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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 TRANSACTION

ACQUISITION OF CONVERTIBLE BOND IN PRINCIPAL AMOUNT OF HK\$20 MILLION ISSUED BY MASCOTTE HOLDINGS LIMITED

On 14 August 2009, the Purchaser, an indirect wholly-owned subsidiary of the Company, purchased from the Vendor the Sale Bond (Mascotte) in the principal amount of HK\$20 million for a cash consideration of HK\$45 million the Sale Bond (Mascotte).

The Sale Bond (Mascotte) is issued by Mascotte Holdings Limited (Stock Code 136), whose issued ordinary shares are listed on the main board the Stock Exchange. The Group is currently indirectly holding about 0.47% of the entire issued share capital of Mascotte. The Sale Bond (Mascotte) is convertible at the current conversion price of HK\$0.50 per Conversion Mascotte Share into a maximum of 40 million Conversion Mascotte Shares, representing about 8.23% and 7.61% of the issued share capital of Mascotte as at 31 July 2009 (before such issuance of Conversion Mascotte Share) and as enlarged by the issuance of these Conversion Mascotte Shares.

The Sale Bond (Mascotte) Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

THE SALE BOND (MASCOTTE) ACQUISITION

On 14 August 2009, the Purchaser, an indirect wholly-owned subsidiary of the Company, purchased from the Vendor the Sale Bond (Mascotte) in the principal amount of HK\$20,000,000 for a cash consideration of HK\$45,000,000 the Sale Bond (Mascotte). Set out below are major terms of this transaction.

* *For identification purposes only*

PARTIES

Vendor: Pearl Decade Limited, which is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Willie.

Purchaser: Dollar Group Limited, which is a company incorporated in British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company

Currently, the Group is indirectly owning about 8.12% of the entire issued share capital of Willie and a HK\$180 million 2 per cent. convertible note due 2012 issued by Willie, details of which are set out in the circular of the Company dated 17 July 2009. Willie in turn is indirectly holding about 3.87% of the entire issued share capital of the Company. To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiry, the Vendor's principal business is investment holding and the Vendor and its ultimate beneficial owner(s) is/are independent of the Company and its connected persons.

The Group is currently indirectly holding 2,264,000 Mascotte Shares, representing about 0.47% of the issued share capital of Mascotte as at 31 July 2009. The Group previously acquired such shareholding interests in Mascotte on the market in its ordinary course of business. Other than such shareholding interests held in Mascotte and the interests in the Sale Bond (Mascotte) acquired by the Group, the Company and its associates are independent of and not connected with Mascotte and its connected persons.

ASSETS ACQUIRED

The Group acquired from the Vendor the Sale Bond (Mascotte). The Sale Bond (Mascotte) forms part of the Convertible Bond, initially of aggregate principal amount of HK\$130 million, issued by Mascotte on 6 July 2009 as disclosed in its announcement dated 15 May 2009 and circular 15 June 2009.

As at 31 July 2009 and the date of this announcement, the Convertible Bond initially of HK\$130 million principal amount has already been converted as to HK\$100 million into Mascotte Shares. Other than the Sale Bond (Mascotte) in principal amount of HK\$20 million now acquired by the Group, the remaining Convertible Bond in the principal amount of HK\$10 million is currently held by the Vendor.

Set out below are the principal terms and conditions of the Sale Bond (Mascotte), which are the same as those of the Convertible Bond as disclosed by Mascotte in its circular dated 15 June 2009:

Aggregate principal amount of the Sale Bond (Mascotte): HK\$20,000,000

Conversion Price: HK\$0.50 per Mascotte Share, subject to customary anti-dilutive adjustments upon the occurrence of the following events:

- (i) any alteration to the nominal value of the Mascotte Shares as a result of consolidation or subdivision of the Mascotte Shares;
- (ii) any issue of Mascotte Shares to the Mascotte Shareholders by way of capitalization of profits or reserves, other than Mascotte Shares issued in lieu of the whole or any part of a cash dividend;
- (iii) any capital distribution to the Mascotte Shareholders;
- (iv) any issue of Mascotte Shares to all or substantially all Mascotte Shareholders as a class by way of rights, or the issue or grant to all or substantially all Mascotte Shareholders as a class, by way of rights, any options, warrants or other rights to subscribe for or purchase any Mascotte Shares, in each case at less than 90 per cent. of the market price per Mascotte Share on the last dealing day preceding the date of the announcement of the terms of the issue or grant;

