

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**HERITAGE INTERNATIONAL HOLDINGS LIMITED**

**漢基控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 412)**

**Issue of Shares under General Mandate  
and  
Resumption of Trading in Shares**

**SUMMARY**

On 18th December, 2004, the Company entered into the Agreement with the Subscriber whereby the Subscriber agreed to subscribe for and the Company agreed to issue and allot 728,000,000 Subscription Shares at HK\$0.04 per Subscription Share. The Subscription Shares will be issued under the AGM Issue Mandate.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 20th December, 2004 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 21st December, 2004.

**Subscription Agreement**

Date: 18th December, 2004

Parties: Collier Assets Limited, as investor and the Company

Subscription Shares: 728,000,000 new Shares

Subscription Price: HK\$29,120,000 in aggregate representing HK\$0.04 per Subscription Share

The Subscription Price represents a discount of 4.31% to the average closing price of the shares of the Company (“Shares”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) from 13th December, 2004 to 17th December, 2004, being the five trading days immediately preceding the date of this announcement and a discount of 6.98% to the closing price of the Shares on the Stock Exchange of HK\$0.043 on 17th December, 2004, the trading day before the suspension of dealings in Shares pending the release of the Announcement.

The 728,000,000 Subscription Shares represent 11.09% of the issued share capital of the Company on the date of this announcement and 9.99% of the issued share capital of the Company, as enlarged by the issue of the Subscription Shares (assuming none of the holders of the Share Options, Convertible Notes or Warrants exercise their subscription/conversion rights from the date hereof until completion of the Subscription).

Completion of the Agreement is conditional upon (i) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Subscription Shares and (ii) the Bermuda Monetary Authority approving the issue and allotment of the Subscription Shares, if required. If the conditions are not fulfilled by 14th January, 2005, the Agreement shall terminate and the parties shall have no further claims against each other, save for antecedent breaches. Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

The Subscription Shares will be issued under the AGM Issue Mandate. The AGM Issue Mandate is sufficient to cover the issue of the Subscription Shares.

To the best of the Directors' knowledge information and belief having made all reasonable enquiries, the Investor and its ultimate beneficial owner, Ms. Lo are not Connected Persons (as such term is defined in the Listing Rules) or related to Connected Persons (as such term is defined in the Listing Rules) of the Company. Ms. Lo is however a director of 139 Holdings Limited, a company whose shares are listed on the Stock Exchange. As at the date of this Announcement, the Company holds 9.94% of the issued share capital of 139 Holdings Limited. The Investor is wholly-owned by Ms. Lo and is Ms. Lo's investment vehicle. The Investor does not have any present intention to appoint any representative to the board of directors of the Company or to take part in the management of the Company. As at the date of this announcement, the Investor and Ms. Lo do not hold any shares in the Company. After completion of the subscription, the Investor and Ms. Lo will not become "substantial shareholders" of the Company (as such term is defined in the Listing Rules).

Based on the register maintained by the Company under the Securities and Futures Ordinance as at the date of this Announcement, the shareholding of the Company before and after the issue of the Subscription Shares is as follows:-

| Name of Shareholder | As at the date of this Announcement |              | After the issue of the Subscription Shares, assuming the subscription/conversion rights under the Convertible Notes, Warrants and Share Options are not exercised |              | After the issue of the Subscription Shares, assuming the subscription/conversion rights under the Convertible Notes, Warrants and Share Options are exercised in full |              |
|---------------------|-------------------------------------|--------------|---|--------------|---|--------------|
|                     | Number of shares                    | %            | Number of shares  | %            | Number of shares  | %            |
| Fortuna             | 261,450,000                         | 3.98         | 261,450,000   | 3.59         | 261,450,000   | 3.27         |
| Sovicotra           | 324,000,000                         | 4.94         | 324,000,000   | 4.44         | 324,000,000   | 4.06         |
| Public              |                                     |              |   |              |   |              |
| The Investor        | 0                                   | 0            | 728,000,000   | 9.99         | 728,000,000   | 9.12         |
| Others              | <u>5,976,536,735</u>                | <u>91.08</u> | <u>5,976,536,735</u>  | <u>81.98</u> | <u>6,672,746,670</u>  | <u>83.55</u> |
| Total               | <u>6,561,986,735</u>                | <u>100</u>   | <u>7,289,986,735</u>  | <u>100</u>   | <u>7,986,196,670</u>  | <u>100</u>   |

Save for taking up their pro-rata entitlement under the October Rights Issue, Fortuna and Sovicotra were not issued any shares as a result of the fund raising activities by the Company in the previous 24 months as described below in this announcement.

