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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)

- (1) MAJOR AND CONNECTED TRANSACTION
– ACQUISITION OF PROPERTY INTEREST,
(2) CHANGE OF USE OF PROCEEDS,
(3) UNUSUAL PRICE AND VOLUME MOVEMENTS
AND
(4) RESUMPTION OF TRADING**

Major and Connected Transaction

The Board wishes to announce that on 29 July 2005, the Purchaser entered into the S&P Agreement with the Vendor, pursuant to which the Purchaser has agreed to purchase and take an assignment of, and the Vendor has agreed to sell and assign, the Sale Share and the Loan for a cash consideration of HK\$73.8 million (subject to adjustments).

Since the Vendor is an associate of Ms. Lo, and Ms. Lo is a director of the Company, the Acquisition constitutes a major and connected transaction for the Company under Rules 14.06 and 14A.13 of the Listing Rules. Completion of the Acquisition will be conditional upon the Independent Shareholders' approval at the SGM and the voting shall be taken by way of poll in accordance with Rule 13.39(4) of the Listing Rules.

An independent board committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders as to (i) whether the terms of the Acquisition are fair and reasonable; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Acquisition. In addition, an independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders as to (i) whether the terms of the Acquisition are fair and reasonable; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Acquisition.

A circular containing, among other things, further particulars of the Acquisition, the Property Valuation, the letter of advice from the independent financial adviser and a notice of the SGM, will be despatched to the Shareholders as soon as possible in accordance with the requirements of the Listing Rules.

Change of Use of Proceeds

Reference is made to the circular issued by the Company on 9 May 2005 relating to the Placing. The Directors wish to announce that upon further review, they have decided to change the use of proceeds of the Placing as more particularly set out in this announcement.

Unusual Price and Volume Movements

The Directors have noted the increases in the price and trading volume of the Shares on 29 July 2005 and wish to state that they are not aware of any reasons for such increase.

The Directors also confirm that save for the Acquisition, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

Resumption of Trading

Trading in the Shares was suspended with effect from 9:30 a.m. on 1 August 2005 at the request of the Company pending the issue of this announcement and application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 3 August 2005.

(1) MAJOR AND CONNECTED TRANSACTION

A. S&P AGREEMENT

Date:

29 July 2005

Parties:

1. Glamorous Investments Limited, an indirect wholly-owned subsidiary of the Company, being the purchaser.
2. Collier Assets Limited, being the vendor. The Vendor is an investment holding company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Ms. Lo.

Asset to be acquired:

The entire issued share capital in Apex and all the Vendor's title, rights, interests and benefits of and in the Loan.

Apex is a property holding company incorporated under the laws of the British Virgin Islands and is the registered owner of the Property. The Property was acquired by Apex in October 2004 at a consideration of HK\$52 million and is a 3-storey detached house erected over a podium. The saleable floor area of the Property is approximately 2,546 square feet, the garden area is approximately 1,222 square feet and the yard area is 385 square feet. In addition, the Property is commanding a side roof area of 177 square feet and a top roof area of 755 square feet. The Property was valued at approximately HK\$73.8 million as at 29 July 2005 by RHL Appraisal Ltd., an independent professional property valuer in Hong Kong appointed by the Company. The Property is currently subject to the Mortgage with outstanding loan balance of approximately HK\$36 million as at 31 May 2005. The Vendor has undertaken with the Purchaser to obtain a release/discharge of the Property from the Mortgage at the Vendor's own costs and expenses on or before Completion. Upon Completion, the Vendor will deliver vacant possession of the Property to the Purchaser. Other than the Property and decoration pertaining to the Property amounting to approximately HK\$2 million as at 31 May 2005, Apex has no other material assets or business.

As at 31 May 2005, Apex had a net deficit of approximately HK\$0.7 million, and the unaudited loss of Apex for the period from 6 October 2004 (being its date of incorporation) to 31 May 2005 amounted to approximately HK\$0.7 million. Save and except the Loan (which will continue to remain in the accounts of Apex after Completion) and the loan outstanding under the Mortgage (which will be repaid by the Vendor on or before Completion), Apex had no other liabilities.

