in Hong Kong.

There were no material intersegment sales and transfers during the period (six months ended 30 September 2011: Nil).

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

The Group's revenue is substantially derived from its external customers located in Hong Kong and the Group's non-current assets are substantially located in Hong Kong, except for an intangible asset acquired during the current period as further detailed in note 9.

Notes to Unaudited Interim Financial Information

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30 September 2012

2. OPERATING SEGMENT INFORMATION (continued)

	Property investment		Investments in securities		Money lending		Investment holding		Chinese medicine clinic		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	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000										
Segment revenue:												
Revenue from external customers	510	748	20,414	(18,528)	2,992	474	-	-	1,318	668	25,234	(16,638)
Other income	-	-	420	2,404	9	-	-	-	-	-	429	2,404
Total	510	748	20,834	(16,124)	3,001	474	-	-	1,318	668	25,663	(14,234)
Segment results	5,203	(2,538)	(78,773)	(249,123)	2,991	454	(1,781)	(23)	(3,183)	(2,990)	(75,543)	(254,220)
<i>Reconciliation:</i>												
Unallocated expenses											(14,771)	(13,386)
Loss before tax											(90,314)	(267,606)

Notes to Unaudited Interim Financial Information

30 September 2012

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; gain/(loss) on sale of investments at fair value through profit or loss, net; and income from Chinese medicine clinic operations earned during the period.

An analysis of revenue is as follows:

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Gross rental income from investment properties	510	748
Interest income from money lending operations	2,992	474
Interest income from investments at fair value through profit or loss	2,679	179
Dividend income from investments at fair value through profit or loss	3,523	1,326
Gain/(loss) on sale of investments at fair value through profit or loss, net	14,212	(20,033)
Income from Chinese medicine clinic operations	1,318	668
	25,234	(16,638)

4. FINANCE COSTS

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Interest on bank loans wholly repayable within five years	333	621

The Group's bank loans containing an on-demand clause have been classified as current liabilities. For the purpose of the above disclosure, the interest on such loans is disclosed as "Interest on bank loans wholly repayable within five years".

5. LOSS BEFORE TAX

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

	For the six months ended 30 September	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold and consumables	155	66
Depreciation	2,043	1,729
Equity-settled share option expense in respect of share options granted to an investment advisor for investment advisory services	1,287	–
Reversal of impairment of a loan receivable	(9)	–
	—————	—————

6. INCOME TAX

No provision for current Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 September 2011: Nil).

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

(a) Basic loss per share

The calculation of the basic loss per share amount for the period is based on (i) the loss for the period attributable to ordinary equity holders of the parent of HK\$90,314,000 (six months ended 30 September 2011: HK\$267,606,000 (restated)); and (ii) the weighted average number of ordinary shares of 1,286,119,641 (six months ended 30 September 2011: 258,448,119 (restated)) in issue during the period, as adjusted to reflect the consolidation of shares during the current period. The basic loss per share amount for the prior period has been adjusted to reflect the rights issue during the prior year and the consolidation of shares during the current period.

Notes to Unaudited Interim Financial Information

30 September 2012

7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 September 2012 in respect of a dilution as the impact of the options and warrants outstanding during the period had an anti-dilutive effect on the basic loss per share amount presented. No adjustment was made to the basic loss per share amount presented for the six months ended 30 September 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during 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 2011: Nil).

9. INTANGIBLE ASSET

Balance as at 30 September 2012 represented the cost of certain interest in certain concession rights and interests in respect of certain forest land located in the People's Republic of China acquired by the Group during the period. Further details of the acquisition are also set out in the Company's announcements dated 8 June 2012 and 28 June 2012.

30 September 2012

10. LOANS RECEIVABLE

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Loans receivable	64,389	74,407
Impairment	(2,489)	(2,498)
	61,900	71,909
Portion classified as current assets	(36,780)	(46,789)
	25,120	25,120
Non-current portion	25,120	25,120

Loans receivable as at 30 September 2012 represented receivables arising from the money lending business of the Group and bear interest at rates ranging from 5% to 12% per annum (31 March 2012: ranging from 5% 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. Overdue balances are reviewed regularly by senior management.

The movements in the provision for impairment of a loan receivable are as follows:

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
At beginning of year	2,498	–
Impairment loss recognised	–	2,498
Impairment loss reversed	(9)	–
	2,489	2,498
At end of the reporting period	2,489	2,498

The above provision for impairment of a loan receivable is a provision for an individually impaired loan receivable of HK\$2,489,000 (31 March 2012: HK\$2,498,000) with a carrying amount of HK\$2,489,000 (31 March 2012: HK\$2,507,000).

Notes to Unaudited Interim Financial Information

30 September 2012

10. LOANS RECEIVABLE (continued)

The individually impaired loan receivable relates to a borrower that was in financial difficulties and was in default in both interest and principal payments and only a portion of the receivable is expected to be recovered.

