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If you are in doubt as to any aspect of this circular, or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, company secretary, professional accountant or other professional adviser.

If you have sold or transferred all your shares in New Heritage Holdings Ltd., you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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新澤控股有限公司 New Heritage Holdings Ltd.

(Incorporated in the Cayman Islands with limited liability)

(HKSE Stock Code: 95)

ISSUE OF HK\$75 MILLION 6 PER CENT. UNLISTED AND UNSECURED CONVERTIBLE NOTES (CONNECTED TRANSACTION) AND GRANT OF THE SPECIFIC MANDATE

**Independent financial adviser to the
Independent Board Committee and the Independent Shareholders**

 Investec

A letter from the Board is set out on pages 3 to 12 of this circular. A letter from the Independent Board Committee is set out on page 13 of this circular and a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 22 of this circular.

A notice convening the EGM to be held at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 16 September, 2011 at 11:00 a.m. is set out on pages 29 to 30 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

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DEFINITIONS

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

“2007 Convertible Notes”	the convertible notes with an aggregate principal amount of HK\$75 million, bearing interest at 5% per annum on the principal amount outstanding from time to time, issued by the Company to the CN Subscribers in 2007
“2011 Convertible Notes”	the convertible notes with an aggregate principal amount of HK\$75 million, bearing interest at 6% per annum on the principal amount outstanding from time to time, to be issued by the Company in accordance with the provisions of the Subscription Agreement
“2007 Redemption”	the early redemption of the 2007 Convertible Notes upon completion of the Subscription Agreement
“AFH”	Asia Financial Holdings Limited, a limited liability company incorporated in Bermuda, the shares of which are listed on the Stock Exchange
“AICL”	Asia Insurance Company, Limited, a limited liability company incorporated in Hong Kong and is a wholly owned subsidiary of AFH
“Announcement”	an announcement of the Company dated 5 July 2011 in respect of the Subscription Agreement
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“business day”	any day (other than a Saturday) on which banks are generally open for business in Hong Kong
“BVI”	British Virgin Islands
“CN Subscribers”	AFH and AICL
“Company”	New Heritage Holdings Ltd., a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Conversion Price”	the price of HK\$1.10 per Share, being the price at which each Conversion Share will be issued upon conversion of all or part of the 2011 Convertible Notes
“Conversion Shares”	Shares to be allotted and issued by the Company upon exercise of the conversion rights attached to the 2011 Convertible Notes
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve the Subscription Agreement and the transactions contemplated thereunder as well as the Specific Mandate, the notice of which is set out on pages 29 to 30 of this circular
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

DEFINITIONS

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board consisting of three independent non-executive Directors to advise the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, including the issue of the 2011 Convertible Notes and the proposed grant of Specific Mandate
“Independent Shareholders”	Shareholders other than the CN Subscribers and their associates
“Investec” or “Independent Financial Adviser”	Investec Capital Asia Limited, an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement
“Latest Practicable Date”	19 July 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling 36 months after the issue date of the 2011 Convertible Notes
“Redemption Amount”	the aggregate of (i) the outstanding principal amount of 2007 Convertible Notes; (ii) the 10% premium, adjusted on a pro rata basis upon the actual holding period over the original period of the 2007 Convertible Notes of five (5) years; and (iii) the interest accrued thereon up to and including the date of completion of the Subscription Agreement
“SFC”	the Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Repurchase Code”	the Code on Share Repurchases of Hong Kong
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate in relation to the issue and allotment of the Conversion Shares to be granted by the Independent Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	a subscription agreement dated 5 July 2011 entered into between the Company and the CN Subscribers in relation to the issue of 2011 Convertible Notes
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

The contents of the Company’s website will not form part of this circular. The Directors will not be responsible for the accuracy or completeness of the information of third parties included in this circular.

LETTER FROM THE BOARD

新澤控股有限公司 New Heritage Holdings Ltd.

(Incorporated in the Cayman Islands with limited liability)

(HKSE Stock Code: 95)

Executive Directors:

Mr. TAOCHAIFU Choofuang
(also known as C.F. Tao) (Chairman)
Mr. TAO Richard *(Vice Chairman)*
Mr. TAO Paul
(also known as TAOCHAIFU Porn)
(Managing Director)
Mr. KONG Mui Sum Lawrence
Mr. YIM Chun Leung

Non-executive Director:

Mr. CHAN Bernard Charnwut

Independent Non-Executive Directors:

Mr. WONG Gary Ka Wai
Mr. SUN Leland Li Hsun
Mr. CHAN Norman Enrique

Registered Office:

Clifton House
75 Fort Street
P.O. Box 1350 GT
George Town
Grand Cayman
Cayman Islands

Head Office and Principal

Place of Business:

Room 2301, 23/F
Fortis Tower
77-79 Gloucester Road
Wanchai, Hong Kong

25 July 2011

To the Shareholders

Dear Sir/Madam,

**ISSUE OF HK\$75 MILLION 6 PER CENT.
UNLISTED AND UNSECURED CONVERTIBLE NOTES
(CONNECTED TRANSACTION)
AND
GRANT OF THE SPECIFIC MANDATE**

1. INTRODUCTION

Reference is made to the Announcement of which the Board announced that on 5 July 2011, the Company entered into the Subscription Agreement with the CN Subscribers, pursuant to which the Company agreed to issue and the CN Subscribers agreed to subscribe for the 2011 Convertible Notes at an aggregate principal amount of HK\$75 million on the terms and subject to the conditions set out in the Subscription Agreement.

The purpose of this circular is to set out, among other things, (i) details of the Subscription Agreement, the proposed issue of 2011 Convertible Notes and the proposed grant of the Specific Mandate; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder; and (iv) a notice of EGM.

LETTER FROM THE BOARD

2. ISSUE OF THE 2011 CONVERTIBLE NOTES

Parties to the Subscription Agreement

CN Subscribers	:	AFH and AICL
Issuer	:	the Company
Date	:	5 July 2011

Principal terms of the 2011 Convertible Notes

Aggregate principal amount	:	HK\$75 million (HK\$50 million by AFH and HK\$25 million by AICL)
Maturity	:	36 months from the date of issue of the 2011 Convertible Notes
Status and Transfer	:	<ul style="list-style-type: none">• The obligations of the Company arising under the 2011 Convertible Notes constitute general, unconditional, unsecured, unsubordinated obligations of the Company and rank, and shall rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law. No application shall be made for a listing of the 2011 Convertible Notes.• None of the 2011 Convertible Notes is assignable or transferable.• The CN Subscribers shall be treated as the absolute owners of the 2011 Convertible Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the 2011 Convertible Notes) and no person shall be liable for so treating the holder of the 2011 Convertible Notes.• The Company shall maintain and give a full and complete register of the holders of the 2011 Convertible Notes, the conversion, cancellation and destruction of the 2011 Convertible Notes, any replacement certificate issued in substitution for any defaced, lost, stolen or destroyed certificate and of details of all holders of the 2011 Convertible Notes from time to time.• Any change in the beneficial ownership of the 2011 Convertible Notes (whether or not the registered holder of the 2011 Convertible Notes is changed) or the ultimate control of the holders of the 2011 Convertible Notes shall be deemed a transfer or an assignment of the 2011 Convertible Notes and is not permitted.
Interest	:	6% per annum, payable in arrear on a quarterly basis on 31 March, 30 June, 30 September and 31 December of each year between the date of issue of the 2011 Convertible Notes and the Maturity Date. The first payment of the interest shall be made on 31 December 2011.

