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## **HERITAGE INTERNATIONAL HOLDINGS LIMITED**

**漢基控股有限公司\* (the “Company”)**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 412)**

### **DISCLOSEABLE SHARE TRANSACTION**

On 27th August 2004, the Company entered into the S&P Agreement with Sunderland in relation to the Acquisition of the Sale Shares. The consideration of the Acquisition is HK\$7,254,000 and will be satisfied by the issue of the Consideration Shares at HK\$0.013 per Share.

This announcement is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe the Shares.

The Acquisition contemplated under the S&P Agreement constitutes a discloseable share transaction of the Company under the Listing Rule. A circular contains details of the Acquisition will be sent to the Shareholders in the due course. The completion of the S&P Agreement is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares.

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on Monday, 30th August 2004 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on Tuesday, 7th September 2004.

### **THE S&P AGREEMENT DATED 27TH AUGUST 2004**

#### **Parties**

The Company or its nominated subsidiary as the purchaser and Sunderland as the vendor. The ultimate beneficial owner of Sunderland is Mr. Chuang Yue Chien, Eugene (“Mr. Chuang”). Mr. Chuang has borrowed a loan of HK\$15,000,000 from Double Smart Finance Limited, a licensed money lender in Hong Kong and wholly owned subsidiary of the Company, since 22nd March 2004 at an interest rate of 10% per annum and with a maturity date of 22nd March 2005. The loan is unsecured and being still outstanding at the date of this announcement. This loan is on normal commercial terms of the business of Double Smart Finance Limited and not inter-conditional upon the S&P Agreement.

Save and except that borrowing, to the best of the Board’s knowledge, information and belief having made all reasonable enquiry, Mr. Chuang and Sunderland has no other business dealings with the Company and are independent third parties who are not connected persons of the Company as defined in the Listing Rules.

## **Consideration**

The consideration of the Acquisition is HK\$7,254,000 which will be satisfied by the issue of Consideration Shares at the price of HK\$0.013 per Share on the second business day (or such other date as may be agreed between the Company and Sunderland) after satisfaction of the condition under the paragraph headed “Condition of the S&P Agreement”.

The price per Consideration Share is (i) equivalent to the closing price of HK\$0.013 per Share as quoted on the Stock Exchange on 27th August 2004 being the last full trading day prior to this announcement; and (ii) represents a premium of approximately 1.56% to the average closing price of HK\$0.0128 per Share as quoted on the Stock Exchange from 23rd August 2004 to 27th August 2004, both dates inclusive, being the last five full trading days immediately before and up to the issue of this announcement. Based on the closing price of the Share as quoted on the Stock Exchange on 27th August 2004, the consideration of the Acquisition is HK\$7,254,000. The price per Consideration Share of HK\$0.013 was agreed after arm’s length negotiations between the Company and Sunderland.

Based on the closing price of China Sci-Tech of HK\$0.014 as quoted on the Stock Exchange on 27th August 2004, the market value of the Sale Shares is HK\$8,512,000. The Acquisition consideration per Sale Share of HK\$0.0119 represents (i) a discount of approximately 15% to the closing price of HK\$0.014 of China Sci-Tech as quoted on the Stock Exchange on 27th August 2004 being the last full trading day prior to the entering into of the S&P Agreement; and (ii) a discount of approximately 9.85% to the average closing price of HK\$0.0132 of China Sci-Tech as quoted on the Stock Exchange from 23rd August 2004 to 27th August 2004, both dates inclusive, being the last five full trading days immediately before and up to the entering into of the S&P Agreement . The Board considers that the terms of the S&P Agreement (including the prices per Consideration Share and Sale Share) are fair and reasonable and are in the interests of the Company and its shareholders as a whole. The S&P Agreement is on normal commercial terms.

## **Assets to be acquired**

The Sale Shares represent approximately 4.99% of the issued share capital of China Sci-Tech. The consideration of the Acquisition is equivalent to HK\$0.0119 per China Sci-Tech share. As at the date of this announcement, the Company is interested in China Sci-Tech convertible notes in the amount of HK\$6,600,000 representing approximately 2.71 % of the issued share capital of China Sci-Tech. After completion of the Acquisition, the Company will ultimately be interested in 608,000,000 China Sci-Tech shares representing approximately 4.99% of the issued share capital of China Sci-Tech and the China Sci-Tech convertible notes in the amount of HK\$6,600,000 representing approximately 2.71% of the issued share capital of China Sci-Tech, while Sunderland will still interested in 1,937,330,000 shares of China Sci-Tech representing approximately 15.89% of the issued share capital of China Sci-Tech.

