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If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Heritage International Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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HERITAGE INTERNATIONAL HOLDINGS LIMITED

漢基控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 412)

DISCLOSEABLE SHARE TRANSACTION

* For identification purposes only

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“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 Share(s)”	a total of 558 million new Share(s) of the Company to be issued and allotted to Sunderland 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, the lawful currency of Hong Kong
“Latest Practicable Date”	20 September 2004, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Sale Share(s)”	a total of 608 million share(s) 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“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
“Shareholder(s)”	holder(s) of the Share(s)



HERITAGE INTERNATIONAL HOLDINGS LIMITED

漢基控股有限公司*

(Incorporated in Bermuda with limited liability)

Executive Directors

Kwong Kai Sing, Benny (*Chairman*)

Ong Peter (*Managing Director*)

Poon Chi Wan

Non-executive Director

Chung Yuk Lun

Independent Non-executive Director

Chan Sze Hung

To Shing Chuen

Frank H. Miu

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Principal place of business
in Hong Kong:*

Room 2702, The Centrium

60 Wyndham Street

Central

Hong Kong

23 September 2004

*To the Shareholders and, for information purpose,
the holders of the warrants of the Company*

Dear Sir or Madam,

DISCLOSEABLE SHARE TRANSACTION

INTRODUCTION

As announced by the Company on 6th September 2004, the Company entered into the S&P Agreement with Sunderland on 27th August 2004 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.

The Acquisition contemplated under the S&P Agreement constitutes a discloseable share transaction of the Company under Rule 14.06 of the Listing Rules. 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 purpose of this circular is to give you further details of the transaction and other information as required under the Listing Rules.

* *For identification purposes only*

LETTER FROM THE BOARD

THE S&P AGREEMENT DATED 27TH AUGUST 2004

Parties

The Company or its nominated subsidiary (which is to be nominated later if necessary) 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 Latest Practicable Date. 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 are third parties independent of the Company and connected persons of the Company.

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 represents (i) an equivalence 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 the entering into of the S&P Agreement; (ii) an equivalence to the closing price of HK\$0.013 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and (iii) 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 entering into of the S&P Agreement. Based on the closing price of HK\$0.013 per 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.

The Consideration Shares represent 15.32% of the total number of issued Shares of the Company as at the Latest Practicable Date and 13.29% of the total number of issued Shares of the Company as enlarged by the Consideration Shares.

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; (ii) a discount of approximately 25.63% to the closing price of HK\$0.016 of China Sci-Tech as quoted on the Stock Exchange on the Latest Practicable Date; and (iii) a discount of approximately 9.85% to the average

LETTER FROM THE BOARD

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 Latest Practicable Date, 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 Latest Practicable Date, 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 has been 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.

LETTER FROM THE BOARD

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 (<i>Note 1</i>)	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 (<i>Note 2</i>)	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	<u><u>12,187,372,004</u></u>	<u><u>100.00%</u></u>	<u><u>12,187,372,004</u></u>	<u><u>100.00%</u></u>

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 (<i>Note 1</i>)	300,000,000	8.24%	300,000,000	7.14%
Sovicotra Capital Limited (<i>Note 2</i>)	200,000,000	5.49%	200,000,000	4.76%
Fortuna Investments Group Limited (<i>Note 3</i>)	158,000,000	4.34%	158,000,000	3.76%
Sunderland Properties Limited	—	—	558,000,000	13.29%
Public	<u>2,983,991,157</u>	<u>81.93%</u>	<u>2,983,991,157</u>	<u>71.05%</u>
Total	<u><u>3,641,991,157</u></u>	<u><u>100.00%</u></u>	<u><u>4,199,991,157</u></u>	<u><u>100.00%</u></u>

LETTER FROM THE BOARD

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 Latest Practicable Date, the Company has outstanding warrants with the exercise price 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 Shares 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. Completion of the Acquisition will not result in a change in control of the Company as the Company does not have any controlling shareholder before the transaction and Sunderland will not become a controlling shareholder pursuant to the completion of the Acquisition. 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:

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

LETTER FROM THE BOARD

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 report 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 2004 annual report 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 Latest Practicable Date - 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 also 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 HK\$0.016 as at the Latest Practicable Date) 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; (ii) a discount of approximately 25.63% to the closing price of HK\$0.016 of

LETTER FROM THE BOARD

China Sci-Tech as quoted on the Stock Exchange on the Latest Practicable Date; and (iii) 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 crystallised 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.

LETTER FROM THE BOARD

The price per Consideration Share of HK\$0.013 represents (i) an equivalence to the closing price of HK\$0.013 per Share as quoted on the Stock Exchange on 27th August 2004 being the last trading day prior to the entering into of the S&P Agreement; (ii) an equivalence to the closing price of HK\$0.013 per Share as quoted on the Stock Exchange as at the Latest Practicable Date and (iii) 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 entering into of the S&P Agreement. The Board considers that the price per Consideration Share 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.

EFFECT OF THE ACQUISITION ON THE COMPANY

Immediately after the completion of the Acquisition, the assets value of the Company will increase by an amount equals to the value of the Sale Shares, i.e. HK\$7,254,000. Since China Sci-Tech will not become a subsidiary or associate of the Company for consolidation accounting purpose, any future impact of the holding of the Sale Shares on the earnings of the Company will depend on any future dividends income/earnings to be derived thereon and it is not practical to quantify any such effect at the moment.

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.

LETTER FROM THE BOARD

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 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 Share	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: Approximately HK\$147.5 million	Total: 1,771,640,000 Shares	Total: 48.64%			

LETTER FROM THE BOARD

Notes:

1. 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.
2. 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.