LETTER FROM THE BOARD

Redemption : No redemption of the 2011 Convertible Notes before the Maturity Date is permitted.

Unless previously converted, the Company will redeem the 2011 Convertible Notes on the Maturity Date at the redemption price of 110% of the principal amount of the 2011 Convertible Notes outstanding together with accrued interest thereon up to and including the Maturity Date.

Conversion : *Voluntary conversion*

The holder of the 2011 Convertible Notes shall have the right to convert, any part of the principal amount of the 2011 Convertible Notes in the multiple of HK\$25,000,000 at the Conversion Price unless the outstanding principal amount of the 2011 Convertible Notes is less than HK\$25,000,000, in which event, to convert the whole (but not part) of the outstanding principal amount of the 2011 Convertible Notes at the Conversion Price.

Compulsory conversion

The whole (but not part) of the principal amount of HK\$35,000,000 (HK\$25,000,000 for AFH and HK\$10,000,000 for AICL) of the 2011 Convertible Notes shall be compulsorily converted at the Conversion Price within seven business days if the closing price per Share is HK\$1.10 or higher for ten consecutive trading days during the period from the issue date of the 2011 Convertible Notes up to the five business days prior to the Maturity Date provided always that the Shares in issue shall be not more than 1,705,000,000 Shares.

No fraction of a Share will be issued on conversion of the 2011 Convertible Notes. Fractional entitlements shall be ignored and any sum paid shall be retained by the Company for its own benefit.

The holders of the 2011 Convertible Notes shall only exercise the right of conversion and the Company will issue any Conversion Shares to the extent that the public float of the Company will not be less than 25% immediately after such conversion.

Maximum number of Conversion Share : 45,454,545 Conversion Shares for AFH and 22,727,273 Conversion Shares for AICL.

Conversion Price : The conversion price is fixed at HK\$1.10 per Conversion Share.

The conversion price of HK\$1.10 per Share represents:

- a premium of approximately 345.34% over the closing price of HK\$0.247 per Share as quoted on the Stock Exchange on the date of Announcement;
- a premium of approximately 352.67% over the average closing price of approximately HK\$0.243 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the date of Announcement;

LETTER FROM THE BOARD

- a premium of approximately 362.18% over the average closing price of approximately HK\$0.238 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the date of Announcement; and
- a premium of approximately 374.14% over the closing price of HK\$0.232 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Conversion Price was determined after arm's length negotiation between the Company and the CN Subscribers with reference to the performance of the Share price.

- Exercise Period : The CN Subscribers shall have the right to convert at any time on and after the issue date of the 2011 Convertible Notes up to the close of business on the date which is five business days immediately prior to the Maturity Date.
- Conversion Shares : The Conversion Shares shall, when issued, rank pari passu in all aspects with all the Shares then in issue and be entitled to all dividends and other distributions, the record date of which falls on a date on or after the date of the conversion notice.
- Protection of the CN Subscribers : So long as the 2011 Convertible Notes is outstanding, unless with prior written approval of the CN Subscribers:
- the Company shall from time to time keep available for issue, free from pre-emptive rights, out of its authorised but un-issued capital, sufficient Shares to satisfy in full the conversion rights at the Conversion Price and all other rights for the time being outstanding of subscription for and conversion into Shares;
 - the Company shall not in any way modify the rights attached to the Shares as a class or attach any special restrictions thereto;
 - the Company shall procure that at no time shall there be in issue Shares of different nominal values;
 - other than as a result of, or in circumstances where, an offer made to holders of Shares to acquire all or any proportion of the Shares becoming unconditional the Company shall use its best endeavours to:
 - (i) maintain a listing for all the issued Shares on the Stock Exchange; and
 - (ii) obtain and maintain a listing on the Stock Exchange for all the Conversion Shares issued on the exercise of the conversion rights;
 - the Company shall provide the CN Subscribers with a copy of its annual reports, annual financial statements and interim reports and all other statements and circulars sent by the Company to its shareholders within three business days after the Company sends the same to its shareholders;

LETTER FROM THE BOARD

- the Company shall ensure that all Conversion Shares issued upon conversion of the 2011 Convertible Notes shall be duly and validly issued fully paid and registered; and
- the Company shall comply with and procure the compliance of all conditions imposed by the Stock Exchange or by any other competent authority (in Hong Kong or elsewhere) for approval for the issue of the 2011 Convertible Notes or for the listing of and permission to deal in Shares issued or to be issued on the exercise of the conversion rights and ensure the continued compliance thereof (provided in each case that the CN Subscribers complies with and satisfies all such conditions).

If an offer is made to all Shareholders (or such holders other than the offeror and/or any company controlled by the offeror and/or persons associated or acting in concert with the offeror) to acquire all or a portion of the Shares and such offer comes to the knowledge of the Company, the Company shall forthwith give notice of such offer to the CN Subscribers and shall use all its reasonable endeavours to procure that the same offer is extended in respect of the 2011 Convertible Notes or in respect of any Shares issued on conversion of the 2011 Convertible Notes during the period of the offer.

The Company shall procure that no security issued by the Company shall be converted into Shares or exchanged for Shares except in accordance with the terms of issue thereof and that no security issued by the Company without the right to convert into Shares or to be exchanged for shares shall subsequently be granted such rights.

The Company shall not close its register of shareholders for more than 60 business days each year (in addition to any period required by law or regulation including the Listing Rules) or take any other action which prevents the transfer of its Shares generally unless, under the laws of Hong Kong and the Cayman Islands and the articles of association of the Company as then in effect, the 2011 Convertible Notes may be converted legally into Shares and the Shares so converted may be transferred at all time during the period of such closure.

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|---|---|---|
| Voting | : | The holder of the 2011 Convertible Notes shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the holder of the 2011 Convertible Notes. |
| Listing | : | The 2011 Convertible Notes will not be listed on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of and permission to deal in the Conversion Shares to be issued upon the exercise of the conversion rights attached to the 2011 Convertible Notes. |
| Adjustment on Conversion Price or number of Conversion Shares | : | No provision on any adjustment to the Conversion Price or the number of Conversion Shares. |
| Pre-emptive undertaking | : | The CN Subscribers shall undertake to Belbroughton Limited that in an event that the CN Subscribers dispose of the Conversion Shares attached by the 2011 Convertible Notes, Belbroughton Limited shall have the pre-emptive rights to acquire such Conversion Shares from the CN Subscribers. |

LETTER FROM THE BOARD

The terms of the 2011 Convertible Notes were determined after arm's length negotiations between the Company and the CN Subscribers and of normal commercial terms. The Directors (excluding Mr. CHAN Bernard Charnwut who has material interest in the Subscription Agreement and has abstained from voting to approve the Subscription Agreement) are of the view that the overall terms under the Subscription Agreement are in the interests of the Company and the Shareholders as a whole. The Directors are also of the view that the Company has no intention to do any capital restructuring at the present moment.

Conditions of the 2011 Convertible Notes

Completion of the Subscription Agreement is conditional upon:

- (i) the Listing Committee of the Stock Exchange having granted an approval for the listing of and permission to deal in the Conversion Shares to be issued pursuant to the 2011 Convertible Notes;
- (ii) the Shareholders approving the issue of the 2011 Convertible Notes and the issue of the Shares upon exercise of the conversion rights attached to the 2011 Convertible Notes; and
- (iii) all necessary consents, approvals, permits and authority in relation to and in connection with the Subscription Agreement and any transaction contemplated therein having been obtained and not been revoked.

