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HERITAGE INTERNATIONAL HOLDINGS LIMITED

漢基控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 412)

MAJOR TRANSACTION – SUBSCRIPTION AND ISSUE OF CONVERTIBLE NOTES

AND

RESUMPTION OF TRADING

Subscription and Issue of Convertible Notes

The Board wishes to announce that after trading hours on 15 July 2009, the Company entered into the Neptune CB Subscription Agreement with Neptune, pursuant to which Neptune had conditionally agreed to issue, and the Company had conditionally agreed to subscribe or procure the subscription for, the Neptune Convertible Note in the principal amount of HK\$100 million, the subscription price of which will be satisfied by the Company by the issue of the Heritage Convertible Note in the principal amount of HK\$100 million.

Assuming that the Neptune Convertible Note is converted in full at the initial conversion price of HK\$0.13 per Neptune Share, a total of 769,230,769 Neptune Shares will be issued, representing approximately 19.99% of the entire issued share capital of Neptune as at the date of this announcement and approximately 16.66% of the entire issued share capital of Neptune as enlarged by the issue of such Neptune Shares.

The Heritage Convertible Note, on the other hand, if fully converted at the initial conversion price of HK\$0.96 per Heritage Share, will give rise to an issue of 104,166,666 Heritage Shares, representing approximately 33.96% of the entire issued share capital of the Company as at the date of this announcement and approximately 25.35% of the entire issued share capital of the Company as enlarged by the issue of such Heritage Shares.

The subscription of the Neptune Convertible Note constitutes a major transaction for the Company under Rule 14.06 of the Listing Rules and is subject to the approval of the Shareholders. The issue of the Heritage Convertible Note and the Heritage Conversion Shares is also subject to the approval of the Shareholders. A circular containing further particulars of the Subscription and the Heritage Convertible Note, and a notice convening the special general meeting of the Company to be convened for the purpose of approving, inter alia, the Subscription and the issue of the Heritage Convertible Note, will be despatched to the Shareholders as soon as possible in accordance with the requirements of the Listing Rules.

Resumption of Trading

Trading in the Heritage Shares was suspended with effect from 9:30 a.m. on 16 July 2009 at the request of the Company pending the release of this announcement and application has been made to the Stock Exchange for the resumption of trading in the Heritage Shares with effect from 9:30 a.m. on 17 July 2009.

1. SUBSCRIPTION AND ISSUE OF THE CONVERTIBLE NOTES

The Board wishes to announce that after trading hours on 15 July 2009, the Company entered into the Neptune CB Subscription Agreement with Neptune, pursuant to which Neptune had conditionally agreed to issue, and the Company had conditionally agreed to subscribe or procure the subscription for, the Neptune Convertible Note in the principal amount of HK\$100 million. In satisfaction of the subscription price therefor, the Company entered into the Heritage CB Subscription Agreement with Neptune on the same date, pursuant to which the Company had conditionally agreed to issue, and Neptune had conditionally agreed to subscribe or procure the subscription for, the Heritage Convertible Note in the principal amount of HK\$100 million. The principal terms of the Neptune CB Subscription Agreement and the Heritage CB Subscription Agreement are summarised below:

A. Principal terms of the Neptune CB Subscription Agreement

Date	:	15 July 2009
Issuer	:	Neptune. Neptune is a company listed on the main board of the Stock Exchange (Stock Code: 70) and is principally engaged in investment in gaming related business, the cruise business and trading of listed

securities. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, Neptune and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

- Subscriber : The Company
- Principal amount of the Neptune Convertible Note : HK\$100 million
- Conditions precedent : Completion of the Neptune CB Subscription Agreement is conditional upon:
- (i) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which Neptune and the Company have no reasonable objection) listing of, and permission to deal in, the Neptune Conversion Shares;
 - (ii) if required, the passing of the necessary resolution(s) by the Neptune Shareholders (other than those, if any, required to abstain from voting pursuant to the Listing Rules) at general meeting to approve the entering into of the Neptune CB Subscription Agreement by Neptune and performance of the transactions contemplated thereunder including the issue of the Neptune Convertible Note and the issue and allotment of the Neptune Conversion Shares in accordance with the Neptune Convertible Note;

