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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)**

**MAJOR AND CONNECTED TRANSACTIONS — INVESTMENT OF 20% IN FOUND  
MACAU AND HK\$100 MILLION SHAREHOLDERS LOAN  
AND  
REDEMPTION OF HK\$36 MILLION EXISTING CONVERTIBLE NOTES  
AND  
ISSUE OF UP TO HK\$150 MILLION NEW CONVERTIBLE NOTES  
AND  
RESUMPTION OF TRADING**

This announcement relates to, in summary:-

- (1) conditional on shareholders approval at the SGM, the Company's investment in 20% in Found Macau and the grant of the Found Macau Loan of HK\$100 million;
- (2) conditional upon shareholders approval of the Placing, the Placing of the New Convertible Notes up to the aggregate principal amount of HK\$150 million; and
- (3) conditional on shareholders approving the Placing at the SGM, the redemption of all outstanding Existing Convertible Notes in the principal amount of HK\$36 million.

**Found Macau**

On 22nd January, 2004, Rightmind entered into the Verbal Agreement with the Founders, Alpha Aim and Vision Gate whereby Rightmind agreed, amongst other things, to acquire 20 FM Shares from the Founders, enter into the Shareholders Agreement and make a shareholders loan of HK\$100 million to Found Macau, conditional upon the approval of Shareholders at the SGM. The Found Macau Loan will be satisfied by payment of a minimum of HK\$50,000,000 in cash and the balance by the issue of the FM Convertible Notes if the New Convertible Notes in the amount of HK\$150,000,000 are not fully placed.

**Existing Convertible Notes**

The Company has given notice to the holders of the Existing Convertible Notes that it will redeem all the outstanding Existing Convertible Notes in full in the aggregate principal amount of HK\$36 million at 100% of the outstanding principal amount, subject to Shareholders approving the issue of the New Convertible Notes at the SGM. Completion of the redemption is to take place on the 30th day after the SGM or such other date as the parties may agree. The Company has indicated to the holders of the Existing Convertible Notes that they can contact the Placing Agent in the event they wish to subscribe for the New Convertible Notes.

**Placing of New Convertible Notes**

On 24th January, 2005, the Company entered into Placing Agreement with the Placing Agent in relation to, amongst other things, the Placing, as to the principal amount of HK\$100 million on a fully underwritten basis and as to the principal amount of HK\$50 million on a best effort basis, by the Placing Agent of the New Convertible Notes. Upon full conversion of the New Convertible Notes, the Conversion Shares to be issued at the initial Conversion Price of HK\$0.05 per Share will represent approximately 40.58% of the existing issued share capital of the Company and approximately 28.87 % of the issued Share capital of the Company as enlarged by the issue of the Conversion Shares. If the New Convertible Notes are fully placed, the net proceeds from the Placing of approximately HK\$145million will be used for redemption of the Existing Convertible Note (with accrued interest) and funding the Found Macau Loan and general working capital.

Mr. Lao (one of the Founders) is the stepfather of Mr. Ong, the managing director of the Company and hence an “associate” of a Director of the Company treated as a connected person of the Company under Rule 14A.11(4)(b). The FM Transactions constitute major and connected transactions for the Company under Rule 14.06 and Rule 14A.13 of the Listing Rules and are subject to approval of shareholders at the SGM. A circular containing details of the Transactions (including the Placing of the New Convertible Notes) together with a notice convening the SGM to approve the Transactions and the advice of an independent financial adviser on the FM Transactions will be despatched to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 24th January, 2005 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 26th January, 2005.

## **THE VERBAL AGREEMENT**

Date: 22nd January, 2005

Parties: the Founders  
Alpha Aim  
Vision Gate  
Rightmind

Terms: Conditional upon approval of the FM Transactions (excluding the Placing) by Shareholders at the SGM:-

- (i) Rightmind will acquire 20 FM Shares at US\$20 from the Founders at US\$20;
- (ii) Rightmind will make the Found Macau Loan of HK\$100 million to Found Macau, details of which are described below; and
- (iii) Rightmind will enter into the Shareholders Agreement with the Founders and Vision Gate and Alpha Aim.

A formal Shareholders Agreement will be entered into as soon as practicable after the Shareholders approve the FM Transactions at the SGM.

### **Shareholders of Found Macau**

As at the date of this Announcement, the shareholders of Found Macau are:

- (1) Lao Hin Chun - 29 FM Shares, representing 29% of the issued share capital of Found Macau;
- (2) Filipe Lau - 40 FM Shares, representing 40% of the issued share capital of Found Macau;
- (3) Lourenco Cheong - 30 FM Shares, representing 30% of the issued share capital of Found Macau; and
- (4) Vision Gate - 1 FM Share, representing 1% of the issued share capital of Found Macau. Vision Gate deposited a shareholders loan in the amount of HK\$5,000,000 in cash on the same terms as the Found Macau Loan (save as to amount and that it is contributed in cash). The promissory note for the loan will be executed when the HK\$500 million shareholders loans have been advanced.