If the conditions precedent are not fulfilled on or before 31 December 2011 or such later date as may be agreed between the CN Subscribers and the Company, the Subscription Agreement will lapse and become null and void and the parties will be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof.

Completion of the issue and subscription of 2011 Convertible Notes

Completion of the issue and subscription of 2011 Convertible Notes is to take place on the tenth business day following the date on which all the conditions precedent have been fulfilled or such other date as the Company and the CN Subscribers may agree.

Early redemption of 2007 Convertible Notes

Pursuant to the terms of the 2007 Convertible Notes, no redemption of the 2007 Convertible Notes before the maturity date of the 2007 Convertible Notes is permitted. Pursuant to the Subscription Agreement, the Company and the CN Subscribers acknowledge and confirm that it is the intention of the parties that the proceeds to be obtained from the issue of the 2011 Convertible Notes shall be applied towards the redemption of the 2007 Convertible Notes on the date of completion. Accordingly, notwithstanding that the 2007 Convertible Notes do not provide for any early redemption thereof, the Company and the CN Subscribers agree that, subject to the presentation of the original of the certificates for the 2007 Convertible Notes to the Company, all the 2007 Convertible Notes shall be redeemed by the Company on the date of completion at the Redemption Amount. Accordingly, pursuant to the Subscription Agreement, the subscription price of the 2011 Convertible Notes payable by the CN Subscribers shall immediately be applied by the Company to setoff part of the Redemption Amount for redemption of the 2007 Convertible Notes. Upon redemption, the 2007 Convertible Notes shall be cancelled, and the existing certificates relating to the 2007 Convertible Notes shall be surrendered to the Company and cease to be evidence of legal title to the 2007 Convertible Notes with effect from the date of completion. The Redemption Amount payable by the Company for early redemption of the 2007 Convertible Notes was determined based on the redemption price of the 2007 Convertible Notes at maturity. Assuming that the 2007 Redemption will take place in September 2011, the Redemption Amount will be approximately HK\$81.9 million; and the net amount payable by the Company for the 2007 Redemption after deduction of the subscription price of the 2011 Convertible Notes is estimated to be approximately HK\$6.9 million, which will be settled by the Company's working capital.

LETTER FROM THE BOARD

For the avoidance of doubt, the 2007 Convertible Notes will continue to be valid and binding on the Company and the CN Subscribers in accordance with its terms and conditions should the Subscription Agreement lapse.

Reasons for the issue of 2011 convertible notes and use of proceeds

The Group is principally engaged in property development and property investment in the People's Republic of China. The gross proceeds to be raised under the issue of 2011 Convertible Notes will be HK\$75 million. After deduction of the legal and professional cost for the transaction contemplated under the issue of 2011 Convertible Notes, the net proceeds is expected to be approximately HK\$74 million. Pursuant to the Subscription Agreement, the subscription price of the 2011 Convertible Notes would be applied directly to setoff part of the Redemption Amount for redemption of the 2007 Convertible Notes, the maturity date of which is in October 2012.

Having considered that the issue of the 2011 Convertible Notes would allow the Group to refinance the debts under the 2007 Convertible Notes on substantially the same financial terms (save for the increase in interest rate from 5% per annum to 6% per annum) for a further two-year period from 2012 to 2014, the Board (excluding Mr. CHAN Bernard Charnwut who has material interest in the Subscription Agreement and has abstained from voting to approve the Subscription Agreement) considers that the terms and conditions of the Subscription Agreement are fair and reasonable. The 2011 Convertible Notes will be treated as long term loan of the Group. Although the interest of the 2011 Convertible Notes is higher than that of the 2007 Convertible Notes by 1%, the issue of 2011 Convertible Notes will further strengthen the Group's financial position as it in substance extends the term of the debt under 2007 Convertible Notes, which will mature in 2012 to 2014. In addition, the Directors consider that the issue of the 2011 Convertible Notes is an appropriate means of raising capital for the Company since it will not have any dilution effect on the shareholding of the existing Shareholders at the time of issue.

Shareholding structure of the Company

The following table illustrates the effect of the full conversion of the 2011 Convertible Notes on the shareholding of the Company:

	Shareholding as at the Latest Practicable Date		Enlarged shareholding upon full conversion of the 2011 Convertible Notes	
	Number of Shares	Approximately %	Number of Shares	Approximately %
Belbroughton Limited (<i>Note 1</i>)	651,882,278	50.98	651,882,278	48.40
TAOCHAIFU Choofuang (<i>Note 2</i>)	11,515,000	0.90	11,515,000	0.85
TAO Richard (<i>Note 2</i>)	22,701,757	1.78	22,701,757	1.69
TAO Paul (<i>Note 2</i>)	22,701,757	1.78	22,701,757	1.69
KONG Mui Sum Lawrence (<i>Note 2</i>)	2,500,220	0.20	2,500,220	0.19
YIM Chun Leung (<i>Note 2</i>)	1,232,605	0.09	1,232,605	0.09
Public	566,106,068	44.27	566,106,068	42.03
CN Subscribers	–	–	68,181,818	5.06
Total	1,278,639,685	100.00%	1,346,821,503	100.00%

LETTER FROM THE BOARD

Notes:

1. Belbroughton Limited is a company incorporated in the BVI and the beneficial owner of 651,882,278 Shares. Belbroughton Limited is owned as to 20% by Seal United Investments Limited (i.e. a company incorporated in the BVI and the entire issued share capital of which is held by Mr. TAOCHAIFU Choofuang and his spouse, Mrs. TAO POON Lai Yew Nancy in equal proportions) and 80% by United Islands Group Limited (i.e. a company incorporated in the BVI and the entire issued share capital of which is held by Mr. TAOCHAIFU Choofuang and his spouse, Mrs. TAO POON Lai Yew Nancy as well as his daughter and sons, Ms. TAO Miriam, Mr. TAO Richard and Mr. TAO Paul in equal proportions). The principal business of Belbroughton Limited is investment holding.
2. Messrs. TAOCHAIFU Choofuang, TAO Richard, TAO Paul, KONG Mui Sum Lawrence and YIM Chun Leung are executive Directors.

3. FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not conducted any fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

4. PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE THE CONVERSION SHARES

Under the Subscription Agreement, the Company will issue the Conversion Shares to CN Subscribers upon the exercise of the conversion rights attached to the 2011 Convertible Notes. The maximum number of the Conversion Shares is 68,181,818 Shares (45,454,545 Conversion Shares for AFH and 22,727,273 Conversion Shares for AICL), representing approximately 5.33% of the issued share capital of the Company as at the Latest Practicable Date.

The Conversion Shares will rank *pari passu* with all the then existing issued Shares. The Company will seek the grant of a Specific Mandate from the Independent Shareholders at the EGM to allot and issue up to 68,181,818 Shares to satisfy the allotment and issue of the Conversion Shares.