As at the date of this announcement, China Sci-Tech is interested in convertible notes issued by the Company in the amount of HK\$20,000,000 representing approximately 3.43 % of the issued share capital of the Company. Mr. Ong Peter, the managing director and an executive director of the Company, is also being an independent non-executive director of China Sci-Tech.

## Condition of the S&P Agreement

The completion of the S&P Agreement is conditional upon the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Consideration Shares. This is the only condition and is not waivable. Application will be made to the Exchange for the listing of and permission to deal in the Consideration Shares.

## Completion

The S&P Agreement is to be completed on the second business day (or such other date as may be agreed between the Company and Sunderland) after satisfaction of the condition under the paragraph headed “Condition of the S&P Agreement” above. The S&P Agreement will lapse if the condition is not satisfied by 30th September 2004, or such other date as may be agreed between the Company and Sunderland. No party shall have any claim against other upon the lapse of the S&P Agreement.

## SHAREHOLDING STRUCTURE OF CHINA SCI-TECH

China Sci-Tech Name of shareholders	Before the Acquisition		After the Acquisition	
	Number of shares	% of shareholding	Number of shares	% of shareholding
Sunderland Properties Limited	2,545,330,000	20.88%	1,937,330,000	15.89%
Kaison Limited *1	1,669,624,000	13.70%	1,669,624,000	13.70%
Dr. Ho Hung Sun Stanley	935,750,000	7.68%	935,750,000	7.68%
Everfull International Limited *2	834,812,000	6.85%	834,812,000	6.85%
Heritage International Holdings Limited	—	—	608,000,000	4.99%
Public	<u>6,201,856,004</u>	<u>50.89%</u>	<u>6,201,856,004</u>	<u>50.89%</u>
Total	12,187,372,004	100.00%	12,187,372,004	100.00%

Notes:

1. Kaison Limited is beneficially owned by Zhao Zhigang and Guo Bingli as to 50% and 50% respectively.
2. Everfull International Limited is a wholly owned subsidiary of Hebei Enterprises Limited which is incorporated in Hong Kong with Yan Cunzeng, as a controlling shareholder of Hebei Enterprises Limited.

## SHAREHOLDING STRUCTURE OF THE COMPANY

The Company Name of shareholders	Before the Acquisition		After the Acquisition	
	Number of Shares	% of shareholding	Number of Shares	% of shareholding
Radford Capital Investment Limited *1	330,000,000	9.06%	330,000,000	7.86%
Sovicotra Capital Limited *2	200,000,000	5.49%	200,000,000	4.76%
Fortuna Investments Group Limited *3	158,000,000	4.34%	158,000,000	3.76%
Sunderland Properties Limited	—	—	558,000,000	13.29%
Public	<u>2,953,991,157</u>	<u>81.11%</u>	<u>2,953,991,157</u>	<u>70.33%</u>
Total	3,641,991,157	100.00%	4,199,991,157	100.00%

Notes:

1. Radford Capital Investment Limited is a company incorporated in Cayman Islands with limited liability and the shares of which are traded on the Stock Exchange.

2. *The ultimate beneficiary is Mr. Ong Peter, the managing director and executive director of the Company.*
3. *The ultimate beneficiary is Mr. Kwong Kai Sing, Benny, the chairman and executive director of the Company.*

As at the date of this announcement, the Company has outstanding warrants with exercise price of HK\$0.17 per Share and expiration on 12th April 2005 that can exercise into 448,779,935 Shares and the outstanding convertible notes in the amount of HK\$36,000,000 with the conversion price of HK\$0.16 per Share and maturity at April 2007. Upon the completion of the Acquisition and assuming no conversion of the outstanding warrants and convertible notes, Sunderland will become the largest substantial shareholder of the Company that holding approximately 13.29% of the issued share capital of the Company. Sunderland and its beneficial owner do not intend to appoint any representatives to the Board and currently does not have any plans to inject any assets or business into the Company following the completion of the S&P Agreement. The Board considers that the Board, the management and the business of the Company will remain unchanged after the completion of the S&P Agreement.

