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HERITAGE INTERNATIONAL HOLDINGS LIMITED

漢基控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 412)

**DISCLOSEABLE AND
CONNECTED TRANSACTION
IN RELATION TO
THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF
A WHOLLY OWNED SUBSIDIARY OF THE COMPANY –
GOLDEN VICTORY HOLDINGS LIMITED**

THE SALE AND PURCHASE AGREEMENT

On 11 August 2014 (after trading hours), Coupeville, a wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Sun Metro, pursuant to which Coupeville has agreed to sell and Sun Metro has agreed to purchase the entire issued share capital of Golden Victory together with the Shareholder Loan for a cash Consideration of HK\$41,000,000.

LISTING RULES IMPLICATIONS

Sun Metro, being a company wholly owned by Dr. Kwong who has resigned as an executive Director and chairman of the Board on 7 August 2014, is a connected person of the Company as defined under Rule 14A.07 of the Listing Rules. As such, the entering into of the Sale and Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of the transactions contemplated under the Sale and Purchase Agreement does not exceed 5% under Rule 14.07 of the Listing Rules, the entering into of the Sale and Purchase Agreement is subject to the reporting and announcement requirement but is exempted from the independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

INTRODUCTION

On 11 August 2014 (after trading hours), Coupeville, a wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Sun Metro, pursuant to which Coupeville has agreed to sell and Sun Metro has agreed to purchase the entire issued share capital of Golden Victory together with the Shareholder Loan for a cash Consideration of HK\$41,000,000.

THE SALE AND PURCHASE AGREEMENT

Set out below are the principal terms of the Sale and Purchase Agreement:

Date:

11 August 2014 (after trading hours)

Parties:

- (1) Vendor: Coupeville
- (2) Purchaser: Sun Metro

The Purchaser is a company wholly owned by Dr. Kwong, being a former executive Director and chairman of the Board. Dr. Kwong is also a shareholder of the Company holding 26,904,244 Shares as at the date of this announcement.

Sale and purchase of the Sale Share and assignment of the Shareholder Loan

Pursuant to the Sale and Purchase Agreement, Coupeville shall, as the sole registered and beneficial owner, sell and Sun Metro shall purchase the Sale Share together with the assignment of the benefit of and interest in the Shareholder Loan to the Purchaser, free from all claims, charges, liens, encumbrances, equities and other adverse claims and interests but together with all rights attached, accrued or accruing thereto.

Assets to be disposed of

The Sale Share represents the entire issued share capital of Golden Victory. Golden Victory is the sole shareholder of Noble Castle which is the registered and beneficial owner of the Property.

The Property is a residential property known as House No. B7 (including its 2 car parking spaces), Regalia Bay, No. 88 Wong Ma Kok Road, Hong Kong. The gross floor area of the Property is approximately 4,387 square feet. According to a recent valuation conducted by an independent professional valuer, the market value of the Property as at 31 March 2014 was HK\$66,000,000. The Property is now subject to a mortgage as security for the Mortgage Loan with outstanding principal amount of approximately HK\$24,726,000 as at 30 June 2014. The Property is currently used by the Group as a chairman's quarter.

The Shareholder Loan amounted to approximately HK\$46,539,000 as at 30 June 2014.

Consideration

The aggregate Consideration payable for the sale of the Sale Share together with the assignment of the benefit of and interest in the Shareholder Loan shall be HK\$41,000,000 which shall be apportioned as to HK\$8 for the Sale Share and HK\$40,999,992 for the Shareholder Loan. HK\$8,200,000 in cash has been paid as initial deposit by the Purchaser upon the execution of the Sale and Purchase Agreement and the balance in the sum of HK\$32,800,000 shall be payable in cash on the Completion Date.

The consideration was determined after arm's length negotiations between Coupeville and Sun Metro with reference to (i) the market value of the Property of HK\$66,000,000 as at 31 March 2014; (ii) the amount of net liabilities of the Disposal Group of approximately HK\$9,051,000 as per its unaudited consolidated statement of financial position as at 30 June 2014 (after taking into account of the Shareholder Loan and the Mortgage Loan); and (iii) the Shareholder Loan amounted to approximately \$46,539,000 as at 30 June 2014.