- (v) any issue of securities (other than Mascotte Shares or options, warrants or other rights to subscribe for or purchase Mascotte Shares) to all or substantially all Mascotte Shareholders as a class by way of rights or grant to all or substantially all Mascotte Shareholders as a class by way of rights of any options, warrants or other rights to subscribe for or purchase any securities (other than Mascotte Shares or options, warrants or other rights to subscribe for or purchase Mascotte Shares);
- (vi) any issue (otherwise than as mentioned in sub-paragraph (iv) above) wholly for cash any Mascotte Shares (other than Mascotte Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Mascotte Shares) or on the issue or grant of (otherwise than as mentioned in sub-paragraph (iv) above) options, warrants or other rights to subscribe for or purchase Mascotte Shares in each case at a price per Mascotte Share which is less than 90 per cent. of the market price on the dealing day last preceding the date of announcement of the terms of such issue;
- (vii) save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves, if and whenever Mascotte or any subsidiary or any other person shall issue wholly for cash any securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Mascotte Shares (or grant any such rights in respect of any existing securities so issued) to be issued by Mascotte upon conversion,

exchange or subscription at a consideration per Mascotte Share which is less than 90 per cent. of the market price per Mascotte Share on the last dealing day preceding the date of announcement of the terms of issue of such securities;

- (viii) any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in sub-paragraph (vii) above (other than in accordance with the terms applicable to such securities) so that the consideration per Mascotte Share (for the number of Mascotte Shares available on conversion, exchange or subscription following the modification) is less than 90 per cent. of the market price per Mascotte Share on the last dealing day preceding the date of announcement of the proposals for such modification; or
- (ix) if and whenever Mascotte or any subsidiary or (at the direction or request of or pursuant to any arrangements with Mascotte or any subsidiary) any other person issues, sells or distributes any securities in connection with an offer by or on behalf of Mascotte or any subsidiary or such other person pursuant to which offer the Mascotte Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under subparagraphs (iv) to (vii) above) provided that the conversion price shall not be less than the par value of a Mascotte Share, which is presently HK\$0.10.

Interest rate:

4% per annum on the principal amount of the Sale Bond (Mascotte) outstanding from time to time payable on quarterly basis on the last day of each quarter.

Maturity Date: The third anniversary of the date of issue of the Sale Bond (Mascotte) (being 6 July 2009).

Redemption: Unless previously converted, the Sale Bond (Mascotte) shall be redeemed by Mascotte at its principal amount outstanding on the Maturity Date.

At any time up to (and excluding) the commencement of the 7 (seven) calendar day period ending on the Maturity Date, Mascotte may by written notice to the bondholder, redeem all or part of the then outstanding principal amount of the Sale Bond (Mascotte) at a redemption price equal to 100% of its principal amount.

Transferability: The Sale Bond (Mascotte) or any part(s) thereof may be assigned or transferred to any third party. If the Sale Bond (Mascotte) or any part(s) thereof shall be transferred to any company or other person which is a connected person of Mascotte, Mascotte shall promptly notify the Stock Exchange.

Conversion rights and conversion period: The holders of the Sale Bond (Mascotte) shall have the right to convert the whole or any part of the outstanding principal amount of the Sale Bond (Mascotte) into Mascotte Shares at any time following the date of issue until the date two days before (and excluding) the Maturity Date of the Sale Bond (Mascotte) into Mascotte Shares at the initial conversion price of HK\$0.50 per Mascotte Share, subject to adjustment provided always that if the issue of such Conversion Mascotte Shares will result in an insufficiency of the public float of Mascotte Shares, Mascotte will not issue such Conversion Mascotte Shares and the Sale Bond (Mascotte) will continue until redeemed on the Maturity Date.

**Conversion Mascotte Shares,
restriction on conversion
and moratorium to sell:**

Notwithstanding the conversion right attaching to the Sale Bond (Mascotte), the Mascotte shall not issue any Mascotte Shares if, upon such issue, the holder and parties acting in concert with it (within the meaning under the Hong Kong Takeovers Code and Merger) will at the material time beneficially hold 30% (or such percentage as may from time to time be specified in the code as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Mascotte at the relevant date of conversion.