- (iii) if required, the passing of the necessary resolution(s) by the Shareholders (other than those, if any, required to abstain from voting pursuant to the Listing Rules) at general meeting to approve the entering into of the Neptune CB Subscription Agreement by the Company and the subscription of the Neptune Convertible Note;
- (iv) all the conditions precedent under the Heritage CB Subscription Agreement (other than the condition precedent requiring fulfilment or waiver of all the conditions precedent contained under the Neptune CB Subscription Agreement) having been fulfilled or waived (as the case may be) in accordance with the provisions thereof;
- (v) the representations, warranties and undertakings given by Neptune under the Neptune CB Subscription Agreement remaining true and accurate in all material respects and not misleading in any material respect;
- (vi) there being no occurrence of circumstances which, in the reasonable opinion of the Company, will have a material adverse effect on the financial condition, prospects, earning, business, undertaking or assets of the Neptune Group, in each case, taken as a whole, since the date of the Neptune CB Subscription Agreement; and

(vii) all necessary approvals from the relevant governmental or regulatory authorities in Hong Kong and Bermuda required of either Neptune or the Company for the consummation of the transactions contemplated under the Neptune CB Subscription Agreement having been obtained and all filings having been made by each of Neptune and the Company.

If the conditions precedent set out above are not fulfilled (or, in respect of the conditions precedent set out in (v) and (vi) above, waived by the Company in its absolute discretion) on or before 31 October 2009 (or such later date as may be agreed in writing between Neptune and the Company), the Neptune CB Subscription Agreement shall lapse and become null and void and the parties thereto shall be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof.

Completion : Completion of the Neptune CB Subscription Agreement shall take place on the third business day after fulfilment or waiver (as the case may be) of all of the above conditions precedent.

B. Principal terms of the Heritage CB Subscription Agreement

Date : 15 July 2009

Issuer : The Company

Subscriber : Neptune

Principal amount of the Heritage Convertible Note : HK\$100 million

Conditions precedent : Completion of the Heritage CB Subscription Agreement is conditional upon:

- (i) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company and Neptune have no reasonable objection) listing of, and permission to deal in, the Heritage Conversion Shares;
- (ii) if required, the passing of the necessary resolution(s) by the Shareholders (other than those, if any, required to abstain from voting pursuant to the Listing Rules) at general meeting to approve the entering into of the Heritage CB Subscription Agreement by the Company and performance of the transactions contemplated thereunder including the issue of the Heritage Convertible Note and the issue and allotment of the Heritage Conversion Shares in accordance with the Heritage Convertible Note;
- (iii) if required, the passing of the necessary resolution(s) by the Neptune Shareholders (other than those, if any, required to abstain from voting pursuant to the Listing Rules) at general meeting to approve the entering into of the Heritage CB Subscription Agreement by Neptune and the subscription of the Heritage Convertible Note;
- (iv) all the conditions precedent under the Neptune CB Subscription Agreement (other than the condition precedent requiring fulfilment or waiver of all the conditions precedent contained under the Heritage CB Subscription Agreement) having been fulfilled

or waived (as the case may be) in accordance with the provisions thereof;

- (v) the representations, warranties and undertakings given by the Company under the Heritage CB Subscription Agreement remaining true and accurate in all material respects and not misleading in any material respect;
- (vi) there being no occurrence of circumstances which, in the reasonable opinion of Neptune, will have a material adverse effect on the financial condition, prospects, earning, business, undertaking or assets of the Group, in each case, taken as a whole, since the date of the Heritage CB Subscription Agreement; and
- (vii) all necessary approvals from the relevant governmental or regulatory authorities in Hong Kong and Bermuda required of either the Company or Neptune for the consummation of the transactions contemplated under the Heritage CB Subscription Agreement having been obtained and all filings having been made by each of the Company and Neptune.

If the conditions precedent set out above are not fulfilled (or, in respect of the conditions precedent set out in (v) and (vi) above, waived by Neptune in its absolute discretion) on or before 31 October 2009 (or such later date as may be agreed in writing between the Company and Neptune), the Heritage CB Subscription Agreement shall lapse and become null and void and the parties thereto shall be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof.

Completion : Completion of the Heritage CB Subscription Agreement shall take place on the third business day after fulfilment or waiver (as the case may be) of all of the above conditions precedent.

C. Principal terms of the Heritage Convertible Note and the Neptune Convertible Note

Save and except for the conversion price, most of the terms of the Heritage Convertible Note and the Neptune Convertible Note are identical and they are summarised below:

Maturity : The third anniversary from the date of issue of the Heritage Convertible Note or the Neptune Convertible Note (as the case may be).

Interest : Both Heritage Convertible Note and Neptune Convertible Note are non-interest bearing.

Conversion rights : The holder(s) of the convertible note(s) shall have the right to convert, on any business day after the date of issue of such note(s) until the maturity date, the whole (or part only in an integral multiple of HK\$1,000,000) of the principal amount of such note(s) at their respective conversion price provided that no conversion shares will be issued if, upon such issue, the noteholder together with parties acting in concert with it will become interested in 30% or more of the then enlarged issued share capital of the issuer or be otherwise required to make a mandatory general offer for all the shares of the issuer pursuant to the Takeovers Code.

