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Heng Fai Enterprises Limited

恒輝企業控股有限公司

(formerly known as Xpress Group Limited 特速集團有限公司)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 185)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

The Board of Directors (the “Board”) of Heng Fai Enterprises Limited (formerly known as Xpress Group Limited) (the “Company”), announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2013, which have been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

		Six months ended	
		30 September	30 September
		2013	2012
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	14,622	33,433
Cost of sales		(887)	(4,319)
Gross profit		13,735	29,114
Other operating income		967	3,254
Gain (loss) on disposal of financial assets at fair value through profit or loss		1,740	(1,354)
Fair value (loss) gain on financial assets at fair value through profit or loss		(11,318)	2,014
Bad debt recovered		57	68
Administrative expenses		(52,225)	(73,183)
Fair value gain on revaluation of investment properties		13,933	3,441
Gain on disposal of an investment property		–	37

		Six months ended	
		30 September	30 September
		2013	2012
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Loss from operations	4	(33,111)	(36,609)
Finance costs	5	(2,912)	(10,614)
Share of results of associates		(291)	44
		<u>(36,314)</u>	<u>(47,179)</u>
Loss before income tax		(36,314)	(47,179)
Income tax (expenses) credit	6	(180)	115
		<u>(36,494)</u>	<u>(47,064)</u>
Loss for the period		(36,494)	(47,064)
Loss for the period attributable to:			
Owners of the Company		(36,264)	(45,257)
Non-controlling interests		(230)	(1,807)
		<u>(36,494)</u>	<u>(47,064)</u>
Loss per share	8		
– Basic		<u>(1.01) cents</u>	<u>(1.39) cents</u>
– Diluted		<u>(1.01) cents</u>	<u>(1.39) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

		Six months ended	
		30 September	30 September
		2013	2012
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Loss for the period		<u>(36,494)</u>	<u>(47,064)</u>
Other comprehensive (expenses) income:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translating of foreign operations		(9,668)	39,269
		<u>(9,668)</u>	<u>39,269</u>
Other comprehensive (expenses) income for the period		(9,668)	39,269
Total comprehensive expenses for the period		<u>(46,162)</u>	<u>(7,795)</u>
Total comprehensive expenses attributable to:			
Owners of the Company		(45,932)	(6,099)
Non-controlling interests		(230)	(1,696)
		<u>(46,162)</u>	<u>(7,795)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2013

		30 September 2013	31 March 2013
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	14,769	14,786
Prepaid lease payments		21,236	21,476
Investment properties	9	675,001	626,413
Interests in associates		2,520	2,873
Available-for-sale financial assets		2,080	2,089
Goodwill		10,544	10,544
Pledged bank deposits		3,119	6,714
		<hr/> 729,269	<hr/> 684,895
Current assets			
Inventories		193	181
Trade and other receivables, deposits and prepayments	10	28,304	77,496
Loans receivables		614	612
Financial assets at fair value through profit or loss		157,669	59,055
Bank balances and cash		138,203	353,385
		<hr/> 324,983	<hr/> 490,729
Current liabilities			
Trade and other payables and accruals	11	7,479	8,906
Bank overdraft		176	342
Borrowings		120,868	89,528
Tax payables		2,009	1,961
Amounts due to a director		–	7,520
Non-convertible bonds		–	105,633
		<hr/> 130,532	<hr/> 213,890
Net current assets		<hr/> 194,451	<hr/> 276,839
Total assets less current liabilities		<hr/> 923,720	<hr/> 961,734

		30 September 2013	31 March 2013
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current liabilities			
Borrowings		<u>59,075</u>	<u>61,986</u>
		<u>59,075</u>	<u>61,986</u>
Net assets		<u>864,645</u>	<u>899,748</u>
CAPITAL AND RESERVES			
Share capital	<i>12</i>	36,027	35,281
Reserves		<u>834,007</u>	<u>869,115</u>
Equity attributable to owners of the Company		870,034	904,396
Non-controlling interests		<u>(5,389)</u>	<u>(4,648)</u>
Total equity		<u>864,645</u>	<u>899,748</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial information have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised standards and amendment to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”):