Alpha Aim has conditionally agreed to, inter alia, acquire 30 FM Shares from the Founders and make a loan of HK\$150 million to Found Macau, subject to the approval of shareholders of China United in a general meeting.

## **Vision Gate**

Vision Gate is a wholly-owned subsidiary of Unity. Vision Gate is an investment holding company set up to invest in Found Macau.

## **Alpha Aim**

Alpha Aim is a wholly-owned subsidiary of China United. Alpha Aim is an investment holding company set up to invest in Found Macau.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Vision Gate and Alpha Aim are not Connected Persons of the Company and are otherwise independent of the Company and Connected Persons of the Company.

If shareholders approve the FM Transactions but not the Placing at the SGM, the Company intends to fund its obligation under the Found Macau Loan by internal resources, equity or debt fund raising exercises or a combination thereof depending on market conditions.

If the terms of the Shareholders Agreement when executed are materially different to that set out below, the Company will notify Shareholders by way of an announcement.

The shareholding structure of Found Macau on completion of the Verbal Agreement will be:-

- (1) The Founders - 49% (tentatively to be held by Lao Hin Chun as to 9%, Filipe Lau as to 20% and Lourenco Cheong as to 20%)
- (2) Alpha Aim - 30%
- (3) Vision Gate - 1%
- (4) Rightmind - 20%

The Verbal Agreement has not been reduced to writing yet.

## **THE SHAREHOLDERS AGREEMENT**

- Parties to the agreement:
- (1) Found Macau
  - (2) the Founders
  - (3) Alpha Aim
  - (4) Vision Gate
  - (5) Rightmind

The Shareholders Agreement will provide certain minority protections (e.g. reserved matters, matters relating to board and shareholders' meetings and other provisions relating to the rights and obligation of the shareholders. The principal terms of the Shareholders Agreement are set out below.

## **Board of directors of Found Macau**

Each shareholder is entitled to nominate one person to the board of directors of Found Macau for every 10 FM Shares held by it. The present directors of Found Macau are Lao Hin Chun, Filipe Lau and Lourenco Cheong. Rightmind will have the right (but no obligation) to nominate two persons to the board of directors of Found Macau. After completion of the FM Acquisition, assuming that all shareholders of Found Macau who hold 10 FM Shares or more fully exercise their rights to nominate directors, Found Macau will have a maximum of 13 directors.

## **New Investors**

The shareholders of Found Macau must use all reasonable endeavours to locate by 31st March, 2005 (or such other date as the shareholders of Found Macau other than the Founders may agree) new FM Investors to invest up to HK\$500 million (including the Found Macau Loan and the shareholders loan of HK\$5 million and HK\$150 million made and to be made by Vision Gate and Alpha Aim respectively) by way of shareholders loans in Found Macau, on the same terms as the Found Macau Loan (save as to amount and how it is to be satisfied). In the event that FM Investors are located, the Founders will sell the relevant number of FM Shares to the FM Investors at par value and each Investor is required to contribute HK\$5,000,000 as shareholders loan for each FM Share acquired. The shareholders loans are to be advanced to Found Macau on demand.

The purpose of this arrangement is to allow Rightmind to maintain a minimum 20% shareholding in Found Macau when new investors invest in the Company whilst the Founders' shareholding is reduced. The Founders are not expected to provide any shareholders loans to Found Macau. The Founders will serve on the board of Found Macau for the purposes of introducing investment projects to Found Macau and to locate new investors. Once a total of HK\$500 million of shareholders loans is raised, the Founders are expected to have no further shareholding in Found Macau, save that they may be directly or indirectly interested in the 2 new FM Shares as described in the section headed "New Issue of FM Shares" below. The existing shareholders of Found Macau (other than the Founders) are entitled (but not obliged) to make further investments in Found Macau under this arrangement. If there are insufficient new investors in Found Macau on 31st March, 2005 (or such other date as the shareholders of Found Macau other than the Founders may agree), the Founders will transfer all of their shares at par value to the other shareholders pro rata to each shareholders' loan as a proportion of the total shareholders' loans. The Company does not have any present intention to make additional investment in or contribute additional shareholders' loan to Found Macau.

## **Non-competition**

The Founders will warrant in the Shareholders Agreement that:-

- (1) the FM Group will be the sole owner of all intellectual property rights required for the carrying on of the FM Business and such rights shall not be subject any encumbrances and/or limitations and/or restrictions;

- (2) the FM Group will be given the first right of refusal in respect of all projects related to the FM Business which are introduced to any member of the FM Group and/or the Founders or their respective associates and should Found Macau decide not to accept any project, no party (“Offeree”) which is related to Found Macau (except for an FM Group company), the Founders, directors of Found Macau or any of them or their associates may accept an offer of such project on terms which on more favourable terms to such Offeree than those on which such project was offered to Found Macau.