Conversion price : The initial Neptune Conversion Price is HK\$0.13 per Neptune Share, subject to adjustments in certain events such as share consolidation, share sub-division, capitalisation issue, capital distribution, rights issue and other equity derivative issues.

The initial Neptune Conversion Price represents:

- (i) a discount of approximately 16.13% to the closing price of HK\$0.155 per Neptune Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 16.99% to the average closing price of HK\$0.1566 per Neptune Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 18.14% to the average closing price of HK\$0.1588 per Neptune Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day.

The initial Heritage Conversion Price is HK\$0.96 per Heritage Share, subject to adjustments in certain events such as share consolidation, share sub-division, capitalisation issue, capital distribution, rights issue and other equity derivative issues.

The initial Heritage Conversion Price represents:

- (i) a discount of approximately 15.79% to the closing price of HK\$1.14 per Heritage Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 15.34% to the average closing price of HK\$1.134 per Heritage Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and

(iii) a discount of approximately 16.81% to the average closing price of HK\$1.154 per Heritage Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day.

Conversion shares : Assuming that the Neptune Convertible Note is converted in full at the initial conversion price of HK\$0.13 per Neptune Share, a total of 769,230,769 Neptune Shares will be issued, representing approximately 19.99% of the entire issued share capital of Neptune as at the date of this announcement and approximately 16.66% of the entire issued share capital of Neptune as enlarged by the issue of such Neptune Shares.

The Neptune Conversion Shares will be issued under the general mandate granted to the directors of Neptune by a resolution of its shareholders passed at the annual general meeting of Neptune held on 22 December 2008. Such general mandate has not been utilised since the date of passing of the relevant resolution.

The Heritage Convertible Note, on the other hand, if fully converted at the initial conversion price of HK\$0.96 per Heritage Share, will give rise to an issue of 104,166,666 Heritage Shares, representing approximately 33.96% of the entire issued share capital of the Company as at the date of this announcement and approximately 25.35% of the entire issued share capital of the Company as enlarged by the issue of such Heritage Shares.

Early redemption : To the extent not previously converted, the issuer shall have the right, exercisable at any time from the date of issue of the convertible note up to the maturity date by giving to the noteholder not less than

three business days' prior written notice, to redeem the whole or any part (in an integral multiple of HK\$1,000,000) of the note outstanding.

Voting : The noteholder will not be entitled to receive notice of, attend or vote at any meeting of the issuer by reason only of its being a holder of the convertible note.

Transferability : The convertible note may be transferred to any third party provided that the transfer must be in respect of the whole (or part only in an integral multiple of HK\$1,000,000) of the outstanding principal amount of the convertible note.

In the event of a transfer to a connected person of the issuer, the noteholder(s) shall notify the issuer in writing of such transfer, so that the issuer may promptly notify the Stock Exchange of such transfer.

Ranking : The shares to be issued upon exercise of the conversion rights attaching to the convertible note will rank *pari passu* in all respects with all other existing shares outstanding at the date of exercise of the conversion rights and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of exercise of the conversion rights.

Listing : No application will be made for the listing of, or permission to deal in, the Neptune Convertible Note or the Heritage Convertible Note but application will be made to the Stock Exchange for the listing of, and permission to deal in, the conversion shares to be issued upon exercise of the conversion rights attaching to the Neptune Convertible Note and the Heritage Convertible Note.

D. Effect on the shareholding structure of the Company

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after exercise of the conversion rights attaching to the Heritage Convertible Note in full at the initial Heritage Conversion Price is as follows:

	As at the date of this announcement		Immediately after the issue of the Heritage Conversion Shares	
	<i>Number of Heritage Shares</i>	<i>Approximate %</i>	<i>Number of Heritage Shares</i>	<i>Approximate %</i>
Directors				
Mr. Kwong Kai Sing, Benny	1,544,400	0.50%	1,544,400	0.37%
Mr. Ong Peter	859,536	0.28%	859,536	0.21%
Ms. Poon Chi Wan	118,800	0.04%	118,800	0.03%
Neptune	–	0.00%	104,166,666	25.35%
Other public shareholders	304,246,009	99.18%	304,246,009	74.04%
Total	<u>306,768,745</u>	<u>100.00%</u>	<u>410,935,411</u>	<u>100.00%</u>

Note:

As at the date of this announcement, the Company does not have any other outstanding options, warrants, derivatives or securities convertible into Heritage Shares.