5. IMPLICATIONS UNDER THE LISTING RULES AND THE SHARE REPURCHASE CODE FOR THE SUBSCRIPTION AGREEMENT

As at the Latest Practicable Date, Mr. CHAN Bernard Charnwut is a non-executive Director of the Company and an executive director of AFH. Accordingly, the Subscription Agreement entered into between the Company and the CN Subscribers constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, therefore the transactions contemplated thereunder, including the creation and issue of the 2011 Convertible Notes and the grant of the Specific Mandate to satisfy the allotment and issue of the Conversion Shares, are subject to the approval of the Independent Shareholders by way of a poll at the EGM. Save as disclosed below (see section headed “Information on AFH, AICL and Mr. CHAN Bernard Charnwut”), to the best knowledge of the Directors, the CN Subscribers and their respective associates did not hold any Shares as at the Latest Practicable Date, thus no Shareholders have material interest in the Subscription Agreement and will be required to abstain from voting at the EGM to approve the Subscription Agreement if the situation remains the same as at the date of EGM.

Upon consultation with the Executive, the Executive came to a view that the 2007 Redemption is an exempt share repurchase on part of the Company for the purpose of the Share Repurchase Code, having regard that the relevant provisions on the 2007 Redemption in the Subscription Agreement are amendments to the subscription agreement for the 2007 Convertible Notes mutually agreed by the Company and the CN Subscribers in writing and the 2007 Redemption will be made pursuant to the terms of the 2007 Convertible Notes.

LETTER FROM THE BOARD

6. INFORMATION OF AFH, AICL AND MR. CHAN BERNARD CHARNWUT

AFH is a company listed on the Stock Exchange, principally engaged in the provision of insurance and investment securities. AICL is a wholly owned subsidiary of AFH which principally engaged in the provision of underwriting of general and life insurance. Onsite Investment Limited, an indirect non-wholly owned subsidiary of AFH currently holds 9.615% interests in New Heritage Development Limited, a subsidiary of the Company. Save as disclosed, to the knowledge of the Directors, Mr. CHAN Bernard Charnwut, AFH and AICL and their respective associates do not hold any Shares of the Company as at the Latest Practicable Date.

AFH is controlled by the associate of Mr. CHAN Bernard Charnwut. To the best knowledge of the Directors, save and except for Mr. CHAN Bernard Charnwut being an executive director of AFH and a non-executive Director, Mr. CHAN Bernard Charnwut and AFH are independent to the Company and its connected persons.

7. THE EGM

The notice of the EGM is set out on pages 29 to 30 of this circular. The EGM will be held at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 16 September, 2011 at 11:00 a.m. (or any adjournment thereof), at which a resolution will be proposed to consider and if thought fit, approve, by way of poll, among other things, the Subscription Agreement and the transactions contemplated thereunder, including the issue of the 2011 Convertible Notes and the grant of the Specific Mandate.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders in respect of the resolution to approve the Subscription Agreement and the transactions contemplated thereunder will be taken by poll at the EGM.

LETTER FROM THE BOARD

8. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 13 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM in relation to the Subscription Agreement and the transactions contemplated thereunder, including the issue of the 2011 Convertible Notes and the proposed grant of the Specific Mandate.

Your attention is also drawn to the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder, including the issue of the 2011 Convertible Notes and the proposed grant of the Specific Mandate.

The Independent Board Committee, having taken into account the advice of Investec, considers that the Subscription Agreement and the transactions contemplated thereunder, including the issue of the 2011 Convertible Notes and the proposed grant of the Specific Mandate are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

9. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular.

By Order of the Board
New Heritage Holdings Ltd.
TAOCHAIFU Choofuang
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Subscription Agreement.

 **新澤控股有限公司**
New Heritage Holdings Ltd.

(Incorporated in the Cayman Islands with limited liability)

(HKSE Stock Code: 95)

25 July 2011

To the Independent Shareholders

Dear Sir/Madam,

**ISSUE OF HK\$75 MILLION 6 PER CENT.
UNLISTED AND UNSECURED CONVERTIBLE NOTES
(CONNECTED TRANSACTION)
AND
GRANT OF THE SPECIFIC MANDATE**

We refer to the circular of the Company dated 25 July 2011 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless specified otherwise.

We have been appointed to consider the terms and conditions of, and advise you in respect of the Subscription Agreement and the transactions contemplated thereunder, including the issue of the 2011 Convertible Notes and the proposed grant of the Specific Mandate, details of which are set out in the letter from the Board on pages 3 to 12 of the Circular.

We wish to draw your attention to the letter from the Board as set out on pages 3 to 12 of the Circular and the letter of advice from the Independent Financial Adviser as set out on pages 14 to 22 of the Circular.

Having taken into account the advice and recommendation of the Independent Financial Adviser, we consider that the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully

Independent Board Committee

Mr. WONG Gary Ka Wai

Mr. SUN Leland Li Hsun

Mr. CHAN Norman Enrique

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Investec Capital Asia Limited to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement prepared for the purpose of incorporation in this circular.



Investec Capital Asia Ltd
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www.investec.com

25 July 2011

To: *The Independent Board Committee and
the Independent Shareholders of
New Heritage Holdings Ltd.*

Dear Sirs/Madams,

**ISSUE OF HK\$75 MILLION 6 PER CENT.
UNLISTED AND UNSECURED CONVERTIBLE NOTES
(CONNECTED TRANSACTION)
AND
GRANT OF THE SPECIFIC MANDATE**

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the Subscription Agreement. Details of the Subscription Agreement are contained in the letter from the Board (the "Letter from the Board") of the circular to the Shareholders dated 25 July 2011 (the "Circular"), of which this letter forms part. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

On 5 July 2011, the Company entered into the Subscription Agreement with the CN Subscribers in relation to the issue of the 2011 Convertible Notes in an aggregate principal amount of HK\$75 million. Under the terms of the Subscription Agreement, the Company will issue 68,181,818 Conversion Shares to the CN Subscribers upon the exercise of the conversion rights attached to the 2011 Convertible Notes at a conversion price of HK\$1.10 per Conversion Share.

As at the Latest Practicable Date, Mr. CHAN Bernard Charnwut is a non-executive Director of the Company and an executive director of AFH. Accordingly, the Subscription Agreement entered into between the Company and the CN Subscribers constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, therefore the transactions contemplated thereunder, including the creation and issue of the 2011 Convertible Notes and the grant of the Specific Mandate to satisfy the allotment and issue of the Conversion Shares, are subject to the approval of the Independent Shareholders by way of a poll at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

AFH is a company listed on the Stock Exchange, principally engaged in the provision of insurance and investment securities. AICL is a wholly owned subsidiary of AFH which is principally engaged in the provision of underwriting of general and life insurance. Onsite Investment Limited, an indirect non-wholly owned subsidiary of AFH currently holds 9.615% interests in New Heritage Development Limited, a subsidiary of the Company. Save as disclosed, to the knowledge of the Directors, Mr. CHAN Bernard Charnwut, AFH and AICL and their respective associates do not hold any Shares as at the Latest Practicable Date.

As stated in the Letter from the Board, to the best knowledge of the Directors, the CN Subscribers and their respective associates do not hold any Shares as at the Latest Practicable Date, thus no Shareholders will be required to abstain from voting at the EGM to approve the Subscription Agreement if the situation remains the same as at the date of EGM.

The Independent Board Committee comprising all the independent non-executive Directors has been established to consider the Subscription Agreement and the transactions contemplated thereunder. As the independent financial adviser to the Independent Board Committees and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committees and the Independent Shareholders as to (i) whether or not the Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and Shareholders as a whole; (ii) whether or not the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable; and (iii) whether the Independent Shareholders should vote in favour of the resolution to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM.

II. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations for matters relating to the Group contained in the Circular and the information and representations provided to us by the Group and/or its senior management staff and/or the Directors. We have assumed that all such statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular or otherwise provided or made or given by the Group and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations for matters relating to the Group made or provided by the Directors and/or the senior management staff of the Group contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Group and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents to enable us to reach an informed view and to justify our reliance on the information provided so as to form a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

III. PRINCIPAL FACTORS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background information and reasons for the Subscription Agreement

As disclosed in the Letter from the Board, the Company issued the 2007 Convertible Notes in the aggregate principal amount of HK\$75 million which are convertible into Shares at the conversion price of HK\$1.10 per Conversion Share. As at the Latest Practicable Date, the 2007 Convertible Notes with an aggregate outstanding principal amount of HK\$50 million and HK\$25 million were legally and beneficially held by AFH and AICL, respectively.

The gross proceeds to be raised under the issue of the 2011 Convertible Notes is expected to be HK\$75 million. After deduction of the legal and professional cost for the transaction contemplated under the issue of the 2011 Convertible Notes, the net proceeds from such issue is expected to be approximately HK\$74 million. The Company intends to apply the net proceeds towards redemption of the 2007 Convertible Notes, which mature in October 2012.

Having considered that the issue of the 2011 Convertible Notes would allow the Group to refinance the debts under the 2007 Convertible Notes on substantially the same financial terms (save for the increase in interest rate from 5% per annum to 6% per annum) for a further two-year period from 2012 to 2014, the Board (excluding Mr. CHAN Bernard Charnwut who has a material interest in the Subscription Agreement and has abstained from voting to approve the Subscription Agreement), considers that the terms and conditions of the Subscription Agreement are fair and reasonable. The 2011 Convertible Notes will be treated as long term loan of the Group. The issue of the 2011 Convertible Notes will further strengthen the Group's financial position as it offers, in substance, an extension of the term of the debt under 2007 Convertible Notes until 2014. In addition, the Directors considered that the issue of the 2011 Convertible Notes is an appropriate means of raising capital for the Company since it will not have any dilutive effect on the shareholding of the existing Shareholders at the time of issue.

As stated in the Company's annual report for the year ended 31 December 2010, the Group had cash and cash equivalents of approximately HK\$422.1 million as at 31 December 2010, of which approximately HK\$404.0 million of bank balances were denominated in Renminbi ("RMB") and deposited with banks in the People's Republic of China (the "PRC"). The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. We understand from the management that the majority of the Group's RMB cash and deposits would be set aside for the Group's property projects within the PRC. Hence, based on the latest audited financial information available, in particular, majority of RMB denominated cash balances which are subject to PRC foreign exchange controls and which have been set aside for the Group's PRC property projects, therefore, it is better for the Company to refinance the 2007 Convertible Notes prior to their maturity in October 2012.

As such, we are of the view that the entering into of the Subscription Agreement will enable the Company to refinance its 2007 Convertible Notes, which is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. The principal terms of the 2011 Convertible Notes

A summary of the principal terms of the 2011 Convertible Notes are as follows:–

Aggregate principal amount	:	HK\$75 million (HK\$50 million by AFH and HK\$25 million by AICL).
Maturity	:	36 months from the date of issue of the 2011 Convertible Notes.
Interest	:	6% per annum, payable in arrear on a quarterly basis on 31 March, 30 June, 30 September and 31 December of each year between the date of issue of the 2011 Convertible Notes and the Maturity Date. The first payment of the interest shall be made on 31 December 2011.
Conversion	:	<i>Voluntary conversion</i>

The holder of the 2011 Convertible Notes shall have the right to convert, any part of the principal amount of the 2011 Convertible Notes in the multiple of HK\$25,000,000 at the Conversion Price unless the outstanding principal amount of the 2011 Convertible Notes is less than HK\$25,000,000, in which event, to convert the whole (but not part) of the outstanding principal amount of the 2011 Convertible Notes at the Conversion Price.

Compulsory conversion

The whole (but not part) of the principal amount of HK\$35,000,000 (HK\$25,000,000 for AFH and HK\$10,000,000 for AICL) of the 2011 Convertible Notes shall be compulsorily converted at the Conversion Price within seven business days if the closing price per Share is HK\$1.10 or higher for ten consecutive trading days during the period from the issue day of the 2011 Convertible Notes up to the five business days prior to the Maturity Date provided always that the Shares in issue shall be not more than 1,705,000,000 Shares.

No fraction of a Share will be issued on conversion of the 2011 Convertible Notes. Fractional entitlements shall be ignored and any sum paid shall be retained by the Company for its own benefit.

The holders of the 2011 Convertible Notes shall only exercise the right of conversion and the Company will issue any Conversion Shares to the extent that the public float of the Company will not be less than 25% immediately after such conversion.

Maximum number of Conversion Share	:	45,454,545 Conversion Shares for AFH and 22,727,273 Conversion Shares for AICL.
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LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Exercise Period : The CN Subscribers shall have the right to convert at any time on and after the issue date of the 2011 Convertible Notes up to the close of business on the date which is five business days immediately prior to the Maturity Date.
- Listing : The 2011 Convertible Notes will not be listed on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of and permission to deal in the Conversion Shares to be issued upon the exercise of the conversion rights attached to the 2011 Convertible Notes.

The Conversion Price of HK\$1.10 per Conversion Share represents:

- (i) a premium of approximately 345.34% over the closing price of HK\$0.247 per Share as quoted on the Stock Exchange on 5 July 2011, being the last day of trading in the Shares on the Stock Exchange immediately prior to the entering into of the Subscription Agreement (the “Last Trading Day”);
- (ii) a premium of approximately 352.67% over the average closing price of approximately HK\$0.243 per Share for the last five trading days ended on the Last Trading Day;
- (iii) a premium of approximately 362.18% over the average closing price of approximately HK\$0.238 per Share for the last ten trading days ended on the Last Trading Day; and
- (vi) a premium of approximately 374.14% over the closing price of HK\$0.232 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Comparable convertible notes