Consideration:

The aggregate consideration payable by the Purchaser to the Vendor for the acquisition of the Sale Share and the Loan is HK\$73.8 million (subject to adjustments). A deposit of HK\$35 million has been paid by the Purchaser to the Vendor upon signing of the S&P Agreement and the remaining balance of HK\$38.8 million (subject to adjustments) will be paid by the Purchaser to the Vendor in cash on Completion. Under the S&P Agreement, if the unaudited net tangible asset value of Apex (or the audited net tangible asset value of Apex as required by the Purchaser) as at Completion is greater or less than that as shown in the accounts of Apex for the period ended on 31 May 2005, the consideration shall be adjusted accordingly and the difference shall be paid to the Vendor or the Purchaser (as the case may be). For the purpose of calculating the said net tangible asset value, the parties agree that the Loan owing by Apex to the Vendor and the loan outstanding under the Mortgage shall be expressly excluded. In addition, the Purchaser shall have the right to request that a post-completion audit be conducted towards the accounts of Apex, which costs shall be borne by the Vendor and the Purchaser in equal shares. The Directors intend to fund the entire consideration by internal resources of the Group.

The consideration has been arrived at after arm's length negotiations between the Purchaser and the Vendor with reference to the assets and liabilities of Apex and the open market value of the Property of approximately HK\$73.8 million as at 29 July 2005. Given that the Loan owing by Apex to the Vendor will be assigned by the Vendor to the Purchaser upon Completion and the loan outstanding under the Mortgage will be repaid by the Vendor on or before Completion, the Directors consider the consideration to be fair and reasonable.

Completion:

Subject to the fulfillment of the following conditions, Completion shall take place on the third business day immediately after fulfillment of the last condition (except condition (d) which shall be fulfilled immediately prior to Completion), or such other date as the Vendor and the Purchaser may agree in writing.

Completion shall be conditional upon:

- (a) the passing of the necessary resolution by the Independent Shareholders at the SGM to approve the S&P Agreement and the transactions contemplated thereunder;
- (b) the Purchaser being satisfied with its due diligence review of the legal and financial affairs of Apex;
- (c) the Vendor having shown and given a good title of Apex to the Property; and
- (d) the representations and warranties made or given by the Vendor under the S&P Agreement remaining true and accurate in all respects and not misleading in any respect as at the Completion Date.

If any of the conditions precedent set out above is not fulfilled (or waived (save and except conditions (a) and (c) which cannot be waived) by the Purchaser) on or before 31 December 2005, either party may rescind the S&P Agreement by giving written notice to the other party whereupon the S&P Agreement shall from such date have no further force and effect and the deposit shall be returned to the Purchaser within five business days from the date thereof.

B. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and its subsidiaries are principally engaged in property related investments and investment in securities and money-lending businesses.

The Directors believe that the Acquisition can enhance the property portfolio and future earnings of the Group and thus is in the interests of the Company and the Shareholders as a whole. After Completion, the Property will be leased to generate rental income and depending on the market conditions, the Property may be sold for gain. Taking into account the assets and liabilities of Apex and the open market value of the Property of approximately HK\$73.8 million as at 29 July 2005, the Directors (including the independent non-executive Directors) consider the terms of the Acquisition to be fair and reasonable and in the interests of the Shareholders as a whole.

C. GENERAL

Since the Vendor is an associate of Ms. Lo, and Ms. Lo is a director of

the Company, the Acquisition constitutes a major and connected transaction for the Company under Rules 14.06 and 14A.13 of the Listing Rules. Completion of the Acquisition will be conditional upon the Independent Shareholders' approval at the SGM and the voting shall be taken by way of poll in accordance with Rule 13.39(4) of the Listing Rules.

