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HERITAGE INTERNATIONAL HOLDINGS LIMITED

漢基控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 412)

DISCLOSEABLE TRANSACTION

SUBSCRIPTION OF CONVERTIBLE BOND OF RADFORD CAPITAL INVESTMENT LIMITED

The Board announces that on 24 September 2008, Double Smart, a subsidiary of the Company, entered into the Settlement Deed with Radford, pursuant to which Radford had agreed to issue the Convertible Bond to Double Smart or its nominee in settlement of the Loan.

Upon full conversion of the Convertible Bond at the initial Conversion Price of HK\$0.15 per Radford Share, a total of 133,333,333 Conversion Shares will be issued, representing approximately 25.81% of the existing issued share capital of Radford and approximately 20.52% of the issued share capital of Radford as enlarged by the issue of the Conversion Shares.

The subscription of the Convertible Bond constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. A circular containing further particulars of the Subscription will be despatched to the Shareholders as soon as possible in accordance with the requirements of the Listing Rules.

1. INTRODUCTION

On 15 May 2008, Double Smart (in its ordinary and normal course of business as a licensed money lender) entered into a loan agreement with Radford, pursuant to which Double Smart lent a sum of HK\$20,000,000 to Radford by way of revolving loan facility. The interest rate applicable to the Loan is the prime or best lending rate for Hong Kong dollar loans as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time. The Loan is due to be repaid on 14 November 2008. If Radford shall default in repayment, Double Smart may charge default interest at such rate as it may determine from time to time, but at the request of Radford, Double Smart has agreed to accept the Convertible Bond in settlement of the Loan and a settlement deed was entered into by Double Smart with Radford after trading hour on 24 September 2008. The salient terms of the Settlement Deed are summarised below.

2. THE SETTLEMENT DEED

Date:

24 September 2008 (as supplemented by a supplemental deed dated 26 September 2008)

Parties:

Lender: Double Smart Finance Limited, a wholly-owned subsidiary of the Company, licensed to carry on business as a money lender under the Money Lenders Ordinance.

Borrower: Radford Capital Investment Limited. Radford is a company listed on the main board of the Stock Exchange (Stock Code: 901) and is primarily engaged in the business of investing in both listed and unlisted companies.

As at the date of this announcement, the Group is interested in approximately 6.97% of the issued share capital of Radford, and Radford is interested in approximately 8.71% of the issued share capital of the Company. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, save as disclosed above, Radford and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules) except that Mr. Chung Yuk Lun, an independent non-executive director of the Company, is the Chairman of Radford and Mr. Chan Sze Hung is an independent non-executive director of both the Company and Radford.

Conversion Shares:

Pursuant to the Settlement Deed, Radford will issue the Convertible Bond to Double Smart or its nominee in settlement of the Loan, which has an outstanding principal amount of HK\$20,000,000 as at the date of this announcement, while interest accrued on the Loan shall be separately repaid on completion of the Settlement Deed.

Assuming full conversion of the Convertible Bond at the initial Conversion Price of HK\$0.15 per Radford Share, the Convertible Bond will be convertible into 133,333,333 Conversion Shares, representing approximately 25.81% of the existing issued share capital of Radford and approximately 20.52% of the issued share capital of Radford as enlarged by the issue of the Conversion Shares.

The Company understood from Radford that it had on 24 September 2008 entered into another settlement deed, pursuant to which Radford had agreed to issue another convertible bond to another lender, which if converted at the initial conversion price of HK\$0.15 per Radford Share, would entitle this lender to subscribe for an aggregate of 166,666,667 Radford Shares. Assuming full conversion of both convertible bonds at the initial conversion price of HK\$0.15 per Radford Share and taking into account the existing shareholding of the Group in Radford, the Group will be interested in approximately 20.74% of the enlarged issued share capital of Radford after full conversion of the Convertible Bond.

Set out below is the audited consolidated financial information of the Radford Group for each of the two financial years ended 31 December 2006 and 2007 as extracted from the 2007 annual report of Radford:

	Year ended 31 December	
	2007	2006
	HK\$	HK\$
Turnover	1,101,896,960	230,697,848
Loss before taxation	(29,720,157)	(28,541,032)
Loss for the year	(29,720,157)	(28,541,032)
	As at 31 December	
	2007	2006
	HK\$	HK\$
Total assets	487,023,703	166,257,798
Total liabilities	69,518,964	5,812,525
Net assets	417,504,739	160,445,273

Conversion Price:

The initial Conversion Price of HK\$0.15 per Conversion Share was arrived at after arm's length negotiation between the Company and Radford with reference to the recent market price of the Radford Shares and represents:

- (a) a discount of approximately 4.46% to the closing price of HK\$0.157 per Radford Share as quoted on the Stock Exchange on 24 September 2008, being the date of the Settlement Deed;
- (b) a discount of approximately 12.59% to the average closing price of HK\$0.1716 per Radford Share as quoted on the Stock Exchange for the last 5 trading days up to and including 23 September 2008, being the last trading day immediately before the date of the Settlement Deed; and
- (c) a discount of approximately 50.17% to the unaudited consolidated net asset value of approximately HK\$0.301 per Radford Share as announced by Radford on 9 September 2008.