### **Repayment of shareholders’ loan / Dividend**

For so long as any shareholders’ loans are outstanding, Found Macau shall not declare, make or pay any dividends or other distributions whatsoever. Found Macau shall repay the shareholders’ loan from time to time as soon as it can lawfully do so and a like proportion of each shareholders’ loan shall be repaid at the same time so that no part of shareholders’ loan shall be repaid unless a like proportion of each of the shareholders’ loan is simultaneously repaid. As at the date of this announcement, the form of repayment has not been decided.

### **Termination of the Shareholders Agreement**

The Shareholders Agreement will terminate upon the earlier of:-

- (1) a written agreement to terminate by all parties to the Agreement; or
- (2) the liquidation, dissolution or winding up of Found Macau; or
- (3) Found Macau raising HK\$500 million (inclusive of the Found Macau Loan and the shareholders’ loans from Vision Gate and Alpha Aim) as contemplated under the Shareholders Agreement (as the Founders should no longer be shareholders of Found Macau by then). The shareholders of Found Macau have agreed to use reasonable endeavours to locate new Investors to invest in the form of loans of HK\$500 million by 31st March, 2005 (or such other date as the shareholders of Found Macau may agree).1

### **New Issue of FM Shares**

The shareholders of Found Macau will agree that once HK\$500 million of shareholders loans (in whatever form) is raised by Found Macau, Found Macau shall issue 2 new FM Shares at the par value of US\$1.00 each to such persons (currently intended to be a company held by employees, directors of Found Macau etc. but who have not been identified at the date of this announcement) as the board of Found Macau shall approve. When the shareholders’ loans (in whatever form) of HK\$500 million is repaid in full, the holders of the 2 new FM Shares shall be entitled to share in dividends of Found Macau pro-rata to their shareholding and such 2 new FM Shares shall in all respects rank pari passu to all other FM Shares. Based on the terms of the Shareholders Agreement for such issue of 2 new FM Shares, the dilution effect is expected to be minimal.

The reason for this arrangement is to provide incentives to the employees and directors of Found Macau to locate new investors, to source new investment projects and manage such projects for Found Macau and generally to contribute towards the success of Found Macau. This arrangement however will allow them to reap returns only when the shareholders’ loans are repaid.

## **FOUND MACAU LOAN**

Subject to approval by Shareholders at the SGM, the Found Macau Loan in the amount of HK\$100,000,000 to be made by Rightmind to Found Macau shall be satisfied as to a minimum of HK\$50,000,000 in cash (to be funded from the net proceeds of the Placing) and as to the balance by the issue by the Company of the FM Convertible Note as described in the section headed “FM Convertible Note” below. The Found Macau Loan will be unsecured, interest free and repayable after 8 years from the date of drawdown on demand and will be evidenced by the Promissory Note to be executed by Found Macau in favour of Rightmind once the shareholders loans in the amount of HK\$500 million have been advanced to Found Macau.

Once advanced, the Found Macau Loan constitutes an advance to an entity under Rule 13.13 of the Listing Rules. The Company intends to fund the Found Macau Loan with the net proceeds of the Placing of the New Convertible Notes or the issue of the FM Convertible Note.

## **GENERAL INFORMATION**

### **Found Macau:**

Found Macau is an investment holding company and it intends to invest in gambling, entertainment and related businesses (currently expected to be businesses including but not limited to the operation of hotels, food and beverage facilities etc.) in Macau through its subsidiaries. Found Macau is intended to act as a holding company and will make investments through subsidiaries to be formed. Found Macau is in the process of incorporating subsidiaries for future investments. Found Macau has presently identified two investment targets in Macau and expects to enter into preliminary agreements shortly but no assurance is given that they will be entered into or as to their terms. One of the identified targets is a vacant piece of land in Macau of approximately 260,000 square feet, the acquisition consideration of which is expected to be in the region of HK\$240 million to HK\$300 million. Found Macau currently intends to build a hotel housing a casino on the land. The second identified target relates to the lease of a property of approximately 10,000 to 15,000 square feet hotel already in operation in Macau and then renovating, decorating, preparation and delivery of this property to a casino or slot machine operator on terms to be agreed. The cost of this investment is expected to be in the region of HK\$150 million. The terms and exact details of such investments are subject to negotiation and finalisation. Based on information provided to the Company by Found Macau, Found Macau has no current right or intention to directly engage in the operation of casinos.

To the best of the knowledge of the Company, the owners of the vacant pieces of land and the lease are not Connected Persons of the Company.