In order to assess the fairness and reasonableness of the 2011 Convertible Notes with respect to maturity, interest rate/coupon and conversion price, being the principal terms which we consider to be generally more important than others, we have attempted to compare them with those of other convertible notes or bonds issued for cash consideration recently (i.e. within three months prior to the date of the Subscription Agreement) by companies listed on the Stock Exchange (the “Comparables”), details of which are summarised in the table below. Notwithstanding the Comparables are engaged in different industries, taking into account (i) the Comparables are issuance of convertible notes or bonds for cash consideration rather than as consideration of acquisitions; (ii) the principal terms of the issuance under the Comparables including the coupon and conversion price are made with reference to the prevailing market conditions; and (iii) the principal terms of the convertible bonds (i.e. conversion price to market price and interest rate) should be considered in whole rather than in isolation, we are generally of the view that the Comparables, which are recent issues of convertible notes or bonds within three months of the Subscription Agreement, are able to reflect the prevailing market conditions and provide a relevant and appropriate reference for our analysis of the terms of the 2011 Convertible Notes.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (stock code)	Principal amount (HK\$ million) (note)	Interest rate/ coupon	Maturity (Years)	Premium/ discount over/to last trading day
5-Jul-11	Sino Oil and Gas Holdings Limited (702)	468	5%	1	14.94%
21-Jun-11	Sunrise (China) Technology Group Limited (8226)	40	12%	5	31.58%
16-Jun-11	China Oriental Culture Group Limited (2371)	30	8%	2	0%
14-Jun-11	Celestial Asia Securities Holdings Limited (1049)	93.6	4%	3	42.90%
13-Jun-11	Eternite International Company Limited (8351)	261	2%	3	18.00%
2-Jun-11	Simsen International Corporation Limited (993)	510	4%	1.5	-24.46%
24-May-11	Neo Telemedia Limited (8167)	25	0%	1	-8.00%
17-May-11	The Wharf (Holdings) Limited (4)	6,220	2.3%	3	65.00%
17-May-11	China Grand Forestry Green Resources Group Limited (910)	100	0%	3	0.92%
12-May-11	Mongolia Energy Corporation Limited (276)	2,000	3%	3	12.36%
6-May-11	Tech Pro Technology Development Limited (3823)	100	10%	2	8.33%
6-May-11	SRE Group Limited (1207)	550	2%	5	44.90%
3-May-11	China Gamma Group Limited (164)	105	1%	3	29.81%
19-Apr-11	Comtec Solar Systems Group Limited (712)	785	0%	5	-6.02%
18-Apr-11	Mingfa Group (International) Company Limited (846)	1,560	5.25%	5	20.00%
18-Apr-11	China E-Learning Group Limited (8055)	90	1%	3	42.86%
15-Apr-11	Computech Holdings Limited (8081)	23	5%	5	-15.50%
15-Apr-11	ITC Properties Group Limited (199)	705	3.25%	2.5	6.80%
13-Apr-11	China Power International Development Limited (2380)	1,178	2.25%	5	2.25%
10-Apr-11	China Huiyuan Juice Group Limited (1886)	1,170	4%	5	30.00%
8-Apr-11	Shangri-La Asia Limited (69)	4,680	0%	5	-5.00%
7-Apr-11	China Lumena New Materials Corp. (67)	936	6%	3	0.72%
7-Apr-11	Agile Property Holdings Limited (3383)	3,900	4%	5	40.00%
6-Apr-11	China Leason Investment Group Co., Limited (8270)	499	0%	2	2.00%
		maximum	12%	5	65.00%
		minimum	0%	1	-24.46%
		average	3.5%	3.4	14.77%
5-Jul-11	The Company	75	6%	3	345.34%

Source: website of the Stock Exchange – www.hkex.com.hk

Note: Certain convertible bonds are denominated in RMB. The exchange rate used to converted from RMB to HK\$ is RMB1 = HK\$1.2.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Interest rate/coupon

As shown in the above table, the interest rates/coupon of the Comparables range from nil to 12% per annum, with an average of approximately 3.5% per annum. Notwithstanding the interest rate of the 2011 Convertible Notes of 6% per annum is higher than the average of the Comparables, the interest rate of the 2011 Convertible Notes is within the range of the Comparables. We note that the interest rate of the 2011 Convertible Notes of 6% is higher than the interest rate of 5% of the 2007 Convertible Notes, however, the interest rate of convertible notes are often made with reference to the prevailing market conditions. In considering the fairness and reasonableness of the 2011 Convertible Notes, we have also taken into account the significant premium of the Conversion Price to the market price of the Shares as detailed below.

The Conversion Price is at a premium of approximately 345.34% to the Share price as at the Last Trading day, which is substantially higher than that of the Comparables. As such, the 2011 Convertible Notes is more similar to a debt instrument as the Share price of the Company would need to increase significantly before holders of the 2011 Convertible Notes were able to convert into Conversion Shares at the Conversion Price. In this connection, we have also reviewed the issue of notes/bonds for cash within three months prior to the date of the Subscription Agreement by companies listed on the Stock Exchange that are principally engaged in property development in the PRC, details of which are summarised below:

Date of announcement	Company (stock code)	Issue size (HK\$' million)	Interest rate/ coupon
23-May-11	Kaisa Group Holdings Ltd. (1638)	2,340	13.5%
20-May-11	China Resources Land Limited (1109)	5,850	4.625%
11-May-11	China Chengtong Development Group Limited (217)	720	4.5%
6-May-11	Sino-Ocean Land Holdings Limited (3377)	3,120	10.3%
		Average	8.2%

As shown from the table above, the debt issues by property developers in the PRC has an average interest rate of approximately 8.2% per annum, which is higher than the interest rate of the 2011 Convertible Notes.

Taking into account (i) the interest rate of the 2011 Convertible Notes is with the range of the Comparables; and (ii) the Conversion Price is at a significant premium of approximately 345.34% over the Share price as at the Last Trading Day; (iii) the interest rate of the 2011 Convertible Notes is lower than the average of the recent debt issues by PRC property developers, we are of the view that the interest rate of the 2011 Convertible Notes is fair and reasonable.

Maturity

As shown in the above table, the maturity of the Comparables range from one to ten years, with an average of approximately 3.4 years. The maturity of the 2011 Convertible Notes of three years is within the range of the Comparables. In this connection, we consider the maturity of the Convertible Note is in line with market practice.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Conversion Price

As shown in the above table, the conversion price of the Comparables varies significantly comparing to the last trading day, ranging from a discount of approximately 24.46% to a premium of 65.00% with an average premium of approximately 14.77%. The Conversion Price of HK\$1.10 represents a significant premium of approximately 345.34% when compared to the Last Trading Day, which is higher than the range of the Comparables. This is more favourable to the Company as the Share price of the Company would need to increase significantly before holders of the 2011 Convertible Notes were able to convert into Conversion Shares at the Conversion Price. As such, we consider the Conversion Price to be fair and reasonable.

We understand from the Company that the 2007 Convertible Notes will mature in October 2012. As stated in the Letter from the Board, assuming that the 2007 Redemption will take place in September 2011, the Redemption Amount would be HK\$81.9 million, which is under the early redemption provision under the 2007 Convertible Notes. Taking into account (i) the terms of the 2011 Convertible Notes are largely in line with the Comparables (except for the Conversion Price which is at a significant premium to the Share price) as stated above; (ii) the 2007 Convertible Notes would be classified as short term liabilities if the maturity date falls within one year; (iii) issuing the 2011 Convertible Notes to redeem the 2007 Convertible Notes would remove the uncertainty as to the refinancing needs as the 2007 Convertible Notes mature; and (iv) the legal and professional costs would be incurred regardless should the Company refinance the 2007 Convertible Notes as they mature, the Directors are of the view that it is reasonable for the Company to refinance the 2007 Convertible Notes under the Subscription Agreement. We concur with their view.

In summary, based on the comparison with recent issues by listed companies on the Stock Exchange, the principal terms of the 2011 Convertible Notes appear to be in line with the market. Accordingly, we are of the view that the terms of the 2011 Convertible Notes are on normal commercial terms and are fair and reasonable.

3. Other alternatives

As mentioned above, as at 31 December 2010, the Group had cash and cash equivalents of approximately HK\$422.1 million, of which approximately HK\$404.0 million was denominated in RMB and deposited with banks in the PRC. The conversion of such amounts is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. We understand from the management that the above-mentioned RMB deposits are set aside for the Group's property projects in the PRC.