- HKAS 27 (2011), Separate financial statements
- HKAS 28 (2011), Investments in associates and joint ventures
- HKFRS 10, Consolidated financial statements
- HKFRS 11, Joint arrangements
- HKFRS 12, Disclosure of interest in other entities
- HKFRS 13, Fair value measurement
- Amendments to HKAS 1 (Revised), Presentation of items of other comprehensive income
- Amendments to HKFRS 7, Financial instruments: Disclosures – Offsetting financial assets and financial liabilities
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12, Consolidated financial statements, Joint arrangements and Disclosure of interest in other entities: transition guidance
- Revised HKAS 19, Employee benefits
- Annual improvements 2009–2011 cycle

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for “fair value” and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a “statement of comprehensive income” is renamed as a “statement of profit or loss and other comprehensive income” and an “income statement” is renamed as a “statement of profit or loss”. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009–2011 Cycle)

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009–2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (“**CODM**”) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Except as described above, the adoption of these newly effective standards and amendments does not result in substantial changes to the Group’s accounting policies or financial results.

The following new standard, interpretation, and amendments to existing standards have been issued but are not effective for the year ending 31 March 2014 and have not been early adopted:

	Effective for annual periods beginning on or after
HKFRS 9, Financial instruments	1 January 2015
HK(IFRIC) – Int 21, Levies	1 January 2014
Amendments to HKAS 32, Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKAS 36, Impairment of assets: Recoverable amount disclosures for non-financial assets	1 January 2014
Amendments to HKAS 39, Financial instruments: Recognition and measurement – Novation of derivatives and continuation of hedge accounting	1 January 2014
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011), Investment entities	1 January 2014
Amendments to HKFRS 7 and HKFRS 9, Mandatory effective date of HKFRS 9 and transition disclosures	1 January 2015

The Group has not early adopted the new HKFRSs that have been issued but not yet effective. The Directors are currently assessing the impact of these new HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group’s result of operations and financial position.

3. SEGMENT INFORMATION

The Group is organised into six (2012: six) main operating segments – financing operations, securities trading and investments, treasury investment, property investment and trading, hotel operations and property development. These principal operating activities are the bases on which the executive directors allocate resources to segments and assess their performance.

Information regarding the Group's reportable segments as provided to the executive directors is set out as below:

	Segment revenue		Segment results	
	Six months ended		Six months ended	
	30 September	30 September	30 September	30 September
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
By reportable segment:				
Financing operations	12	45	(630)	(546)
Securities trading and investments	1,663	180	(8,652)	614
Treasury investment	656	372	568	372
Property investment and trading	8,541	12,926	19,137	11,725
Hotel operations	3,750	19,910	110	(2,450)
Property development	–	–	–	(12)
	<u>14,622</u>	<u>33,433</u>	<u>10,533</u>	<u>9,703</u>
Unallocated corporate revenue			138	3,254
Unallocated corporate expenses			<u>(45,245)</u>	<u>(53,090)</u>
Loss from operations			(34,574)	(40,133)
Finance costs			(1,449)	(7,090)
Share of results of associates			<u>(291)</u>	<u>44</u>
Loss before income tax			(36,314)	(47,179)
Income tax (expenses) credit			<u>(180)</u>	<u>115</u>
Loss for the period			<u>(36,494)</u>	<u>(47,064)</u>

4. LOSS FROM OPERATIONS

	Six months ended	
	30 September	30 September
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss from operations has been arrived at after charging (crediting):		
Depreciation	652	1,558
Amortisation of prepaid lease payments	240	240
Dividend income	<u>(1,663)</u>	<u>(180)</u>

5. FINANCE COSTS

	Six months ended	
	30 September	30 September
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank loans and overdrafts	1,566	19,200
Effective interest expense on convertible bonds	–	4
Interest expense on non-convertible bonds	1,346	7,119
	<u>2,912</u>	<u>26,323</u>
Less: Interest capitalised to properties under development for sale	–	(15,709)
	2,912	10,614

6. INCOME TAX EXPENSES (CREDIT)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Taxes on overseas profits have been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the entity operates.

	Six months ended	
	30 September	30 September
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax		
– Hong Kong	–	–
– Overseas	–	512
	<u>–</u>	<u>512</u>
Under (over)-provision in prior years		
– Overseas	180	(627)
	<u>180</u>	<u>(115)</u>
Total tax expenses (credit) for the period	180	(115)

7. DIVIDEND

No dividend was paid during both periods. The directors do not recommend the payment of an interim dividend.

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company for the period of approximately HK\$36,264,000 (six months ended 30 September 2012: approximately HK\$45,257,000) and the weighted average number of 3,588,449,786 (six months ended 30 September 2012: 3,248,181,645) ordinary shares in issue during the period under review.