Found Macau has not conducted any business or made any profits or incurred any losses from its date of incorporation on 1st October, 2004 to the date of this announcement, save that based on the management accounts of Found Macau for the period from incorporation to 31st December, 2004, it has incurred a net loss of approximately HK\$81,900 being incorporation, set up and related expenses. As Found Macau incurred a net loss in that period, no taxes are payable.

### **The Founders**

The Founders possess substantial experience in managing casino, hotel, entertainment and casino related business in Macau.

Mr. Lao Hin Chun , aged 64 has over 40 years of experience in the property development, construction and building material and garment related businesses. Mr. Lao is the Administrador of Companhia De Betao Pronto Lda. Mr. Lao is also very active in participating and supporting charitable social activities in Macau and is currently the Presidente of Fundo De Beneficencia Dos Leitoresdo Jornal Ou Mun and a Membro Permanentes of Associacao Comercial De Macau. Moreover, Mr. Lao is also the Membro Do Comite Nacional Da Conferencia Consultiva Politica Da Republica Popular Da China.

Mr. Filipe Lau , aged 61 has over 30 years of experience in providing advice and project management services to several enterprises engaged in property development, operation of casinos, hotels, restaurants and entertainment related businesses in Macau.

Mr. Lourenco Cheong, aged 40 has over 15 years of experience in promoting business opportunities and prospects in Macau to international investors as well as helping businessmen in Macau to invest aboard and/or expand their products and businesses overseas. Mr. Cheong was the Executive Director of Macau Trade And Investment Promotion Institute and is the Managing Director of Belor Company Limited and was involved in providing consultancy services to (i) international investors investing in Macau; and (ii) Macau enterprises in seeking joint venture partners and/or expanding their businesses overseas.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save and except for Mr. Lao (stepfather of Mr. Ong), the Founders are not Connected Persons of the Company and are otherwise independent of the Company and Connected Persons of the Company.

The Group is principally engaged in investment holding. The principal activities of the Group include investment in casino services and gaming business, property investment, investment in securities and money lending business.

Rightmind is a wholly-owned subsidiary of the Company that was established specifically for the investment in Found Macau.



## **REASONS FOR THE TRANSACTION**

The acquisition price of US\$20 for the 20 FM Shares is based on the par value of US\$1 per FM Share. Found Macau's intention is to raise HK\$500 million in the form of shareholders loans. The provision of the Found Macau Loan of HK\$100 million by Rightmind is based on Rightmind's shareholding interest of 20% in Found Macau upon approval of the FM Transactions. The Company is of the view that terms of the Found Macau Transactions are a good opportunity for the Company to invest in Found Macau, which now is close (subject to contract) to agreeing formally the acquisition of previously identified investment targets and new investment targets. The Company is of the view that the investment in Found Macau will be beneficial for the Group as the Group can leverage on the prominent social network of the Founders and the financial strength of the other Found Macau Shareholders to capture the growth opportunities in Macau.

The Directors are of the view that the term of the FM Transactions are fair and reasonable and in the interests of shareholders as a whole. Mr. Ong abstained from voting at the board meeting on the FM Transactions. The independent non-executive directors will form a view on the FM Transactions once they have reviewed the opinion of the independent financial adviser.

## **IMPLICATIONS UNDER THE LISTING RULES**

The Group will through its wholly-owned subsidiary, Rightmind, hold a 20% equity stake in Found Macau after completion of the FM Acquisition but Found Macau will not become a subsidiary of the Company as a result of the FM Acquisition. Found Macau has not commenced business yet and as at the date of this Announcement not involved in the operation of any casino and entertainment business. Found Macau will be accounted for as an investment of the Company.

No licence is required in Hong Kong for the operation of the casino and entertainment business in Macau if the casino and entertainment operations are conducted exclusively offshore. The Company will use its best endeavours (insofar as it is able in its capacity as a shareholder in Found Macau to do so) to ensure that for as long as the Company has a direct or indirect interest in the Found Macau, the casino and entertainment business carried out by Found Macau will comply with the applicable laws in the areas where such activities operate and will not contravene the Gambling Ordinance (Cap 148 of the Laws of Hong Kong) insofar as it is applicable.

Shareholders should be aware that under the Guidelines issued by the Stock Exchange in relation to "Gambling Activities undertaken by listed applicants and/or listed issuers" dated 11th March, 2003, should the Group be engaged in gambling activities and operation of such gambling activities (i) fail to comply with the applicable laws in the areas with such activities operate and/or (ii) contravene the Gambling Ordinance such that the Company or its business may be considered unsuitable for listing under Rule 8.04 of the Main Board Listing Rules, the Stock Exchange may direct the Company to take remedial action, and/or may suspend the dealings in, or may cancel the listing of, its securities.