Conditions precedent

Completion shall be subject to and conditional upon the fulfillment of the following conditions:

- (a) the approval of the Sale and Purchase Agreement and transactions contemplated thereunder by shareholders of the Company in accordance with the Listing Rules, if required;
- (b) if applicable, the obtaining of all consents by the Coupeville from regulatory authorities or third parties which are necessary in connection with the execution and performance of the Sale and Purchase Agreement and any of the transactions contemplated thereunder; and
- (c) no events, facts or circumstances, which has constituted or may constitute any breach of any provisions of the Sale and Purchase Agreement (including without limitation the representations and warranties as stipulated therein) has happened on or before the Completion Date.

Sun Metro is entitled to waive Coupeville from the obligations to comply with condition (c). If the above-mentioned conditions are not fulfilled or waived (as the case may be) within 2 months from the signing of the Sale and Purchase Agreement (or such later date as the parties may otherwise agree from time to time), Coupeville shall return to Sun Metro within three (3) Business Days the sum of HK\$8,200,000 so paid by Sun Metro to Coupeville without any interest and the Sale and Purchase Agreement shall terminate and of no further effect save in respect of any antecedent breaches.

Completion

Completion shall take place on the third Business Day after the date on which the above-mentioned conditions shall have been satisfied or, if applicable, waived by the Purchaser.

INFORMATION ON THE DISPOSAL GROUP AND THE PROPERTY

Golden Victory and Noble Castle are companies incorporated in the British Virgin Islands and Hong Kong respectively with limited liability. Golden Victory is principally engaged in the holding of Noble Castle and Noble Castle is principally engaged in the holding of the Property.

Based on the unaudited consolidated account of the Disposal Group, as at the 30 June 2014, the amount of net liabilities of the Disposal Group was approximately HK\$9,051,000 (after taking into account of the Shareholder Loan of approximately HK\$46,539,000, the carrying value of the Property was HK\$62,774,000. Further financial information of the Disposal Group for the past two financial years ended 31 March 2013 and 31 March 2014 based on the unaudited consolidated account of the Disposal Group is set out as follows:

	For the year ended 31 March 2013 (HK\$ 000)	For the year ended 31 March 2014 (HK\$ 000)
Loss before taxation	3,985	9,694
Loss after taxation	4,227	9,694

The Property is a residential property known as House No. B7 (including its 2 car parking spaces), Regalia Bay, No. 88 Wong Ma Kok Road, Hong Kong. The gross floor area of the Property is approximately 4,387 square feet.

According to a recent valuation conducted by an independent professional valuer, the market value of the Property as at 31 March 2014 was HK\$66,000,000. The Property is now subject to a mortgage as security for a mortgage loan granted to Noble Castle with outstanding principal amount of approximately HK\$24,726,000 as at 30 June 2014. The Property is currently used by the Group as a chairman's quarter.

Both Golden Victory and Noble Castle will cease to be a subsidiary of the Company after Completion.

FINANCIAL EFFECT OF DISPOSAL AND THE USE OF THE NET PROCEEDS FROM THE DISPOSAL

Based on the preliminary assessment, the Group is expected to recognise a net gain of approximately HK\$3,302,000 upon the completion of the Disposal, which represents the consideration of HK\$41,000,000 less the total amount of the Shareholder Loan of approximately HK\$46,539,000 as advanced by Coupeville to the Disposal Group as at 30 June 2014 plus the amount of net liabilities of the Disposal Group of approximately HK\$9,051,000 as at 30 June 2014 and taking into consideration of the estimated transaction cost of approximately HK\$210,000 for such disposal.

The net proceeds from the Disposal of approximately HK\$ 40,790,000 will be used by the Group for general working capital purposes.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company and its subsidiaries are principally engaged in property related investments, investment in securities, money-lending businesses, operation of Chinese medicine clinic and investment and operation of forestlands.

As the Property has been used by the Group as chairman's quarter and Dr. Kwong is interested to acquire the Property, the disposal will enable the Group to be discharged from the Mortgage Loan and hence strengthen its financial position and liquidity.