### **INFORMATION OF CHINA SCI-TECH**

The principal activities of China Sci-Tech are investment in properties and securities through its subsidiaries. Set out below is the financial information of China Sci-Tech in accordance with its latest audited consolidated accounts:

	<b>Audited year ended 31 March 2002</b>	<b>Audited year ended 31 March 2003</b>	<b>Audited year ended 31 March 2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net loss before taxation	348,607	46,335	60,475
Net loss after taxation	347,920	46,335	60,534
Net assets value	150,131	124,700	107,523

### **REASONS FOR THE ACQUISITION**

Investment in listed securities is one of the principle activities of the Company. The Board has made substantial analysis before making the investment. All the analysis is based on public available information such as annual reports and company announcements. The Board considers that the Acquisition is a short term trading and medium term accumulation opportunities for the Company. In this context, short term means a period within one year and medium term means a period of more than one year but within three years. For short term trading and medium term accumulation opportunities must fulfill certain requirements of the Company, including (i) the net asset value per share of the underlying should above the acquisition price; (ii) the current price level of the underlying should be around the historical low level; (iii) the underlying shares must possess substantial public float and daily trading volume; and (iv) the availability of large block of shares for acquisition. The Board has analysed and considered the situation of China Sci-Tech and is of the view that those requirements mentioned above have been fulfilled.

The Board has also considered the operation of the businesses of China Sci-Tech and understands that China Sci-Tech is a loss making company for the year ended 31st March

2004. The Board considers that the current price level has been over reacted to the loss making situation and has neglected the net asset value of China Sci-Tech. Pursuant to the annual report 2004 of China Sci-Tech, the audited net asset value per share as at 31st March 2004 is approximately HK\$0.0129. This is based on the total number of 8,348,124,004 shares in issue as at 31st March 2004 in accordance with annual report 2004. Subsequent to 31st March 2004, China Sci-Tech has carried out certain transactions whereby the total number of issued shares has increased to 12,187,372,004 shares at the date hereof - see also the section "Shareholding Structure Of China Sci-Tech" above. The Acquisition consideration per Sale Share of HK\$0.0119 represents a discount of approximately 7.75% to the audited net asset per share of China Sci-Tech.

The Board considers that the investment public has been over reacted to the loss making situation of China Sci-Tech and has neglected the net asset value per share of China Sci-Tech which in turn cause the price of the stock trading at the historical low level. The Board believes that the stock price of China Sci-Tech has a good chance to bottom out at this level. The Board has also considered that China Sci-Tech has sufficient public float (the shareholding structure and the percentage of public shareholders of China Sci-Tech have been described above) and daily turnover that will enable the Company to trade the shares for short term.

In view of the audited net asset value per share (approximately HK\$0.0129 as at 31st March 2004), current price level (HK\$0.014 as at 27th August 2004) and the liquidity (an average daily trading volume of approximately 16.4 million shares for the months from June 2004 to August 2004) of China Sci-Tech, the Board considers that it is very difficult for the Company to acquire substantial block of shares of China Sci-Tech at the current market level. The Acquisition has satisfied the Company's criteria for short term trading and medium term accumulation as mentioned above and the Acquisition price per Sale Share of HK\$0.0119 represents (i) a discount of approximately 15% to the closing price of HK\$0.014 of China Sci-Tech as quoted on the Stock Exchange on 27th August 2004 being the last full trading day prior to the entering into of the S&P Agreement; and (ii) a discount of approximately 9.85% to the average closing price of HK\$0.0132 of China Sci-Tech as quoted on the Stock Exchange from 23rd August 2004 to 27th August 2004, both dates inclusive, being the last five full trading days immediately before and up to the entering into of the S&P Agreement.

According to the annual report 2004, China Sci-Tech incurred net losses of HK\$60.5 million and HK\$46.3 million for the years ended 31st March 2004 and 31st March 2003 respectively. The Board notes from the annual report and the announcements of China Sci-Tech that Mr. Chiu Kong (the "Mr. Chiu") and Mr. Yeung Kwok Yu (the "Mr. Yeung") were appointed as Chairman and executive director of China Sci-Tech respectively since 27th June 2003. Both of Mr. Chiu and Mr. Yeung have more than 15 years experience in the trading business in PRC and Hong Kong. In view of their business experiences and networks, the Board considers that they can identify good investment projects in PRC and Hong Kong for China Sci-Tech. In fact, based on the audited financial statements and other published information such as announcements and circulars of China Sci-Tech, after the appointment of Mr. Chiu and Mr. Yeung, China Sci-Tech has undergone various measures to reduce operating cost, borrowing and completed several fund raising exercises for future potential investments even though it is still loss making. The Board considers that the new management of China Sci-Tech has significantly improved the financial strength of China Sci-Tech and making it