Mr. Lao is the stepfather of Mr. Ong the managing director of the Company and hence an “associate” of a director of the Company treated as a connected person of the Company under Rule 14A.11(4)(b) of the Listing Rules. The FM Transactions constitute major and connected transactions under Rule 14.06 and Rule 14A.13 of the Listing Rules and are subject to approval of independent shareholders at the SGM. Sovicotra, which is wholly-owned by Mr. Ong, who has a material interest in the FM Transactions is required to abstain from voting at the SGM on the FM Transactions. Save and except for Sovicotra, there is no shareholder with a material interest in the FM Transactions which is required to abstain from voting.

## **EXISTING CONVERTIBLE NOTES**

The Company has given notice to the holders of the Existing Convertible Notes that it will redeem all the outstanding Existing Convertible Notes in full in the aggregate principal amount of HK\$36,000,000 at 100% of the outstanding principal amount, subject to Shareholders approving the issue of the New Convertible Notes at the SGM. The redemption will be made in accordance with the terms of the Existing Convertible Note save that the timing for completion is different and that it is a conditional redemption. Completion of the redemption shall take place on the 30th day after the SGM (or such other date as the Company and the holders of the Existing Convertible Notes may agree). The Company has indicated to the holders of the Existing Convertible Notes that they can contact the Placing Agent in the event they wish to subscribe for the New Convertible Notes and set off with the Company the subscription monies payable by them to the Company for the New Convertible Note against the amount payable by the Company to them on redemption of the Existing Convertible Notes. The redemption will be funded by part of the proceeds of the Placing.

## **PLACING OF NEW CONVERTIBLE NOTES**

### **THE PLACING AGREEMENT**

Date: 24th January, 2005

Parties: the Placing Agent  
the Company

The Company entered into the Placing Agreement with the Placing Agent in relation to the Placing by the Placing Agent of the New Convertible Notes.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Placing Agent is not a Connected Person of the Company and is otherwise independent of the Company and Connected Persons of the Company.

### **Issuer**

The Company.

### **Placees**

Not less than six individual, institutional and/or professional investors, who are independent third parties and not connected persons of the Company as defined under the Listing Rules.

So far as the Company is aware, Found Macau and the Founders have no present intention to subscribe for the New Convertible Note (save for the FM Convertible Notes to be issued to Found Macau).

### **Placing Commission**

The Placing Agent has agreed to place the New Convertible Notes as to the principal amount of HK\$100 million on a fully underwritten basis and as to the additional principal amount of HK\$50 million on a best efforts basis. The Company shall pay to the Placing Agent a fee equal to two per cent of the aggregate principal amount of HK\$100 million of the Notes for which it has underwritten and a fee equal to two per cent of the aggregate principal amount of the Notes (up to an amount of HK\$50 million) in which the Placing Agent has on a best efforts basis procured subscribers. These fees were agreed after arm's length negotiations between the Company and the Placing Agent. The Board considers that these fees to be in line with the market standards. The net proceeds of the Placing will be approximately HK\$145 million, if the New Convertible Notes are fully placed.

### **Terms of the New Convertible Notes**

#### *Principal amount*

Up to HK\$150,000,000

#### *Denomination*

HK\$500,000

#### *Maturity*

The New Convertible Notes will mature on the fifth anniversary from the date of issue.

#### *Interest*

The New Convertible Notes will be non-interest bearing.

#### *Redemption date*

The Company may redeem the New Convertible Notes at 100% of the outstanding principal amount of the New Convertible Notes at any time from the date of issue until a date 7 days prior to (and excluding) the maturity date of the New Convertible Notes.

#### *Conversion*

The outstanding principal amount of the New Convertible Notes may be converted into the Shares in amounts or integral multiples of HK\$500,000 at any time from the date of issue up to 7 days before (and excluding) the maturity date of the New Convertible Notes.

### *Conversion Price*

The Conversion Price of HK\$0.05 per Share (subject to adjustment as provided in the terms and conditions of the New Convertible Notes) represents (i) a premium of approximately 19.05% to the closing price of HK\$0.042 per Share quoted on the Stock Exchange on 21st January, 2005 the day prior to suspension of dealings in the Shares; and (ii) a premium of approximately 13.9% to the average closing price of HK\$0.0439 per Share as quoted from the Stock Exchange from 10th January, 2005 to 21st January, 2005, both dates inclusive, being the last ten full trading days immediately before the date of suspension of trading in shares (24th January, 2005).

The Conversion Price was agreed after arm's length negotiations between the Placing Agent and the Company. The Board considers that the Conversion Price is fair and reasonable and is in the interests of the Shareholders and the Company as a whole. The Board also considers that the timing of the Placing to be appropriate in view of the FM Transactions and market conditions.