To the best of the Board's knowledge, information and belief having made all reasonable enquiry, the principal activity of Sunderland is investments holding.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe the Consideration Shares or the Shares. Application has been made to the Stock Exchange for 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.

Your attention is drawn to the general information in the appendix of this circular.

Yours faithfully,
For and on behalf of the Board
Kwong Kai Sing, Benny
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The movement in the authorised and issued share capital of the Company since 31 March 2004 (being the end of the latest audited financial year of the Company) up to the Latest Practicable Date were summarised as follows:

HK\$

Authorised:

<u>50,000,000,000</u>	Shares of HK\$0.01 each	<u>500,000,000</u>
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Issued and fully paid, or credited as fully paid:

2,243,991,157	As at 31 March 2004	22,439,912
100,000,000	conversion of convertible notes into Shares on 7 May 2004	1,000,000
448,000,000	top up subscription shares issued and allotted on 17 June 2004	4,480,000
600,000,000	subscription shares issued and allotted on 2 August 2004	6,000,000
<u>250,000,000</u>	compensation shares issued and allotted on 2 August 2004	<u>2,500,000</u>
<u>3,641,991,157</u>	As at the Latest Practicable Date	<u>36,419,912</u>

All Shares rank pari passu in all respects as regards to rights to dividends, voting and return of capital.

The Shares are listed and traded on the main board of the Stock Exchange. None of the Shares is listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in Shares being, or proposed to be, sought on any other stock exchange.

As at the Latest Practicable Date, the Company has outstanding convertible notes (the "CN") in aggregate amount of HK\$36 million. The CN bears interest rate of 6.8% per annum and will be repaid in 15 April 2007. For the information of the CN, please refer to the Company's announcements dated 11 August 2003 and 10 November 2003 and the Company's circulars dated 3 September 2003 and 1 December 2003.

3. DIRECTORS' INTERESTS IN SHARES

As at the Latest Practicable Date, the interests of the Directors and chief executive in the equity or debt securities of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO Ordinance"), or which are required to be notified to the Company and The Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") under the Listing Rules, were as follows:

Long positions in the ordinary shares of the Company

Name of director	Note	Number of shares held, capacity and nature of interest				Percentage of the Company's issued shares capital
		Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Beneficiary of a trust	
Kwong Kai Sing, Benny	(1)	—	—	158,000,000	—	4.34%
Ong Peter	(2)	—	—	200,000,000	—	5.49%

Note:

- (1) These shares are held by Fortuna Investments Group Limited ("Fortuna"). Fortuna is a wholly-owned subsidiary of Goldworld Development Limited, a company wholly-owned by Mr. Kwong Kai Sing, Benny.
- (2) These shares are held by Sovicotra Capital Limited ("Sovicotra"). Sovicotra is a company wholly-owned by Mr. Ong Peter.

Save as disclosed above, as at Latest Practicable Date, none of the directors or chief executive or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SFO Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

4. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at Latest Practicable Date, the following interests of 5% or more of the nominal value of the issued share capital and warrants of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO Ordinance:

Long positions in the ordinary shares of the Company

Name of shareholder	Note	Number of shares of HK\$0.01	Percentage of the Company's issued share	Number of warrants held
Sunderland Properties Limited	(1)	558,000,000	15.32%	—
Chuang Yue Chien, Eugene	(1)	558,000,000	15.32%	—
Radford Capital Investment Limited		300,000,000	8.24%	—
Sovicotra Capital Limited	(2)	200,000,000	5.49%	—

Notes:

- (1) These shares represent the same parcel of shares and being the Consideration Shares which are to be issued and allotted as the consideration for the Acquisition pursuant to the S&P Agreement.
- (2) Further details of these shares are included in the section of "Directors' interests in securities".

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 336 of the SFO Ordinance.

5. DIRECTORS' INTERESTS IN SERVICE CONTRACT

None of the Directors has entered into any service contract with any member of the Group nor are there any other service contracts proposed which will not expire or be determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. LITIGATION

On 6 May 2004, five wholly-owned subsidiaries of the Company, namely Alford Investments Limited, Angel Hand Investments Limited, Newest Profits Limited, Success Conquer Limited and Winowise Limited (together, the "Plaintiffs"), filed five writs of summons (the "Writs") into the High Court respectively against two companies, namely Great Gains International Limited and Pacific Kingdom Investments Limited (together, the "Defendants") for the breach of five agreements for sale and purchase (the "Properties Sale Agreements") of certain properties interests respectively. Under the Properties Sale Agreements, the Plaintiffs agreed to dispose of certain properties interests located in China United Centre, No.28 Marble Road, North Point, Hong Kong as vendors to the Plaintiffs as

purchasers at an aggregate consideration of HK\$125 million. On the Writs, the Plaintiffs claimed against the Defendants damages amounted to HK\$57,796,688 totally for the breach of the Properties Sale Agreements by the Defendants. Up to the Latest Practicable Date, the legal proceedings between the Plaintiffs and the Defendants are still outstanding.

Except the above, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any member of its group.

7. MISCELLANEOUS

- (i) The secretary and the qualified accountant of the Company is Mr. Ngai Wai Kin, FCCA, CPA (Practising), CPA (Aust).
- (ii) The registered office of the Company is located at Clarendon House, 2 Church Street Hamiton HM11, Bermuda. The head office and principal place of business is located at Room 2702, The Centrium, 60 Wyndham Street, Central, Hong Kong.
- (iii) The Hong Kong branch share registrar and transfer office of the Company are Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iv) The English text of this circular shall prevail over the Chinese text.