with substantial investment potential. Despite incurring a net losses of HK\$60.5 million for the year ended 31st March 2004, China Sci-Tech is debt free, cash rich (the bank and cash balances are HK\$6,493,000 as at 31st March 2004 and HK\$827,000 as at 31st March 2003 respectively) with sound management and decent shareholders. The Board considers that the Acquisition price per Sale Share of HK\$0.0119 is attractive to the Company. The Boards considers that the Acquisition price per Sale Share is on normal commercial terms that is fair and reasonable and in the interest of the Company and its Shareholders as a whole after taking into consideration all the factors mentioned above.

The offer of the Consideration Shares is the subject matter of the Acquisition and Sunderland has no interest to complete the S&P Agreement by cash settlement.

As disclosed below under the section “Funds Raising Activities And Share Transactions Of The Company During The 12 Months Ended 31 August 2004”, the Company had raised a total amount of approximately HK\$147.5 million of funds in the past twelve months of which HK\$115 million is still retained in the general working capital of the Group. The Board considers that the funds raised by previous fund raising exercises have intended usage as announced by the Company before, i.e. for possible future investments in Macau and in the Pearl River Delta Region, and it is not appropriate to apply those funds for the Acquisition even though there is no such investment plan / project in Macau or the Pearl River Delta Region crystalised and concluded at the moment. Moreover, after reviewing the current stock market conditions, the Board considers that if the Company really go for the fund raising for the Acquisition through placing of new Shares, the placing price per Share may not be feasible to be higher than the price per Consideration Shares of HK\$0.013 per Share. Hence, the Board considers that the issue of the Consideration Shares will not deplete the internal resources of the Company and will not require the Company to place new Shares at a lower level so as to minimize the dilution impact to the Shareholders.

The price per Consideration Shares of HK\$0.013 is (i) equivalent to the closing price of HK\$0.013 per Share as quoted on the Stock Exchange on 27th August 2004, being the last full trading day prior to this announcement; and (ii) represents a premium of approximately 1.56% to the average closing price of HK\$0.0128 per Share as quoted on the Stock Exchange from 23rd August 2004 to 27th August 2004, both dates inclusive, being the last five full trading days immediately before and up to the issue of this announcement. The Board considers that the price per Consideration Price of HK\$0.013 is on normal commercial terms and is fair and reasonable and in the interest to the Company and its Shareholders as a whole.

The Board has also taken into consideration of the dilution effect of the transaction but still consider that the Acquisition is on normal commercial terms and is fair and reasonable and in the interest to the Company and its Shareholders as a whole.

## **GENERAL MANDATE**

The Consideration Shares will be issued pursuant to the General Mandate, which allow the Board to issue 558,398,231 new Shares. The General Mandate has not been utilized prior to the entering into of the S&P Agreement and is sufficient to cover the number of the Consideration Shares.

## FUNDS RAISING ACTIVITIES AND SHARE TRANSACTIONS OF THE COMPANY DURING THE 12 MONTHS ENDED 31 AUGUST 2004

Date of announcement	Date of agreement	Nature of transaction	Places/ subscriber/ allottee	Amount of fund raised	Number of Shares issued from the activities	Percentage of Number of Shares issued / total number of existing Shares of the Company	Intended use of proceeds	Use of proceeds according to the intended use	Use of proceeds other than the intended use
24 June 2003	24 June 2003	Placing of shares under specific mandate	Independent third parties	Approximately HK\$36.5 million	373,640,000 Shares	10.26%	Possible future investment in Macau	Approximately HK\$9.5 million invested in King Kong Internacional Investimentos, Limitada as set out in the Company's announcement dated 22 December 2003	The remaining of approximately HK\$27 million was retained as general working capital of the Group (See also note 1)
11 August 2003, 10 November 2003	11 August 2003, 10 November 2003	Placing of convertible notes. Conversion price at HK\$0.16 per Shares	Independent third parties	Approximately HK\$73 million	100,000,000 Shares issued on conversion of convertible note of HK\$16 million in May 2004	2.75%	Possible future investment in Macau	Nil	HK\$23 million repaid to certain holders of the convertible notes on redemption. Approximately HK\$50 million was retained as general working capital of the Group (See also note 1)
9 June 2004	3 June 2004	Top-up placing of existing Shares and top-up subscription of new Shares under general mandate	Independent third parties	Approximately HK\$16.1 million	448,000,000 Shares	12.30%	Possible future investment in Pearl River Delta Region	Nil	Approximately HK\$16.1 million was retained as general working capital of the Group (See also note 2)
9 June 2004	3 June 2004	Subscription of new Shares by a subscriber under specific mandate	Independent third party	Approximately HK\$21.9 million	600,000,000 Shares	16.47%	Possible future investment in Pearl River Delta Region	Nil	Approximately HK\$21.9 million was retained as general working capital of the Group (See also note 2)
9 June 2004	3 June 2004	Settlement of legal proceedings by mean of issue of new Shares under specific mandate	Independent third party	Nil	250,000,000 Shares	6.86%	Not applicable	Not applicable	Not applicable
				Total:	Total:	Total:			
				Approximately HK\$147.5 million	1,771,640,000 Shares	48.64%			