### *Shares to be issued upon conversion*

The Shares to be issued upon conversion of the New Convertible Notes will when issued and rank equally in all respects among themselves and with the Shares in issue on the relevant date of conversion. If all the New Convertible Notes are converted at the Conversion Price of HK\$0.05 per Share (subject to adjustment as provided in the terms and conditions of the New Convertible Notes), a total of 3,000 million Shares will be issued. These Shares represent approximately 40.58% of the existing issued share capital of the Company, and approximately 28.87% of the issued share capital of the Company as enlarged by the new Shares to be issued upon conversion of the New Convertible Notes (assuming no further shares are issued by the Company from the date of this announcement till the date of conversion).

### *Voting rights of holders of the New Convertible Notes*

The holders of the New Convertible Notes will not have any right to attend or vote at any meetings of the Company by virtue of their being the holders of the New Convertible Notes.

### *Transferability*

The New Convertible Notes will not be transferable to persons who are connected persons of the Company as defined in the Listing Rules without the prior written consent of the Company. The Company will inform the Stock Exchange upon the Company becoming aware that any of the New Convertible Notes have been or are to be transferred to any connected persons of the Company (as defined under the Listing Rules).

### *Application for listings*

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued upon conversion of the New Convertible Notes. No listing of the New Convertible Notes will be sought on the Stock Exchange or any other stock exchanges.

## **TERMINATION**

The Placing is subject to termination if before 9 a.m. (Hong Kong time) on the date for Completion of the Placing Agreement if in the reasonable opinion of the Placing Agent the success of the Placing or the business or financial prospects of the Group would or might be affected by:

1. any material breach of any of the representations and warranties set out in the Placing Agreement; or
2. any of the following events:-
  - (i) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof; or
  - (ii) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date hereof and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not sui generis with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or
  - (iii) the imposition of any moratorium suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
  - (iv) a change or development involving prospective change in taxation in Hong Kong or the People's Republic of China or the implementation of exchange controls which shall or might materially and adversely affect the Company or its present or prospective shareholders in their capacity as such; or
  - (v) any change or deterioration in the conditions of local, national or international securities markets occurs.

The Board is not aware of the occurrence of any of such events as at the date of this announcement.

### **Conditions of the Placing**

Completion of the Placing is conditional upon the fulfilment of the following conditions:

- (1) the Listing Committee of the Stock Exchange granting (either unconditionally or subject only to conditions to which the Company, does not reasonably object) listing of and permission to deal in the Conversion Shares;

- (2) the Stock Exchange having approved (either unconditionally or subject only to conditions to which the Company does not reasonably object) the issue of the New Convertible Notes, or the Company not having received any objection from the Stock Exchange to the issue of the New Convertible Notes;
- (3) the passing by the Shareholders of a resolution to approve the Placing Agreement, the issue of the New Convertible Notes and Conversion Shares at the SGM; and
- (4) approval of the Bermuda Monetary Authority of the issue of the New Convertible Notes (including the FM Convertible Note) and the Conversion Shares, if required.

### **Completion**

The Placing is to be completed on the third business day (or such other date as may be agreed between the Company and the Placing Agent) after satisfaction of the conditions under the paragraph headed “Conditions of the Placing” above. The Placing Agreement will lapse if the conditions are not satisfied by 30th April, 2005, or such other date as may be agreed between the Company and the Placing Agent. If the Placing Agreement lapses, none of the parties shall have any claims against the others save for any prior breaches of the Placing Agreement.

### **FM CONVERTIBLE NOTE**

To the extent the New Convertible Notes in the principal amount of HK\$50 million which the Placing Agent has agreed to place on a best efforts basis are not fully placed, the Company shall issue the FM Convertible Note in the principal amount equivalent to the amount that has not been placed and otherwise on the same terms as the New Convertible Notes to Found Macau. The FM Convertible Note will be issued to Found Macau to partially satisfy Rightmind’s obligation to make the Found Macau Loan. The FM Convertible Note, if issued, will form part of the New Convertible Notes and will be issued on the same terms as the New Convertible Note as described above. If the New Convertible Notes in the aggregate principal amount of HK\$150 million are fully placed by the Placing Agent or if shareholders do not approve the FM Transactions at the SGM, the FM Convertible Note will not be issued.