An independent board committee comprising all the independent non-executive Directors will be formed to advise the Independent Shareholders as to (i) whether the terms of the Acquisition are fair and reasonable; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Acquisition. In addition, an independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders as to (i) whether the terms of the Acquisition are fair and reasonable; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Acquisition.

A circular containing, among other things, further particulars of the Acquisition, the Property Valuation, the letter of advice from the independent financial adviser and a notice of the SGM, will be despatched to the Shareholders as soon as possible in accordance with the requirements of the Listing Rules.

(2) CHANGE OF USE OF PROCEEDS

Reference is made to the circular issued by the Company on 9 May 2005 relating to the Placing, where it was stated that the net proceeds arising from the Placing of approximately HK\$78 million would be used as to approximately HK\$58 million for repayment of bank and non-bank debts (which are not immediately due) and as to approximately HK\$20 million for general working capital of the Group. Upon further review, the Directors decided to apply the entire proceeds arising from the Placing for property investment. This is because debt financing has become more and more costly these days as a result of the recent increases in the interest rates. If the above bank and non-bank debts are repaid before their maturity, the Company may not be able to obtain loans on similar terms in the future should any need arise. Therefore, the Directors consider that it is desirable to maintain such facilities until they mature. The Directors confirm that of the above bank and non-bank debts, approximately HK\$3.5 million are repayable by the Group within 1 year from the date of this announcement and the Group has sufficient resources for repaying the same. Of the remaining balance, the Directors confirm that approximately HK\$3.5 million are repayable by the Group in the second year, approximately HK\$46.5 million are repayable by the Group in the third to fifth year and approximately HK\$4.5 million are repayable beyond 5 years.

(3) UNUSUAL PRICE AND VOLUME MOVEMENTS

The Directors have noted the increases in the price and trading volume of the Shares on 29 July 2005 and wish to state that they are not aware of any reasons for such increase.

The Directors also confirm that save for the Acquisition, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

Made by the order of the Board, the directors of which individually and jointly accept responsibility for the accuracy of this statement.

(4) RESUMPTION OF TRADING

Trading in the Shares was suspended with effect from 9:30 a.m. on 1 August 2005 at the request of the Company pending the issue of this announcement and application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 3 August 2005.

(5) DEFINITIONS

In this announcement, the following terms shall have the meanings set opposite them unless the context otherwise requires:

“Acquisition”	the acquisition of the Sale Share and the Loan
“Apex”	Apex Novel Limited, a company incorporated in the British Virgin Islands with limited liability and the registered owner of the Property
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Heritage International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the S&P Agreement
“Completion Date”	the day on which Completion shall take place
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Independent Shareholders”	Shareholders other than Ms. Lo and her associate(s)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	shareholder’s loan of approximately HK\$21 million owing by Apex to the Vendor
“Mortgage”	the bank mortgage over the Property
“Ms. Lo”	Lo Ki Yan Karen, an executive Director and the sole beneficial owner of the Vendor

“Placing”	the placing of 500,000,000 Shares by Get Nice Investment Limited under the terms of a placing agreement dated 20 April 2005 between Get Nice Investment Limited and the Company, which was completed on 14 June 2005
“Property”	Unit 1 (also known as House No.A), Sunshine Villa, No.48 Mount Kellett Road, Hong Kong
“Property Valuation”	the valuation on the Property which will be contained in the circular to be issued by the Company to the Shareholders
“Purchaser”	Glamorous Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“S&P Agreement”	the sale and purchase agreement dated 29 July 2005 entered into between the Purchaser and the Vendor in relation to the sale and purchase of the Sale Share and the Loan
“Sale Share”	1 share of US\$1.00 in the issued share capital of Apex, representing the entire issued share capital of Apex
“SGM”	the special general meeting of the Company to be convened for the purpose of approving the S&P Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s), currently with par value of HK\$0.10 each, in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Collier Assets Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned company of Ms. Lo

By order of the Board
Kwong Kai Sing, Benny
Chairman

Hong Kong, 2 August 2005

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

** For identification purposes only*

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