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

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Neither past due nor impaired	61,900	71,900

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

Notes to Unaudited Interim Financial Information

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30 September 2012

II. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Non-current assets		
Unlisted investments, at fair value	112,800	112,800
Notes classified as financial assets at fair value through profit or loss, at fair value	147,205	169,941
Convertible notes classified as financial assets at fair value through profit or loss, at fair value	6,142	16,288
	<u>266,147</u>	<u>299,029</u>
Current assets		
Listed equity investments, at market value:		
Hong Kong	470,127	478,298
Elsewhere	29,441	25,422
	<u>499,568</u>	<u>503,720</u>

At the end of the reporting period, the Group's investments in listed equity securities with an aggregate carrying amount of approximately HK\$470,127,000 (31 March 2012: HK\$478,298,000) were pledged to certain financial institutions to secure certain margin financing facilities granted to the Group.

Notes to Unaudited Interim Financial Information

30 September 2012

12. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity*	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Current				
Portion of bank loans due for repayment within one year – secured	0.96	2013	2,464	2,434
Portion of bank loans due for repayment after one year which contains a repayment on demand clause – secured	0.96	2014-2029	31,598	32,860
			34,062	35,294

* 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 certain of the Group's investment properties situated in Hong Kong, which had an aggregate carrying amount at the end of the reporting period of approximately HK\$108,900,000 (31 March 2012: HK\$103,700,000); and
- (ii) a corporate guarantee given by the Company up to HK\$31,500,000 (31 March 2012: HK\$31,500,000) at the end of reporting period.

30 September 2012

13. SHARE CAPITAL

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Authorised:		
500,000,000,000 (31 March 2012: 50,000,000,000) ordinary shares of HK\$0.001 (31 March 2012: HK\$0.01) each	500,000	500,000
Issued and fully paid:		
1,874,574,955 (31 March 2012: 7,727,591,301) ordinary shares of HK\$0.001 (31 March 2012: HK\$0.01) each	1,875	77,276

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

		Number of shares in issue (Unaudited)	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
	<i>Notes</i>		HK\$'000	HK\$'000	HK\$'000
At 1 April 2012		7,727,591,301	77,276	1,368,311	1,445,587
Placement of new shares	(a)	369,406,562	882	87,185	88,067
Capital reorganisation	(b)	(6,248,343,188)	(76,542)	–	(76,542)
Warrants exercised	(c)	25,920,280	259	789	1,048
Share issue expenses		–	–	(2,443)	(2,443)
At 30 September 2012		1,874,574,955	1,875	1,453,842	1,455,717

Notes to Unaudited Interim Financial Information

30 September 2012

13. SHARE CAPITAL (continued)

Notes:

- (a) During the six months ended 30 September 2012, the Company had the following placements of shares:
- (i) On 15 May 2012, the Company allotted and issued a total of 56,989,403 ordinary shares of HK\$0.01 each for cash at a price of HK\$0.12 per share. Further details of the placing are set out in the Company's announcement dated 20 April 2012.
 - (ii) On 10 September 2012, the Company allotted and issued a total of 312,417,159 ordinary shares of HK\$0.001 each for cash at a price of HK\$0.26 per share. Further details of the placing are set out in the Company's announcement dated 27 August 2012.
- (b) The Company effected a capital reorganisation on 17 August 2012 which involved: (i) a share consolidation of every 5 shares of HK\$0.01 each in the issued share capital of the Company into one consolidated share of HK\$0.05 each; (ii) a reduction in the nominal value of each consolidated share of the Company from HK\$0.05 to HK\$0.001 each by the cancellation of HK\$0.049 of the paid-up capital for each consolidated share; (iii) a transfer of the credit arising from the capital reduction of approximately HK\$76,542,000 to the Company's contributed surplus account; and (iv) a sub-division of every authorised but unissued ordinary share of the Company of HK\$0.01 into 10 shares of HK\$0.001 each. Further details of the capital reorganisation are also set out in the Company's announcement dated 10 July 2012.
- (c) During the period, 25,848,280 shares of HK\$0.01 each and 72,000 shares of HK\$0.001 each were issued for cash at a subscription price of HK\$0.04 and HK\$0.2 per share, respectively, pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of approximately HK\$1,034,000 and HK\$14,000, respectively.

13. SHARE CAPITAL (continued)

Warrants

During the year ended 31 March 2012, pursuant to the rights issue of 22 rights shares for every existing share held by members on the register of members on 3 October 2011, a bonus issue of warrants (the "Warrants") was made in the proportion of one Warrant for every five rights shares taken up and held by the first registered holders of the rights shares, resulting in 1,253,766,879 Warrants being issued. Each Warrant originally entitled the first registered holders of the rights shares thereof to subscribe for one ordinary share of the Company of HK\$0.01 at an initial exercise price of HK\$0.04, payable in cash and subject to adjustment, and the Warrants would be exercisable at any time between the date of issue of the Warrants and the day immediately preceding the date which is 24 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 17 August 2012. The subscription price of the outstanding Warrants of the Company was adjusted from HK\$0.04 per share to HK\$0.2 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 0.2 consolidated share.