There were no potential dilutive ordinary shares for each of the six months ended 30 September 2013, and therefore, diluted earnings per share was the same as the basic earnings per share. For the period ended 30 September 2012, the computation of diluted loss per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for shares for the six months ended 30 September 2012.

9. INVESTMENT PROPERTIES/PROPERTY, PLANT AND EQUIPMENT

During the period under review, the Group did not dispose any investment property (six months ended 30 September 2012: approximately HK\$125.2 million); it acquired investment properties, property, plant and equipment of approximately HK\$43.9 million (six months ended 30 September 2012: property, plant and equipment of approximately HK\$29.7 million).

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The average credit terms granted by the Group to its trade customers are as follows:

Hotel operations	60 days
Financing operations	30 days

An aging analysis of the trade receivables at the end of the reporting period is as follows:

	30 September 2013 HK\$'000 (Unaudited)	31 March 2013 HK\$'000 (Audited)
0–60 days	416	256
61–90 days	–	57
Over 90 days	<u>7,855</u>	<u>7,660</u>
	8,271	7,973
Other receivables, deposits and prepayments	19,556	69,046
Prepaid lease payments	<u>477</u>	<u>477</u>
	<u>28,304</u>	<u>77,496</u>

11. TRADE AND OTHER PAYABLES AND ACCRUALS

An aging analysis of the trade payables at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2013 HK\$'000 (Unaudited)	31 March 2013 HK\$'000 (Audited)
0–60 days	162	166
61–90 days	–	–
Over 90 days	<u>3</u>	<u>3</u>
	165	169
Accrued interests on non-convertible bonds	–	1,924
Other payables and accrued expenses	<u>7,314</u>	<u>6,813</u>
	<u>7,479</u>	<u>8,906</u>

12. SHARE CAPITAL

	30 September 2013		31 March 2013	
	Number of shares	HK\$'000	Number of shares	HK\$'000
<i>Authorised</i>				
Ordinary shares of HK\$0.01 each	<u>1,000,000,000,000</u>	<u>10,000,000</u>	<u>1,000,000,000,000</u>	<u>10,000,000</u>
<i>Issued and fully paid</i>				
Ordinary shares of HK\$0.01 each				
At beginning of the period	3,528,083,872	35,281	3,096,961,456	30,970
Exercise of share options	<u>74,573,300</u>	<u>746</u>	<u>431,122,416</u>	<u>4,311</u>
At end of the period	<u>3,602,657,172</u>	<u>36,027</u>	<u>3,528,083,872</u>	<u>35,281</u>

13. PLEDGE OF ASSETS

As at 30 September 2013, the Group's utilised facilities of approximately HK\$180.0 million (31 March 2013: HK\$151.5 million) were mainly secured by the investment properties, land and buildings and prepaid lease payments and bank deposits of the Group with an aggregate carrying value of approximately HK\$617.3 million (31 March 2013: HK\$541.4 million).

14. RELATED PARTY TRANSACTIONS

During the period under review, no transactions have been entered into with the directors of the Company (being the key management personnel) during the period under review other than the emoluments paid to them (being key management personnel compensation) (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded a revenue of approximately HK\$14.6 million for the six months ended 30 September 2013, representing a decrease of approximately 56.3% as compared to a revenue of approximately HK\$33.4 million the six months ended 30 September 2012. The decrease was mainly attributable to the disposal of Hotel Plaza Miyazaki in Japan. The loss attributable to owners of the Company for the six months ended 30 September 2013 was approximately HK\$36.3 million compared to a loss of approximately HK\$45.3 million for the same period in 2012.

The basic loss per share for the six months ended 30 September 2013 was HK1.01 cents compared to HK1.39 cents for the same period in 2012.

Property Development Division

During the financial year ended 31 March 2013, the Group disposed its entire equity interest in a former Singapore Exchange Catalist-listed subsidiary, SingHaiyi Group Ltd, which had provided the bulk of its property development revenue. Following the disposal, the Group will continue to identify new development projects or attractive investment opportunities. It is also evaluating the feasibility of redeveloping certain older properties within its investment portfolio, so as to facilitate long-term growth.

Hotels and Hospitality Division

The revenue of the hotels and hospitality division for the period under review was approximately HK\$3.8 million, representing a decrease of 81.2%, compared to HK\$19.9 million for the same period in 2012. The segment profit was approximately HK\$0.1 million, compared to the segment loss of approximately HK\$2.5 million for the same period in 2012, mainly due to the disposal of Hotel Plaza Miyazaki.