## SHAREHOLDING STRUCTURE

Name of Shareholders	As at the date of this announcement		After the Placing of the New Convertible Notes in the principal amount of HK\$150 million and assuming full conversion of the New Convertible Notes at HK\$0.05 per Share <sup>Note 1</sup>		After the Placing of the New Convertible Notes by the Placing Agent up to the principal amount of HK\$100 million and assuming the FM Convertible Note is issued to Found Macau in the principal amount of HK\$50 million and assuming full conversion of the New Convertible and Found Macau Convertible Notes at HK\$0.05 per Share <sup>Note 1</sup>	
	Shares	% of shareholding	Shares	% of shareholding	Shares	% of shareholding
Fortuna	308,000,000	4.17	308,000,000	2.96	308,000,000	2.96
Sovicotra	331,000,000	4.48	331,000,000	3.19	331,000,000	3.19
<b>PUBLIC SHAREHOLDERS</b>						
Collier Assets Limited	728,000,000	9.85	728,000,000	7.01	728,000,000	7.01
Found Macau	Nil	Nil	Nil	Nil	1,000,000,000	9.62
Holders of New Convertible Notes	Nil	Nil	3,000,000,000	28.87	2,000,000,000	19.24
Others	6,024,986,735	81.5	6,024,986,735	57.97	6,024,986,735	57.98
Total	7,391,986,735	100	10,391,986,735	100	10,391,986,735	100

*Note 1: The calculation does not take into account the exercise of subscription rights by holders of the Warrants and assumes no further shares are issued from the date of this announcement till the date of conversion of the New Convertible Notes or Found Macau Convertible Notes.*

## REASONS FOR THE PLACING

The Board considers that (i) the Placing is an appropriate means of raising capital for the Company to redeem the Existing Convertible Note (with accrued interest) and to fund the Found Macau Loan (ii) the Placing will not have an immediate dilution effect on the shareholding of the existing Shareholders; and (iii) the recent improvement in the market sentiments provides a good opportunity for the Company to raise funds.

The Board (including the independent non-executive directors) considers that the terms of the Placing Agreement, which were arrived at after arm's length negotiations between the Placing Agent and the Company, are fair and reasonable and are in the interests of the Shareholders and the Company as a whole.

## USE OF PROCEEDS

If the New Convertible Notes are fully placed, the net proceeds of the Placing will be approximately HK\$145 million, which is to be used as to approximately HK\$38 million to redeem the Existing Convertible Notes (with accrued interest), up to HK\$100 million to fund the Found Macau Loan and the balance for general working capital. If the New Convertible Notes are placed up to underwritten principal amount of HK\$100 million only, the net proceeds of the Placing will be approximately HK\$97 million, which will be used as to approximately HK\$38 million to redeem the Existing Convertible Notes (with accrued interest), HK\$50 million to fund the cash portion of the Found Macau Loan and the balance for general working capital.

## FUND RAISING ACTIVITIES BY THE COMPANY DURING THE PAST 12 MONTHS

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 (approximately)	Intended use of proceeds	Use of proceeds according to the intended use	Use of proceeds other than the intended use
9 June 2004	3 June 2004	Top-up placing of existing Shares and top-up subscription of new Shares under general mandate	Independent third party	Approximately HK\$16.1 million	448,000,000 Shares	10.67%	Possible future investment in Pearl River Delta Region	Nil	Approximately HK\$16.1 million retained as general working capital of the Group
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	14.29%	Possible future investment in Pearl River Delta Region	Nil	Approximately HK\$21.9 million retained as general working capital of the Group
9 June 2004	3 June 2004	Settlement of legal proceedings by means of issue of new Shares under specific mandate	Independent third party	Nil	250,000,000 Shares	5.95%	Not applicable	Not applicable	Not applicable
6 September 2004	27 August 2004	Issue of new Shares under general mandate to acquire shares in China Sci-Tech Holdings Limited	Independent third party	Nil	558,000,000 Shares	13.29%	Not applicable	Not applicable	Not applicable
27 October 2004	27 October 2004	Rights Issue	Shareholders	Approximately 23.5 million	2,099,995,578	32.00%	Investment in commercial properties	See below "Use of Proceeds" section	Not applicable
18 January 2005	18 January 2005	Placing of Shares under general mandate	Collier Assets Limited	Approximately 29.1 million	728,000,000	9.85%	Investment in commercial properties	Used	N/A
				Total: Approximately HK\$90.6 million	Total: 4,683,995,578 Shares	Total: 86.05%		Total: HK\$Nil	Total: Approximately HK\$38 million

Save as for the above, there have been no equity fund raising activities conducted by the Group in the past 12 months.

The Board (including the independent non-executive directors) consider that the terms of the Placing Agreement, which were entered after arm's length negotiation between the Company and the Placing Agent, to be on normal commercial terms and that such terms are fair and reasonable and in the interest of the Shareholders and the Company as a whole.

A circular containing details of the Transactions, including notice of the SGM and the advice of an independent financial adviser on the FM Transactions will be despatched to Shareholders as soon as practicable.



## RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 24th January, 2005 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 26th January, 2005.