The Board (including the independent non-executive Directors) considers that the terms of the Sale and Purchase Agreement are negotiated on an arm's length basis. Having considered the above-mentioned terms and reasons of entering into the Sale and Purchase Agreement, the Board (including the independent non-executive Directors) considers that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Sun Metro, being a company wholly owned by Dr. Kwong who is a former executive Director and chairman of the Board who has resigned on 7 August 2014, is a connected person of the Company as defined under Rule 14A.07 of the Listing Rules. As such, the entering into of the Sale and Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of the transactions contemplated under the Sale and Purchase Agreement does not exceed 5% under Rule 14.07 of the Listing Rules, the entering into of the Sale and Purchase Agreement is subject to the reporting and announcement requirements but is exempted from the Independent Shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

DEFINITIONS

Unless the context requires otherwise, terms used in this announcement shall have the following meanings:

“associates”	has the meaning ascribed to this term under the Listing Rules;
“Board”	means the board of Directors
“Business Day”	a day on which licensed banks in Hong Kong are open for business, other than: (i) a Saturday; (ii) a Sunday; (iii) public holiday; or (iv) a day on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.;
“Company”	means Heritage International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange;
“Completion”	means the completion of the sale and purchase of the Sale Share and the assignment of the Shareholder Loan (if any) pursuant to the Sale and Purchase Agreement;
“Completion Date”	means the third (3rd) Business Day after the date on which all of the conditions precedent of the Sale and Purchase Agreement shall have been satisfied or waived (or such other date and/or time as the parties thereto may agree from time to time) and where Completion shall take place;
“connected persons”	has the meaning ascribed to this term under the Listing Rules;
“Consideration”	means HK\$41,000,000, being the aggregate of the considerations in respect of the sale and purchase of the Sale Share and assignment of the Shareholder Loan as stipulated in the Sale and Purchase Agreement;

“Coupeville”	means Coupeville Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company;
“Director(s)”	means the director(s) of the Company;
“Disposal”	means the disposal of the Sale Share and assignment of the Shareholder Loan(s) pursuant to the Sale and Purchase Agreement;
“Disposal Group”	means Golden Victory and Noble Castle;
“Dr. Kwong”	means Dr. Kwong Kai Sing, Benny, being a former executive Director and chairman of the Board who resigned on 7 August 2014;
“Golden Victory”	means Golden Victory Holdings Limited (金凱控股有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Coupeville;
“Group”	the Company and its subsidiaries;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Mortgage Loan”	means the outstanding mortgage loan granted by a bank to Noble Castle which is secured by a mortgage on the Property;
“Noble Castle”	means Noble Castle International Limited (富居國際有限公司), a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of Golden Victory;
“Property ”	means the residential property known as House No. B7 (including its 2 car parking spaces), Regalia Bay, No. 88 Wong Ma Kok Road, Hong Kong;

- “Sale and Purchase Agreement” means the sale and purchase agreement (including its schedules and exhibits) dated 11 August 2014 entered into between Coupeville and Sun Metro in relation to, amongst other things, the sale and purchase of the entire issued share capital in Golden Victory and the assignment of the Shareholder Loan;
- “Sale Share” means one share of US\$1 in the issued share capital of the Golden Victory, representing the entire issued share capital of Golden Victory;
- “Share(s)” means ordinary share(s) of the Company;
- “Shareholder(s)” means shareholders of the Company;
- “Shareholder Loan” means the outstanding unsecured and non-interest bearing shareholder loan advanced by the Coupeville to Golden Victory which is repayable on demand;
- “Sun Metro” means Sun Metro Global Limited, a company incorporated in the British Virgin Islands with limited liability;
- “Stock Exchange” means The Stock Exchange of Hong Kong Limited;

By order of the Board
Heritage International Holdings Limited
Chow Chi Wah, Vincent
Executive Director and Company Secretary

Hong Kong, 11 August 2014

As at the date of this announcement, the Company has three executive Directors, being Mr. Ong Peter, Mr. Chow Chi Wah, Vincent and Ms. Chen Wei and four independent non-executive Directors, being Mr. To Shing Chuen, Mr. Ha Kee Choy, Eugene, Mr. Chung Yuk Lun and Mr. Lo Wong Fung.

* *For identification purposes only*