Securities Trading and Investments

During the period under review, the Group's securities business recorded a revenue of HK\$1.7 million (2012: HK\$0.2 million) and an operating loss of approximately HK\$8.7 million (2012: profit of HK\$0.6 million).

Property Investments and Trading

The property investments and trading division contributed revenues of approximately HK\$8.5 million (2012: HK\$12.9 million) and operating profit of approximately HK\$19.1 million (2012: profit of HK\$11.7 million) to the Group, including a fair value gain on revaluation of investment properties of approximately HK\$13.9 million (2012: HK\$3.4 million).

Other Investments

As at 30 September 2013, the Group held approximately 29% of the issued share capital in RSI International Systems Inc. (“RSI”), a company listed on the TSX Venture Exchange of Canada. During the period under review, the Group shared a loss of approximately HK\$0.3 million of RSI.

Liquidity and Capital Resources

As at 30 September 2013, the total equity of the Group was approximately HK\$864.6 million (31 March 2013: HK\$899.7 million).

As at 30 September 2013, the Group had bank balances and cash and pledged bank deposits amounting to approximately HK\$141.3 million (31 March 2013: HK\$360.1 million) mainly denominated in U.S. dollars, Hong Kong dollars, Singapore dollars and Japanese Yen. Total borrowings decreased to approximately HK\$180.1 million (31 March 2013: HK\$257.5 million) mainly due to the early redemption of the non-convertible bonds of principal amount of HK\$105,633,400 issued by the Company in April 2013. The borrowings were mainly denominated in Hong Kong dollars, Singapore dollars and Japanese Yen. As at 30 September 2013, the Group’s current ratio was 2.5 (31 March 2013: 2.3) and its gearing ratio was 3.7%, defined as the ratio of total borrowings less bank balances and cash and pledged bank deposits to total assets (31 March 2013: net cash position).

Material Acquisitions and Disposals for Material Investments

During the period under review, the Group entered into sale and purchase agreements to acquire the investment properties situated in Singapore for an aggregate consideration of approximately S\$6.8 million.

Foreign Exchange Exposure

All the revenues, expenses, assets and liabilities of the Group are principally denominated in Hong Kong dollars, U.S. dollars, Canadian dollars, Japanese Yen and Singapore dollars. Due to the currency peg of the Hong Kong dollar to the U.S. dollar, the exchange rate between these two currencies has remained stable and thus no hedging or other alternatives have been implemented by the Group. Going forward, the Group may formulate a foreign currency hedging policy to provide a reasonable margin of safety in our exposure to Japanese Yen and Singapore dollar transactions, assets and liabilities.

Employees and Emolument Policy

Remuneration packages are generally structured by reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance related bonus. At the end of the reporting period, there were approximately 30 employees employed by the Group. For the six months ended 30 September 2013, the Group's total expenses on the remuneration of employees were HK\$32.3 million (2012: HK\$44.1 million). Share options may also be granted to eligible employees and persons of the Group.

Pledge of Assets

As at 30 September 2013, the Group's utilised facilities of approximately HK\$180.0 million (31 March 2013: HK\$151.5 million) were mainly secured by the investment properties, land and buildings and prepaid lease payments and bank deposits of the Group with an aggregate carrying value of approximately HK\$617.3 million (31 March 2013: HK\$541.4 million).

Prospects

Following the disposal of SingHaiyi, the Group has reviewed its strategic direction. In view of the high asset value and restrictive government measures imposed recently in major Asian real estate markets, it is expected that the regional property markets may face a challenging environment going forward. On the other hand, despite the recovery in the United States real estate market in recent months, there continues to exist significant opportunities at the current stage of the property cycle. The expected recovery in the job market will continue to lead to higher occupancy rates of investment properties, leading to improved yields and capital values.

Having assessed the above scenario, the directors of the Company have outlined a strategy to seed and grow a portfolio of Real Estate Investment Trusts (REITs) focusing initially on single-family homes (SFHs) in the United States. The Group is actively exploring the possibility of bulk purchases of such SFHs with a view to develop a dedicated REIT which can offer attractive and regular distributions to shareholders. This SFH REIT can emerge as the first of several REITs launched by the Group. In line with the above, during the period under review, the Group acquired 94.9% equity interest of a company listed on the U.S. OTC market, which it intends to rename the American Housing REIT Inc). Concurrent with this strategy, the Group also intends to develop a stream of recurring revenue from the management of such REITs. To facilitate the latter, the Group has recently established Inter-American Management Corp as a new subsidiary based in Delaware, U.S.A.