During the period, 25,848,280 Warrants and 360,000 Warrants were exercised for 25,848,280 shares of HK\$0.01 each and 72,000 shares of HK\$0.001 each at a subscription price of HK\$0.04 and HK\$0.2 per share, respectively. At the end of the reporting period, the Company had 53,748,712 (31 March 2012: 79,956,992) Warrants outstanding and the Warrants will expire on 25 October 2013. The exercise in full of such Warrants would, under the present capital structure of the Company, resulting in the issue of 10,749,742 additional shares of HK\$0.001 each.

Notes to Unaudited Interim Financial Information

30 September 2012

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 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Within one year	558	1,020
In the second to fifth years, inclusive	40	88
	598	1,108

(b) *As lessee*

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

At 30 September 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Within one year	7,099	8,287
In the second to fifth years, inclusive	11,979	14,079
	19,078	22,366

15. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Short term employee benefits	2,815	2,932
Post-employment benefits	29	29
	<hr/>	<hr/>
Total compensation paid to key management personnel	2,844	2,961
	<hr/> <hr/>	<hr/> <hr/>

16. COMPARATIVE AMOUNTS

As further explained in note 1 to the unaudited interim financial information, due to the adoption of new and revised HKFRSs during the current period, the accounting treatment of certain items and balances in the unaudited interim financial information has been revised to comply with the new requirements. Accordingly, certain prior year adjustment has been made and certain comparative amounts have been restated to conform with the current period's accounting treatment, and a third statement of financial position as at 1 April 2011 has been presented. In addition, certain comparative amounts have been reclassified to conform with the current period's presentation.

17. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of reporting period, the following significant events of the Group, not disclosed elsewhere in this unaudited interim financial information, took place:

- (a) On 5 October 2012, the Group entered into a conditional sale and purchase agreement (the "S&P Agreement") with Speedy Harvest Holdings Limited ("Speedy") (the "Vendor"), to purchase the entire issued capital of a wholly-owned subsidiary of Speedy, Global Castle Investments Limited ("Global Castle"), together with the assignment of the benefit of a shareholders' loan due therefrom to Speedy, for an aggregate cash consideration of HK\$800,000,000.

Notes to Unaudited Interim Financial Information

30 September 2012

17. EVENTS AFTER THE REPORTING PERIOD (continued)

(a) (continued)

The completion of the S&P Agreement is still subject to, inter alia, (i) the approval of the shareholders of the Company; (ii) the completion of due diligence investigation on Global Castle and its subsidiaries (collectively the “Global Castle Group”) including but not limited to (a) the financial, legal, accounting, business, taxation and trading positions and aspects of each member of Global Castle Group and (b) the title of each member of the Global Castle Group to its assets and its outstanding liabilities and obligations; (iii) the warranties given by the Group and Speedy under the S&P Agreement remaining true and accurate; and (iv) no material adverse change in the financial position, business or property, results of operations of the Global Castle Group as a whole having occurred. Further details of the acquisition are also set out in the Company’s announcement dated 5 October 2012.

- (b) On 15 October 2012, the Company entered into a selling agreement (the “Selling Agreement”) with Freeman Securities Limited (“Freeman”). Pursuant to the Selling Agreement, Freeman agreed to sell a series of 5% unsecured seven-year straight bonds of an aggregate principal amount up to HK\$450 million to be issued by the Company during a 6-month selling period. Further details of the Selling Agreement are set out in the Company’s announcement dated 15 October 2012.

18. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information was approved and authorised for issue by the board of directors on 29 November 2012.

FINANCIAL RESULTS

The Board announces that the Group has made a loss before tax of approximately HK\$90.3 million for the six months ended 30 September 2012. The loss is mainly attributable to fair value losses arisen from equity investments at fair value through profit or loss as at the fiscal half year end date.

The Company is an investment holding company with its subsidiaries engaging in the following major lines of business:

a) Real Estate Investments

The Group owned certain commercial properties and a luxury residential property in Hong Kong. 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 HK\$5.3 million during the six months period end. The value of the Group's property investments amounted to HK\$111.4 million as at 30 September 2012.

b) Investments in Listed Securities

The Group's securities portfolio has generated a gain on sale of investments at fair value through profit or loss of approximately HK\$14.2 million for the six months ended 30 September 2012. Due to prevailing volatile market conditions, the Group's securities portfolio has suffered from fair value losses on investments at fair value through profit or loss of approximately HK\$98.5 million in the same period.

c) Money Lending Business

The Group's money lending business segment continued to generate a positive result for the period concerned benefited from a more cautious approach taken by the Company in its lending policy.