### Notes

- The remaining balances of the funds raised are retained in the working capital (which are mainly in the forms of loans receivable and investments in securities) of the Group because the Company is still studying and evaluating appropriate investment targets which are within the original intended scope of investment. However, there is no such investment plan / project crystallised and concluded at the moment. The Board currently has no intention to change the usage of the funds being raised and retained. Further announcement will be made on the application of the funds if it is necessary and in accordance with the Listing Rules.
- The funds so raised are retained in the working capital (which are mainly in the forms of loans receivable and investments in securities) of the Group because the Company is still studying and evaluating appropriate investment targets which are within the original intended scope of investing in the Pearl River Delta Region. However, there is no such investment plan / project crystallised and concluded at the moment. The Board currently has no intention to change the usage of the funds being raised and retained. Further announcement will be made on the application of the funds if it is necessary and in accordance with the Listing Rules.

- 3) As already disclosed in the annual report 2004 of the Company, the amount of loans receivable and investments in securities included in the working capital of the Group as at 31st March 2004 are HK\$122,563,000 and HK\$58,902,000 respectively.

Currently the Company does not have any plan on the usage of any funds from the future disposal of the Sale Shares.

## **GENERAL**

The Group is principally engaged in investment in casino services and gaming business, property related investment, investment in securities and money lending business. The Group commenced to invest in the casino services and gaming business in Macau since December 2003.

The Acquisition contemplated under the S&P Agreement constitutes a discloseable share transaction of the Company under Rule 14.06 of the Listing Rule. A circular contains details of the Acquisition will be sent to Shareholders as soon as practicable. The completion of the S&P Agreement is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares.

The Consideration Shares will on issue rank equally in all respects with the then existing Shares save for any dividend or other distribution declared, made or paid by the Company by reference to a record date falling before the date of issue of the Consideration Shares.

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on Monday, 30th August 2004 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on Tuesday, 7th September 2004.

As at the date of this announcement, the Company has three executive director, being Mr. Kwong Kai Sing, Benny, Mr. Ong Peter and Ms. Poon Chi Wan, one non-executive director, being Mr. Chung Yuk Lun, and three independent non-executive directors, being Mr. Chan Sze Hung, Mr. To Shing Chuen and Mr. Frank H. Miu.

## **DEFINITIONS**

“Acquisition”	the acquisition of Sale Shares from Sunderland by the Company pursuant to the S&P Agreement
“Board”	the board of directors of the Company
“China Sci-Tech”	China Sci-Tech Holdings Limited, a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Company”	Heritage International Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are traded on the Stock Exchange



“Consideration Shares”	558 million new Shares of the Company to be issued and allotted as the consideration for the Acquisition pursuant to the S&P Agreement
“General Mandate”	the general mandate granted by the shareholders of the Company to the Board to issue 558,398,231 new Shares at the special general meeting of the Company held on 30 July 2004
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Sale Shares”	608 million shares of China Sci-Tech to be acquired by the Company pursuant to the S&P Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“S&P Agreement”	the conditional sale and purchase agreement between the Sunderland and the Company dated 27th August 2004 in relation to the acquisition of Sale Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunderland”	Sunderland Properties Limited, a company incorporated in British Virgin Islands with limited liability with Mr. Chuang Yue Chien, Eugene being the ultimate beneficial owner

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

Hong Kong, 6 September 2004

*\* For identification purposes only*

Please also refer to the published version of this announcement in International Herald Tribune.