The Investor has undertaken to the Company that it shall not, and shall procure that none of the companies controlled by it or nominees or trustees holding in trust for it shall, within a period of 12 months from completion of the Agreement, sell, transfer, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights or interests in respect of any of the Subscription Shares, or sell, transfer, dispose of or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any shares in any company controlled by him which is directly, or through another company indirectly, the beneficial owner of any of the Subscription Shares.

The Company is of the view that it is beneficial to effect the Subscription to raise funds in the current market conditions as well as introducing a passive investor whose shares will be subject to a 12 months non-disposal undertaking.

The maximum amount of funds raised upon the Subscription is HK\$29,120,000. The net price to the Company of each Subscription Share, after deduction of expenses involved, is approximately HK\$0.0398.

The below summarises the capital raising activities of the Group for the 24 months immediately before the date of this Announcement.

| 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  |
|----------------------------------|----------------------------------|---|--------------------------------|--------------------------------|---|--|-------------------------------------|--|--|
| 24 June 2003                     | 24 June 2003                     | Placing of Shares under general mandate                               | Independent third parties      | Approximately HK\$30.5 million | 311,330,000 Shares  | 7.41%  | Possible future investment in Macau | Approximately HK\$30.5 million invested in King Kong Internacional Investimentos, Limitada as set out in the Company's announcement dated 22 December 2003 | Nil  |
| 24 June 2003                     | 24 June 2003                     | Placing of shares under specific mandate                              | Independent third parties      | Approximately HK\$36.5 million | 373,640,000 Shares  | 8.90%  | 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 retained as general working capital of the Group   |
| 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 | 2.38%  | Possible future investment in Macau | Nil  | HK\$23 million repaid to certain holders of the convertible notes on redemption. Approximately HK\$50 million retained as general working capital of the Group |

|                  |                 |  |                         |                                      |                             |               |  |                                     |   |
|------------------|-----------------|--|-------------------------|--------------------------------------|-----------------------------|---------------|--|-------------------------------------|---|
| 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 mean 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  |
|                  |                 |  |                         | Total: Approximately HK\$201 million | Total: 4,740,965,578 Shares | Total: 72.25% |  | Total: Approximately HK\$40 million | Total: Approximately HK\$138 million  |

## Use of Proceeds

The proceeds of the October Rights Issue of approximately HK\$23.5 million including the net proceeds of the Subscription of approximately HK\$28.94 million shall be used for payment of HK\$51 million for the acquisition by the Group of properties in North Point, Hong Kong as set out in the Company's announcement dated 29th November, 2004 and the balance for general working capital.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 20th December, 2004 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 21st December, 2004.

## Definitions

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

“AGM Issue Mandate” the mandate granted to directors at the annual general meeting held on 28th September, 2004 to issue and allot new Shares;

the “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;

|                        |  |
|------------------------|--|
| “Convertible Notes”    | the convertible notes of an aggregate principal amount of HK\$36,000,000 entitling the holders thereof to subscribe for up to 225,000,000 Shares at the subscription price HK\$0.15 per Share, subject to adjustment;                                      |
| “Directors”            | the directors of the Company;  |
| “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, an executive Director; |
| “Group”                | the Company and its subsidiaries;  |
| “Investor”             | Collier Assets Limited;  |
| “Listing Rules”        | the Rules Governing the Listing of Securities on the Stock Exchange;   |
| “Ms. Lo”               | Lo Ki Yan, Karen;  |
| “October Rights Issue” | the rights issue by the Company as referred to in the Company’s announcement dated 27th October, 2004;   |
| “Share Options”        | options to subscribe for Shares granted to employee(s) of the Company under the Share Option Scheme;   |
| “Share Option Scheme”  | the share option scheme adopted by the Company on 10th October, 1996 as amended on 30th September, 1997;   |
| “Shares”               | shares of a par value of HK\$0.01 each in the Company;   |
| “Sovicotra”            | Sovicotra Capital Limited, a limited liability company incorporated in the British Virgin Islands which is wholly-owned by Mr. Ong Peter, an executive Director;   |
| “Stock Exchange”       | The Stock Exchange of Hong Kong Limited;   |
| “Subscription”         | the subscription of the Subscription Shares by the Subscriber; 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, 20th December, 2004

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