Voting:

Holder(s) of the Sale Bond (Mascotte) shall not be entitled to receive notices of, attend or vote at any meetings of the Mascotte by reason only of it being the holders of the Sale Bond (Mascotte).

Listing:

No application will be made for the listing of the Sale Bond (Mascotte) on the Stock Exchange or any other stock exchange. An application will be made for the listing of and permission to deal in the Conversion Mascotte Shares to be issued as a result of the exercise of the conversion rights attaching to the Sale Bond (Mascotte).

Ranking:

The Conversion Mascotte Shares will rank pari passu in all respects with all the Mascotte Shares in issue at the date on which the conversion rights attaching to the Sale Bond (Mascotte) are exercised.

Upon full conversion of the Sale Bond (Mascotte) at the prevailing conversion price of HK\$0.50 per Conversion Mascotte Share (subject to adjustments), 40 million new Mascotte Shares will be issued to the Purchaser.

Based on the information disclosed on the official website of the Stock Exchange, there were 485,924,015 Mascotte Shares in issue as at 31 July 2009. The 40 million Conversion Mascotte Shares to be issued upon full conversion of the Sale Bond (Mascotte) represent (i) approximately 8.23% of the issued share capital of Mascotte as at 31 July 2009; and (ii) approximately 7.61% of the issued share capital of Mascotte as enlarged by the issue of these Mascotte Shares.

The Group is currently indirectly holding 2,264,000 Mascotte Shares, representing about 0.47% of, issued ordinary shares of the issued shares in Mascotte as at 31 July 2009. Assuming there is no other change of the issued shareholding of Mascotte since 31 July 2009, the aggregate shareholding of the Group in Mascotte immediately after full conversion of the Sale Bond (Mascotte) will be about 42.3 million Mascotte Shares, representing approximately 8.04% of the issued share capital of Mascotte as enlarged by such issue.

COMPLETION AND CONSIDERATION

The Sale Bond (Mascotte) Acquisition was directly effected by means of contract notes and transfer signed by the parties on 14 August 2009 and completed on the same date. The total cash consideration for the Sale Bond (Mascotte) is HK\$45,000,000 which was also fully paid by the Group on 14 August 2009. The consideration was financed from the internal resources of the Group.

The Consideration was determined based on arm's length negotiations with the Vendor. The Consideration represents a premium of 125% to the principal amount of the Sale Bond (Mascotte) of HK\$20,000,000. It was primarily determined by the Group with reference to the recent traded prices of Mascotte Shares on the Exchange up to 13 August 2009. The conversion price of HK\$0.50 per Mascotte Share represents:

- (i) a discount of approximately 66.89% to the closing price of HK\$1.51 per Mascotte Share as quoted on the Stock Exchange on 13 August 2009;
- (ii) a discount of approximately 67.15% to the average closing price of HK\$1.522 per Mascotte Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including on 13 August 2009; and
- (iii) a discount of approximately 67.53% to the average closing price of HK\$1.54 per Mascotte Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including on 13 August 2009.

If the Sale Bond (Mascotte) is fully converted into 40 million Mascotte Shares, the unit consideration per Mascotte Share paid by the Group for them will be HK\$1.125 per Mascotte Share, which represents:

- (i) a discount of approximately 25.50% to the closing price of HK\$1.51 per Mascotte Share as quoted on the Stock Exchange on 13 August 2009;
- (ii) a discount of approximately 26.08% to the average closing price of HK\$1.522 per Mascotte Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including on 13 August 2009; and

- (iii) a discount of approximately 26.95% to the average closing price of HK\$1.54 per Mascotte Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including on 13 August 2009.

INFORMATION ON MASCOTTE

The principal business of Mascotte is investment holding and its subsidiaries are principally engaged in the (i) manufacturing and sale of accessories for photographic, electrical and multimedia products; (ii) property investment; and (iii) investment in securities. As set out in its circular dated 15 June 2009, Mascotte had acquired 50% indirect interest in the concession rights and interests in respect of certain land located in Simao District, Puer City, Yunnan Province, the PRC, with a total site area of approximately 36,735 Chinese Mu.