## DEFINITIONS

The following terms are used in this announcement within the meanings set opposite them:-

“Alpha Aim”	Alpha Aim International Limited, a company incorporated in the British Virgin Islands on 18th November, 2004 and a wholly-owned subsidiary of China United;
“Associates”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the board of directors of the Company;
“China United”	China United International Holdings Limited (Stock Code: 273), a company incorporated in Hong Kong the shares of which are listed on the Stock Exchange;
“Company”	Heritage International Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the Stock Exchange;
“Connected Person(s)”	has the meaning ascribed thereto in the Listing Rules;
“Conversion Price”	the initial conversion price of the New Convertible Notes of HK\$0.05 per Share (subject to adjustment as provided in the terms and conditions of the New Convertible Notes);
“Conversion Shares”	such number of new Shares to be issued upon the exercise of the conversion rights attaching to the New Convertible Notes and the FM Convertible Note;
“Directors”	the directors of the Company;
“Existing Convertible Notes”	the convertible notes issued by the Company on 15th April, 2004 in the aggregate outstanding principal amount of HK\$36 million to independent investors, the details of which are referred to in the Company’s announcement dated 20th February, 2003 and 11th August, 2003;
“FM Acquisition”	the proposed acquisition of 20 FM Shares by Rightmind;
“FM Business”	gambling entertainment and related businesses in Macau. For details, please refer to the section headed “Found Macau” in this Announcement;

“FM Convertible Note”	the convertible note to be issued by the Company to Found Macau to satisfy in part its obligation to contribute to the Found Macau Loan as described in the section headed “FM Convertible Note”;
“FM Group”	Found Macau and its subsidiaries;
“FM Investors”	new investors in Found Macau;
“FM Shares”	shares of a par value of US\$1.00 each in the capital of Found Macau;
“FM Transactions”	the FM Acquisition, Found Macau Loan, FM Convertible Note and Shareholders Agreement;
“Fortuna”	Fortuna Investments Group Limited, a limited liability company incorporated in the British Virgin Islands which is a wholly-owned subsidiary of Goldworld Development Limited, a company wholly-owned by Mr. Kwong Kai Sing, Benny, the chairman of the Company;
“Found Macau”	Found Macau Investments International Limited, a company incorporated in the British Virgin Islands;
“Founders”	Lao Hin Chun, Filipe Lau and Lourenco Cheong;
“Group”	the Company and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Lao”	Mr. Lao Hin Chun, one of the Founders;
“Mr. Ong”	Mr. Peter Ong, the managing director of the Company;
“New Convertible Notes”	a series of non-interest bearing convertible redeemable notes in an aggregate principal amount of up to HK\$150 million due on the fifth anniversary from the date of issue;
“Found Macau Loan”	an unsecured shareholders’ loan of HK\$100,000,000 which is interest free and repayable on demand after 8 years from the date of drawdown agreed to be made by Rightmind to Found Macau;
“Placing”	the conditional placing of the New Convertible Notes pursuant to the Placing Agreement;

“Placing Agent”	Kingston Securities Investment Limited, a limited liability company incorporated in Hong Kong and a corporation deemed licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Placing Agreement”	the conditional placing agreement between the Placing Agent and the Company dated 24th January, 2005 in relation to the Placing;
“Promissory Note”	the promissory note to be executed by Found Macau in favour of Rightmind to evidence the Found Macau Loan;
“Rightmind”	Rightmind Developments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company;
“Shares”	shares of a par value of HK\$0.10 each in the Company;
“Shareholder(s)”	holder of (a) Share(s);
“Shareholders Agreement”	the Shareholders Agreement proposed to be entered into between Found Macau, the Founders, Alpha Aim, Vision Gate and Rightmind in relation to the Found Macau;
“SGM”	the special general meeting of the Company to be held to approve the Transactions;
“Sovicotra”	Sovicotra Capital Limited, a limited liability company incorporated in the British Virgin Islands which is wholly-owned by Mr. Ong Peter, the managing director;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transactions”	the FM Acquisition, the Found Macau Loan, the Shareholders Agreement, the Placing, the issue of the New Convertible Notes and the FM Convertible Note and the Conversion Shares upon exercise of the New Convertible Notes and the FM Convertible Note;
“Unity”	Unity Investments International Limited (Stock Code 913) a company whose shares are listed on the Stock Exchange;
“Verbal Agreement”	the Verbal Agreement dated 22nd January, 2005 entered into between the Founders, Alpha Aim, Vision Gate and Rightmind in relation to the FM Acquisition, the Found Macau Loan (including the FM Convertible Note) and the Shareholders Agreement;
“Vision Gate”	Vision Gate Enterprises Limited, a company incorporated in British Virgin Islands; and

“Warrants”

the warrants issued by the Company, entitling the holders thereof to subscribe for shares at the subscription price HK\$0.16 per Share, subject to adjustment, exercisable between 13th October, 2003 to 12th April, 2005.

As at date of this announcement, the Company has three executive Directors, 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 and Mr. To Shing Chuen and Mr. Frank H. Miu.

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

Hong Kong, 25th January, 2005

*\* For identification purposes only*

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