The Company will continue to exercise prudence in balancing its portfolio of REITs with other security investments or property investments, with a clear goal of creating a well-diversified base of income-generating assets. The REIT investments being contemplated would also include acquiring smaller stakes in existing REITs on diversified basis and, possibly, substantial stakes in smaller REITs as well as the public offering of a REIT of REITs whose subsidiaries may include medical (hospital) assets. Income from such a portfolio of REITs, along with management fees derived from managing them, is expected to enhance the Group's shareholder value with relatively low risk.

The Group also intends to leverage on the strong banking, finance, restructuring and property experience as well as network of its senior management to roll out the above strategy. The Group will also explore various avenues to raise funds from the international capital markets, including the possibility of secondary or dual listings in other exchanges.

During the financial period under review, the Group also acquired 68.7% equity interest of Scoop Media, Inc, the shares of which are traded in the OTC BB.

DIRECTORS' SECURITIES TRANSACTIONS

The Company had adopted the Model Code as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry with the Directors, each of the Directors has confirmed that he or she had fully complied with the Model Code throughout the six months ended 30 September 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Non-convertible bonds of principal amount of HK\$105,633,400 issued by the Company (the "Bonds") were redeemed in whole on 30 April 2013 in accordance with the terms and conditions of the Bonds. In accordance with the terms and conditions of the Bonds, the Company had redeemed the Bonds currently listed on the Stock Exchange in whole at a redemption price equal to 101% of principal amount of the Bonds plus accrued and unpaid interest, if any, up to the date of redemption. On 30 April 2013, the Company had paid approximately HK\$108.9 million to the bondholders to redeem all outstanding Bonds (the "Redemption"). After the Redemption, there are therefore no outstanding Bonds in issue. The Company has applied for the withdrawal of the listing of the Bonds on the Stock Exchange and such withdrawal of listing has become effective upon the close of business on 16 May 2013. Save as disclosed above, during the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

UPDATE ON DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors subsequent to the date of annual report of the Company for the year ended 31 March 2013 are set out below:

Mr Chan Heng Fai, the managing chairman of the Company, has ceased to act as an executive director and deputy managing director of SingHaiyi, a company listed on the Singapore Stock Exchange with effect from 6 September 2013.

Mr Chan Tong Wan, the managing director of the Company, has ceased to act as an executive director of SingHaiyi with effect from 6 September 2013.

Mr Wong Tat Keung, an independent non-executive director of the Company, has ceased to act as an independent non-executive director of SingHaiyi with effect from 29 July 2013.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles set out in the Corporate Governance Code (“CG Code”) contained in Appendix 14 of the Listing Rules. The Board is of the view that throughout the period during the six months ended 30 September 2013, save for the following deviations, the Company had complied with the CG Code:–

- I. None of the non-executive directors has been appointed for a specific term, which is a deviation from the requirement under Code A.4.1 of the CG Code. However, as the Directors are subject to the retirement by rotation provisions under the articles of association of the Company and the Listing Rules, the Board considers that sufficient measures are in place to ensure that the Company’s corporate governance practices are no less exacting than the CG Code.
- ii. Pursuant to Code A.6.7 of the CG Code, independent non-executive directors and other nonexecutive directors should attend the general meetings of the Company. Mr. Fong Kwok Jen, the non-executive director, was unable to attend the annual general meeting of the Company held on 28 August 2013 as he was not in Hong Kong at that time.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial information. The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. Wong Dor Luk, Peter, Mr. Wong Tat Keung and Mr. Chan King Fai.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE’S AND COMPANY’S WEBSITE

The Company’s interim report for the six months ended 30 September 2013 will be despatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under “Latest Listed Company Information” and on the website of the Company at <http://www.hengfaienterprises.com> under “Investor Relations” in due course.

By order of the Board
Heng Fai Enterprises Limited
Chan Tong Wan
Managing Director

Hong Kong, 29 November 2013

As at the date of this announcement, the executive Directors are Mr. Chan Heng Fai, Mr. Chan Tong Wan, Ms. Chan Yoke Keow; the non-executive Directors are Mr. Fong Kwok Jen and Mr. Teh Wing Kwan and the independent non-executive Directors are Mr. Chan King Fai, Mr. Tan Choon Seng, Mr. Wong Dor Luk, Peter and Mr. Wong Tat Keung.