The audited total equity of the Mascotte Group as at 31 March 2009 was about HK\$360 million. The table below summarizes the audited operating results of Mascotte Group for the following accounting periods:

	For the financial year ended 31 March 2008 <i>(HK\$'000)</i>	For financial year ended 31 March 2009 <i>(HK\$'000)</i>
Turnover	148,455	134,872
Net Loss (before taxation and extraordinary items)	229,284	343,832
Net Loss (after taxation and extraordinary items)	232,788	345,290

REASONS FOR THE TRANSACTION

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

In consideration and reaching agreement on the above terms of the Sale Bond (Mascotte) Acquisition, the Company has considered, amongst other things, the unit consideration paid by the Group for the 40 million Mascotte Shares (and its discounts to their recent traded prices on the Stock Exchange above). The transaction also provides opportunity to the Group acquire a sizeable stake in Mascotte in a speedy manner to diversify its investment portfolio. The fixed conversion price of the Sale Bond (Mascotte) into equity of Mascotte also offers scope for the Group to capture potential profits and expansion of its business while the Group continues to gain stable return in the form of interest at the fixed rate of 4% per annum on the bond in the meantime. Based on the above, the Directors consider that the terms of this transaction are fair and reasonable and the Sale Bond (Mascotte) Acquisition is in the interests of the Group and the Shareholders as a whole.

The Company will comply with the applicable Listing Rules requirements if the Sale Bond (Mascotte) held by the Group are converted.

The Sale Bond (Mascotte) will be allocated into debt portion and conversion option portion which will be accounted for as non-current assets of the Group. The actual allocation will be subject to the fair value of the conversion option portion of the Sale Bond (Mascotte) to be assessed.

GENERAL

The Sale Bond (Mascotte) Acquisition constitutes a discloseable transaction for the Company under the Listing Rules.

Apart from the transactions announced by the Company in its announcements dated 17 September 2008 and 11 June 2009 and this Sale Bond (Mascotte) Acquisition, the Group did have other transactions with Willie or its associates in the past 12 months.

DEFINITIONS

The following expressions in this announcement have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Company”	Heritage International Holdings Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange
“Consideration”	the purchase price of HK\$45,000,000 for the Sale Bond (Mascotte)
“Conversion Mascotte Shares”	new Mascotte Share(s) to be allotted and issued by Mascotte upon conversion of the Sale Bond (Mascotte) in accordance with the terms of the bond (Mascotte)
“Convertible Bond”	the convertible bond in the initial principal amount of HK\$130,000,000 issued by Mascotte, the principal terms and conditions of which are set out in its announcement dated 15 May 2009 and circular 15 June 2009
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries

“HK\$” or “HK cent”	Hong Kong dollars or cents, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mascotte Group”	Mascotte and its subsidiaries
“Mascotte Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of Mascotte
“Mascotte Shareholders”	holders of Mascotte Shares
“Mascotte”	Mascotte Holdings Limited (Stock Code: 136), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Maturity Date”	the third anniversary date of issue of the Convertible Bond, being 11 May 2012
“Purchaser”	Dollar Group Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale Bond (Mascotte) Acquisition”	the acquisition of the Sale Bond (Mascotte) by the Group from the Vendor as described in this announcement
“Sale Bond (Mascotte)”	the convertible bond in the principal amount of HK\$20,000,000 (forming part of the Convertible Bond) sold by the Vendor to the Group
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Pearl Decade Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Willie

“Willie”

Willie International Holdings Limited, a company incorporated in Hong Kong with limited liability and whose issued shares are listed on the Stock Exchange

By order of the Board
Kwong Kai Sing, Benny
Chairman

Hong Kong, 17 August 2009

As at the date of this announcement, the Company has five executive Directors, being Mr. Kwong Kai Sing, Benny, Mr. Ong Peter, Ms. Poon Chi Wan, Mr. Chow Chi Wah, Vincent and Mr. Wong Chun Hung, Vincent and five independent non-executive Directors, being Mr. Chan Sze Hung, Mr. To Shing Chuen, Mr. Ha Kee Choy Eugene, Mr. Chung Yuk Lun and Mr. Lo Wong Fung.