We also understand from the Directors that they have explored the possibilities of raising borrowings of similar amount with certain financial institutions. In the meantime, one bank has indicated to the Company that the applicable interest would be at the rate of 3-month London Interbank Offered Rate plus 4.4% and would also need to be secured by the relevant development project as collateral. On the basis that (i) bank borrowings of similar amount would required to be collateralized against certain of the Group's assets; and (ii) the interest rate is on floating rate which would expose the Company to any future interest rate increase, the Company considers that bank financing would expose the Group to the potential upward movement and volatility of future interest rates, and thus not appropriate as a refinancing mean to the 2007 Convertible Notes.

The Directors have explored the possibility of equity financing, but after the negotiation with a securities firm, the feedback from the market was not favourable both in terms of pricing and size. Therefore, the Directors consider equity financing including rights issue and open offer in the current market sentiment is not in the interest of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In view of the factors discussed above, we concur with the Directors' view that based on the existing financial situation of the Group, it appears that the entering into of the Subscription Agreement for the purpose of issuing the 2011 Convertible Notes to refinance the 2007 Convertible Notes represents the best available means of discharging the Company's obligation under the 2007 Convertible Notes.

4. Dilution effect of the 2011 Convertible Notes

As at the Latest Practicable Date, there were approximately 1,278,639,685 Shares in issue. If the outstanding 2011 Convertible Notes are fully converted at the initial conversion price of HK\$1.10 each, a maximum of 68,181,818 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the 2011 Convertible Notes in full, which represents: (i) approximately 5.3% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 5.1% of the issued share capital of the Company as enlarged by the issue of the 68,181,818 Conversion Shares. In this connection, the aggregate shareholding interests of the existing Shareholders in the Company will be reduced to approximately 94.9% immediately after the full conversion of the 2011 Convertible Notes.

Having considered (i) the uncertainty of obtaining alternative financing as mentioned in the section "Other alternatives" above; and (ii) that the Conversion Price of HK\$1.10 is significantly above the Share price of HK\$0.232 as at the Latest Practicable Date, we are of the view that the potential dilution on the shareholding interests of the Independent Shareholders in the event that the Conversion Shares are issued, is acceptable.

IV. RECOMMENDATION

Having considered the above, we are of the opinion that the Subscription Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable. Accordingly, we would advise the Independent Board Committee and the Independent Shareholders that the Independent Shareholders should vote in favour of the resolution to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully
For and on behalf of
Investec Capital Asia Limited
Jimmy Chung
Executive Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company, or (c) were required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (“Model Code”) as set out in appendix 10 to the Listing Rules adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

(A) Interests in the Shares

Name of Director	Long position/ Short position	Capacity	Number of Shares held	Number of underlying shares (under equity derivatives of the Company)	Aggregate Interests	Approximate percentage of the issued capital of the Company
Mr. TAOCHAIFU Choofuang	Long Position	Interests of controlled corporation	651,882,278 (Note 1)	–	663,397,278	51.88%
		Personal interest	11,515,000			
Mr. TAO Richard	Long Position	Interests of controlled corporation	651,882,278 (Note 1)	–	674,584,035	52.76%
		Personal interest	22,701,757			
Mr. TAO Paul	Long Position	Interests of controlled corporation	651,882,278 (Note 1)	–	674,584,035	52.76%
		Personal interest	22,701,757			
Mr. KONG Mui Sum Lawrence	Long Position	Personal interest	2,500,220	8,315,000 (Note 2)	10,815,220	0.85%
Mr. YIM Chun Leung	Long Position	Personal interest	1,232,605	8,315,000 (Note 2)	9,547,605	0.75%

Notes:

- (1) Belbroughton Limited is a company incorporated in the BVI and the beneficial owner of 651,882,278 Shares. Belbroughton Limited is owned as to 20% by Seal United Investments Limited (i.e. a company incorporated in the BVI and the entire issued share capital of which is held by Mr. TAOCHAIFU Choofuang and his spouse, Mrs. TAO POON Lai Yew Nancy in equal proportions) and 80% by United Islands Group Limited (i.e. a company incorporated in the BVI and the entire issued share capital of which is held by Mr. TAOCHAIFU Choofuang and his spouse, Mrs. TAO POON Lai Yew Nancy as well as his daughter and sons, Ms. TAO Miriam, Mr. TAO Richard and Mr. TAO Paul in equal proportions). Accordingly, Seal United Investments Limited, United Islands Group Limited, Mr. TAOCHAIFU Choofuang, Mrs. TAO POON Lai Yew Nancy, Ms. TAO Miriam, Mr. TAO Richard and Mr. TAO Paul are deemed to be interested in 651,882,278 shares held by Belbroughton Limited.
- (2) Share options were granted to the executive Directors on 21 July 2008 and 19 November 2008 and are respectively exercisable between 21 July 2008 and 20 July 2011 at the exercise price of HK\$0.3000 per Share, and between 19 November 2008 and 18 November 2011 at the exercise price of HK\$0.1915 per Share.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (b) were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company, or (c) were required, pursuant to the Model Code adopted by the Company, to be notified to the Company and the Stock Exchange.

3. INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors or the chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (other than a Director or the chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

(A) The Company

Name of Shareholder	Long position/ Short position	Capacity	Number of Shares held	Aggregate Interest	Approximate percentage of the issued share capital of the Company	Notes
Mrs. TAO POON Lai Yew Nancy	Long position	Interests of controlled corporation	651,882,278	663,397,278	51.88%	1
		Interest of spouse	11,515,000			
Belbroughton Limited	Long position	Beneficial owner	651,882,278	651,882,278	50.98%	1
Seal United Investments Limited	Long position	Interests of controlled corporation	651,882,278	651,882,278	50.98%	1
United Islands Group Limited	Long position	Interests of controlled corporation	651,882,278	651,882,278	50.98%	1

Name of Shareholder	Long position/ Short position	Capacity	Number of Shares held	Aggregate Interest	Approximate percentage of the issued share capital of the Company	Notes
Ms. TAO Miriam	Long position	Interests of controlled corporation	651,882,278	651,882,278	50.98%	1
Tian Xiang Business Limited	Long position	Beneficial owner	150,000,000	150,000,000	11.73%	N/A
Spinnaker Capital Limited	Long position	Investment manager	92,322,673	92,322,673	7.22%	2
Spinnaker Asset Management – SAM Limited	Long position	Investment manager	92,322,673	92,322,673	7.22%	2
Deutsche Bank Aktiengesellschaft	Long position	Person having a security interest in shares	92,322,673	92,322,673	7.22%	3
Asia Financial Holdings Limited	Long position	Beneficial owner	45,454,545	68,181,818	5.06%	4
		Interests of controlled corporation	22,727,273			

Notes:

- (1) Belbroughton Limited is a company incorporated in the BVI and the beneficial owner of 651,882,278 Shares. Belbroughton Limited is owned as to 20% by Seal United Investments Limited (i.e. a company incorporated in the BVI and the entire issued share capital of which is held by Mr. TAOCHAIFU Choofuang and his spouse, Mrs. TAO POON Lai Yew Nancy in equal proportions) and 80% by United Islands Group Limited (i.e. a company incorporated in the BVI and the entire issued share capital of which is held by Mr. TAOCHAIFU Choofuang and his spouse, Mrs. TAO POON Lai Yew Nancy as well as his daughter and sons, Ms. TAO Miriam, Mr. TAO Richard and Mr. TAO Paul in equal proportions). Accordingly, Seal United Investments Limited, United Islands Group Limited, Mr. TAOCHAIFU Choofuang, Mrs. TAO POON Lai Yew Nancy, Ms. TAO Miriam, Mr. TAO Richard and Mr. TAO Paul are deemed to be interested in 651,882,278 shares held by Belbroughton Limited. The executive Directors of the Company, namely Mr. TAOCHAIFU Choofuang, Mr. TAO Richard and Mr. TAO Paul, are also directors of Belbroughton Limited and United Islands Group Limited. In addition, Mr. TAOCHAIFU Choofuang is also a director of Seal United Investments Limited.
- (2) Spinnaker Capital Limited and Spinnaker Asset Management — SAM Limited (together “**Spinnaker Group**”) are investment managers and the controlling shareholders of Spinnaker Global Opportunity Fund Limited (“**GO Fund**”), Spinnaker Global Emerging Markets Fund Limited (“**GEM Fund**”) and Spinnaker Global Strategic Fund Limited (“**GS Fund**”). GO Fund, GEM Fund and GS Fund held 24,927,122 shares, 44,314,883 shares and 23,080,668 shares, respectively.
- (3) The shares are held under Deutsche Bank Aktiengesellschaft custody for Spinnaker Group.
- (4) These 68,181,818 underlying shares represent the shares which may be issued upon full conversion of 2007 Convertible Notes. Accordingly, the relevant shareholding is calculated based on the issued share capital of the Company as enlarged by the conversion shares. Mr. CHAN Bernard Charnwut, a non-executive Director of the Company, is also an executive director of Asia Financial Holdings Limited.

(B) Other members of the Group

Name of shareholder	Group member	Long position/ short position	Capacity	Registered capital/ Number of shares held	Approximate percentage of share capital
Spinnaker Global Opportunity Fund Limited	Suzhou New Heritage Wuzhong Limited	Long position	Beneficial owner	US\$1,200,000	40%
Spinnaker Global Emerging Markets Fund Limited, Spinnaker Global Strategic Fund Limited and Spinnaker Global Opportunity Fund Limited	Prosper View Group Limited	Long position	Beneficial owner	4,900 shares	49%

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no other persons (not being a Director or chief executive of the Company) had, or were deemed to have, any interests or short positions in the Shares or underlying Shares which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were any persons, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

4. CLAIMS AND LITIGATIONS

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

5. SERVICE CONTRACTS

The former letters of appointment entered into by the Company and the non-executive Director and each of the independent non-executive Directors expired on 13 November 2008. On 22 October 2008, the non-executive Director and each of the independent non-executive Directors entered into a letter of appointment with the Company for a term of three years commencing on 14 November 2008; and such letters of appointments may be terminated by either party by giving one month's written notice.

The former service contracts entered into by the Company and each executive Director were expired on 30 November 2009. On 18 November 2009, each of the executive Directors entered into a service contract with the Company for a term of 25 months commencing on 1 December 2009 and is subject to termination by the executive Director giving not less than 3 months' written notice or by payment in lieu of such notice. The Company may immediately terminate the service contracts without any compensation to the executive Directors under certain conditions, as set out in the service contracts.

Save as disclosed above, none of the Directors has any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

6. COMPETING INTERESTS

As at the Latest Practicable Date, family members of Mr. TAOCHAIFU Choofuang, Chairman of the Company (including Mr. TAO Richard, Vice Chairman) beneficially owned two villas (the “Villas”) in Suzhou of a total gross floor area of approximately 770.76 sq.m. developed by a subsidiary of the Company which may constitute a competing business to the Group. The Villas have been held since 2005 for the purpose of generating rental income for the owners of the Villas including the daughter of the Chairman and Lakeside Consultants Limited which is beneficially owned by Mr. TAO Richard.

Save as disclosed above, none of the Directors or their respective associates were considered to have interest in a business, apart from the business of the Group, which competes or is likely to compete with that of the Group, either directly or indirectly, as at the Latest Practicable Date.

7. QUALIFICATION OF EXPERTS AND CONSENTS

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Investec	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activity under the SFO.

Investec has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein a copy of its advice and/or references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, Investec was not beneficially interested in the share capital of any member of the Group nor had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Investec was not interested in assets acquired or disposed of by or leased to any member of the Group since the date to which the latest published audited accounts of the Company were made up.

8. INTERESTS IN ASSET AND CONTRACT

None of the Directors nor any expert named in paragraph 7 in this appendix has since 31 December 2010, being the date to which the latest published audited accounts of the Group have been made up, any direct or indirect interests in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group.

Save for a non-executive director’s interests in the Subscription Agreement and the 2007 Convertible Notes, none of the Directors was as the Latest Practicable Date materially interested, directly or indirectly, in any contract or arrangement subsisting which was significant in relation to the business of the Group.

9. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, being the date to which the latest published audited accounts of the Group were made up.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Room 2301, 23rd Floor, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong during normal business hours on any weekday from 25 July 2011 up to and including 9 August 2011:

- (a) the service contracts of the Directors as referred to in paragraph 5 of this appendix; and
- (b) the Subscription Agreement.

11. MISCELLANEOUS

The circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.

NOTICE OF EGM

新澤控股有限公司 New Heritage Holdings Ltd.

(Incorporated in the Cayman Islands with limited liability)

(HKSE Stock Code: 95)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of New Heritage Holdings Ltd. (the “**Company**”) will be held at Falcon Room I, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 16 September, 2011 at 11:00 a.m. (or any adjournment thereof) for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:–

ORDINARY RESOLUTION

“THAT

- (a) the subscription agreement (the “**Subscription Agreement**”) dated 5 July 2011 entered into between the Company as issuer and Asia Financial Holdings Limited and Asia Insurance Company, Limited as subscribers (collectively, the “**CN Subscribers**”) in relation to the issue of the convertible notes (the “**Convertible Notes**”) in an aggregate principal amount of HK\$75 million (a copy of the Subscription Agreement is produced to the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby confirmed, ratified and approved;
- (b) the issue of the Convertible Notes in accordance with the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder be and are hereby approved;
- (c) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Conversion Shares (as defined below) either unconditionally or subject to such condition as may be reasonably acceptable to the Company, the directors of the Company be and are hereby authorised and granted specific mandate to allot and issue up to a maximum of not more than 68,181,818 shares (the “**Conversion Shares**”) of par value of HK\$0.01 each in the share capital of the Company at the conversion price of HK\$1.10 per share to the CN Subscribers in accordance with the terms and conditions of the Subscription Agreement and the Convertible Notes; and
- (d) any one or more of the directors of the Company be and is/are hereby authorised on behalf of the Company to sign or execute such documents or deeds, to do all such things and acts as he may consider necessary or desirable for the purpose of giving effect to the Subscription Agreement and completing the transactions contemplated thereunder, including but not limited to the issue of Convertible Notes and the allotment and issue of Conversion Shares.”

By Order of the Board
New Heritage Holdings Ltd.
TAOCHAIFU Choofuang
Chairman

Dated 25 July, 2011

Principal place of business in Hong Kong:

Room 2301, 23/F Fortis Tower

77-79 Gloucester Road

Wanchai, Hong Kong

NOTICE OF EGM

Notes:

1. A form of proxy to be used for the meeting is enclosed.
2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member. A proxy shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he/she acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he/she acts as proxy as such member could exercise if it were an individual member.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned.
5. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy or by representative, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the register.