2. REASONS FOR THE TRANSACTIONS

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.

The Directors believe that the Subscription is beneficial to the Company and its shareholders as it would strengthen the relationship between the Group and the Neptune Group, thereby increasing the chance of future co-operation between the two groups, and enable each of them to further develop or diversify its businesses by leveraging on the experience and expertise of the other in their respective fields of business. Besides, by exercising the conversion rights attaching to the Neptune Convertible Note, the Group may be able to benefit from the future growth of the Neptune Group.

The Directors consider that the terms of the Neptune CB Subscription Agreement and the Heritage CB Subscription Agreement (including the conversion prices therefor which were determined with reference to the prevailing market prices of the shares and negotiated on an arm's length basis between the parties) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

As the Heritage Convertible Note is issued in satisfaction of the subscription price payable by the Company under the Neptune CB Subscription Agreement for the Neptune Convertible Note, there will be no proceeds receivable pursuant to the issue of the Heritage Convertible Note.

3. GENERAL

The subscription of the Neptune Convertible Note constitutes a major transaction for the Company under Rule 14.06 of the Listing Rules and is subject to the approval of the Shareholders. The issue of the Heritage Convertible Note and the Heritage Conversion Shares is also subject to the approval of the Shareholders. To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Subscription or the issue of the Heritage Convertible Note. As such, no Shareholders are required to abstain from voting at the special general meeting to be convened for the purpose of approving, inter alia, the Subscription and the issue of the Heritage Convertible Note.

A circular containing further particulars of the Subscription and the Heritage Convertible Note, and a notice convening the special general meeting of the Company to be convened for the purpose of approving, inter alia, the Subscription and the issue of the Heritage Convertible Note, will be despatched to the Shareholders as soon as possible in accordance with the requirements of the Listing Rules.

4. RESUMPTION OF TRADING

Trading in the Heritage Shares was suspended with effect from 9:30 a.m. on 16 July 2009 at the request of the Company pending the release of this announcement and application has been made to the Stock Exchange for the resumption of trading in the Heritage Shares with effect from 9:30 a.m. on 17 July 2009.

5. DEFINITIONS

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

“acting in concert” has the meaning ascribed thereto under the Takeovers Code

“associate(s)” has the meaning ascribed thereto under the Listing Rules

“Board”	the board of Directors
“Company”	Heritage International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Heritage CB Subscription Agreement”	the conditional agreement dated 15 July 2009 entered into between the Company as the issuer and Neptune as the subscriber in relation to the subscription of the Heritage Convertible Note
“Heritage Conversion Price”	the conversion price of each Heritage Share to be issued upon exercise of the conversion rights attaching to the Heritage Convertible Note, being HK\$0.96 initially and subject to the adjustments which may be made pursuant to the terms of the Heritage Convertible Note
“Heritage Conversion Shares”	the new Heritage Shares to be issued by Heritage upon the exercise of the conversion rights attaching to the Heritage Convertible Note
“Heritage Convertible Note”	the zero coupon convertible note due 2012 in the principal amount of HK\$100 million to be issued by the Company to Neptune or its nominee(s) pursuant to the Heritage CB Subscription Agreement
“Heritage Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Last Trading Day”	15 July 2009, being the last trading day of the Heritage Shares on the Stock Exchange prior to the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Neptune”	Neptune Group Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 70)
“Neptune CB Subscription Agreement”	the conditional agreement dated 15 July 2009 entered into between the Company as the subscriber and Neptune as the issuer in relation to the subscription of the Neptune Convertible Note
“Neptune Conversion Price”	the conversion price of each Neptune Share to be issued upon exercise of the conversion rights attaching to the Neptune Convertible Note, being HK\$0.13 initially and subject to the adjustments which may be made pursuant to the terms of the Neptune Convertible Note
“Neptune Conversion Shares”	the new Neptune Shares to be issued by Neptune upon the exercise of the conversion rights attaching to the Neptune Convertible Note
“Neptune Convertible Note”	the zero coupon convertible note due 2012 in the principal amount of HK\$100 million to be issued by Neptune to the Company or its nominee(s) pursuant to the Neptune CB Subscription Agreement
“Neptune Group”	Neptune and its subsidiaries
“Neptune Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of Neptune
“Neptune Shareholder(s)”	the shareholder(s) of Neptune
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription”	the subscription of the Neptune Convertible Note by the Company or its nominee(s) pursuant to the Neptune CB Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Kwong Kai Sing, Benny
Chairman

Hong Kong, 16 July 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 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.

* *For identification purposes only*