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 management has decided to withdraw from this business segment permanently after a thorough assessment on the current development and future prospect of this business in the PRC.

e) Chinese Medicine Clinic Operation

The Group has established the Hon Chinese Medicine Clinic ("the Clinic") since 2011. Though the operation is yet to make a positive contribution to the Group due to keen competitions among other Chinese medicine clinics in the area, the management will dedicate more effort in promoting the Clinic to the general public in the vicinity. The management believes the turnover and return to the Group will steadily increase in the future.

Management Discussion and Analysis

f) Investment in Forest Interest in the PRC

On 8 June 2012, the Group entered into an agreement with an independent third party to acquire a company at a cash consideration of HK\$50 million. The principal asset of the acquired company is the 50% interest in the concession rights and interests in three parcels of forest land with a total site area of approximately 36,737 Chinese Mu (“mu”) in the Yunnan Province of the PRC. This transaction was completed on 11 September 2012 and no profit was contributed to the Group from the investment since its acquisition. The management believes that this acquisition offers the Group a good opportunity to diversify into business with good prospect and participate in forest harvesting and timber processing which may possibly enhance the Group’s income stream and overall profitability in the long run.

Prospect

Economic disruption, including possible recession in the US, the eurozone crisis and slowing growth in the PRC have taken a toll on the pace of global economic recovery. The coming months are expected to be tough and challenging and the management will continue to take a cautious approach in its future growth opportunity.

Subsequent to the fiscal half year end, on 5 October 2012, the Group entered into an agreement with an independent third party to acquire a company and its subsidiaries (collectively the “Target Group”) at a cash consideration of HK\$800 million. The Target Group owns certain forestland use rights in the Hebei Province of the PRC with a total area of approximately 63,035 mu, of which approximately 39,524 mu is planted with fruit trees. The transaction is still in progress and is subject to the shareholder’s approval at the special general meeting. The management considers that the acquisition provides the Group with an opportunity to diversify its business into fruit industry in the PRC.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2012, the Group’s total assets and borrowings were approximately HK\$1,052.0 million and HK\$34.1 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 2012 was 3.2%. As at 30 September 2012, investment properties amounted to approximately HK\$108.9 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\$470.1 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 2012 (31 March 2012: Nil).

Directors' Interest

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

At 30 September 2012, the interests of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in the ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Kwong Kai Sing, Benny	1,269,496	–	1,269,496	0.07%
Ong, Peter	706,530	–	706,530	0.04%
Poon Chi Wan	97,653	–	97,653	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 2012, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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 2012.

On 20 April 2012, the Company granted a total of 18,996,467 share options to an investment advisor, which have an exercise price of HK\$0.137 per share, under the New Share Option Scheme. The exercise period is ranging from 20 April 2012 to 19 April 2022. The price of the Company's shares at the date of grant was HK\$0.137 per share.

The fair value of the share options granted during the period was HK\$1,287,000 of which the Group recognised equity-settled share option expenses of HK\$1,287,000 during the six months ended 30 September 2012. On 30 April 2012, the share options granted were cancelled under the consent of the grantee. No outstanding share options are issued but not exercise thereafter.

Substantial Shareholders' Interest

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

At 30 September 2012, 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
HEC Capital Limited	Interest of controlled corporations	151,679,960 (Note)	8.09%
Hennabun Development Limited	Interest of controlled corporations	151,679,960 (Note)	8.09%
Murtsa Capital Management Limited	Interest of controlled corporations	151,679,960 (Note)	8.09%

Note: Based on the filings under the SFO, Murtsa Capital Management Limited is wholly-owned by Hennabun Development Limited, which is wholly-owned by HEC Capital Limited.

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

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 benefits scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all its employees.

Throughout the six months ended 30 September 2012, the Company has complied with the code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) effective on 1 April 2012 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.

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings of the Company. Three independent non-executive directors were unable to attend the special general meetings held on 12 June 2012 and 16 August 2012 and the annual general meeting held on 8 August 2012 (“AGM”) due to overseas commitments or other prior business engagements.

Code Provision E.1.2 stipulates that the Chairman of the board should attend the annual general meeting of the Company. Dr. Kwong Kai Sing, Benny was unable to attend the AGM as he had an overseas commitment. Mr. Chow Chi Wah, Vincent, executive director and company secretary of the Company, was elected as the chairman of the AGM to ensure effective communication with shareholders of the Company at the AGM.

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 four independent non-executive directors of the Company. The Company’s unaudited interim financial information for the six months ended 30 September 2012 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 2012.

By Order of the Board
Heritage International Holdings Limited
Dr. Kwong Kai Sing, Benny
Chairman

Hong Kong, 29 November 2012