The Conversion Price will be subject to adjustment, the details of which are summarised in the paragraph headed "Terms of the Convertible Bond" of this announcement.

Conditions precedent:

Completion of the Settlement Deed is conditional upon:

- (a) the Listing Committee granting the listing of, and permission to deal in, the Conversion Shares; and
- (b) the passing of a resolution by the shareholders of Radford approving the issue of the Convertible Bond and the Conversion Shares thereunder in accordance with the Listing Rules.

If any of the above conditions have not been fulfilled by 30 November 2008 (or such other date as the parties thereto may agree), the Settlement Deed will lapse and become null and void and Radford will remain liable for the repayment of the Loan.

Completion:

Completion of the Settlement Deed will take place on the third business day after all the above conditions precedent have been fulfilled or such other date as the parties thereto may mutually agree in writing.

3. TERMS OF THE CONVERTIBLE BOND

The principal terms of the Convertible Bond are summarised as follows:

Principal amount	:	HK\$20,000,000
Conversion Price	:	HK\$0.15 per Conversion Share, subject to adjustments in certain events including, among other things, share consolidation, share subdivision, capitalisation issue, capital distribution and rights issue.
Interest rate	:	Zero
Maturity	:	The third anniversary of the date of issue of the Convertible Bond.
Early redemption	:	There is no early redemption right under the Convertible Bond.
Transferability	:	The Convertible Bond is not transferable without the prior written consent of Radford, except by a transfer to subsidiaries or the holding company of the holder of the Convertible Bond. The Convertible Bond may not be transferred by the holder of the Convertible Bond, without the prior written consent of Radford, to any connected person (as defined in the Listing Rules) of Radford.
Conversion period	:	The holder of the Convertible Bond shall have the right to convert at any time following the date of issue of the Convertible Bond until the date 7 days before (and excluding) the maturity date the whole or any part (in an amount or integral multiple of HK\$1,000,000) of the outstanding principal amount of the Convertible Bond into Conversion Shares at the Conversion Price.

- Deemed conversion : Unless previously converted, the holder of the Convertible Bond shall be deemed to have delivered a conversion notice and exercised in full its conversion rights under the outstanding principal amount of the Convertible Bond at the Conversion Price if the closing price of the Radford Shares as published on the Stock Exchange's daily quoted sheets for each dealing day during a consecutive 30 dealing days period is equal to or in excess of 150% of the Conversion Price.
- Conversion restriction : Holder of the Convertible Bond may not exercise its conversion rights and Radford will not issue any Radford Shares if, upon such issue, (i) the holder of the Convertible Bond will, together with parties acting in concert with it, be interested in 30% (or such amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of Radford on the relevant conversion date, or (ii) the public shareholding in Radford will be less than 25% or the minimum prescribed percentage as set out in the Listing Rules from time to time.
- Voting : The holder of the Convertible Bond will not be entitled to receive notice of, attend or vote at any meeting of Radford by reason only of it being the holder of the Convertible Bond.
- Listing : No application will be made for the listing of the Convertible Bond on the Stock Exchange or any other securities exchange but an application will be made by Radford for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Bond.
- Ranking : The Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Bond will rank *pari passu* in all respects with all other Radford Shares in issue at the date of conversion of the Convertible Bond.

4. REASONS FOR, AND BENEFITS OF, THE SUBSCRIPTION

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.

Double Smart is a licensed money lender and the provision of Loan to Radford is in the ordinary and normal course of its business. In view of the recent turmoil in the financial market which results in a tightening of availability of funds, Radford has requested Double Smart to enter into the Settlement Deed with a view of restructuring the Loan. Although the Convertible Bond does not carry any interest, it gives the Group an option to convert the loan into equity interest in Radford and benefit from the future growth of the Radford Group. Therefore, despite that Radford has recorded losses in the past two years, the Directors still consider the terms of the Settlement Deed to be fair and reasonable. Further, given that the Conversion Price represents a discount to the recent traded market price of the Radford Shares and a substantial discount to the unaudited consolidated net asset value per Radford Share, the Directors consider the terms of the Subscription to be fair and reasonable and in the interests of the Company and its shareholders as a whole.

5. GENERAL

The Subscription constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. A circular containing further particulars of the Subscription will be despatched to the Shareholders as soon as possible in accordance with the requirements of the Listing Rules.

The Company will comply with the relevant Listing Rules upon exercise of the conversion rights attached to the Convertible Bond.

6. DEFINITIONS

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

“Board”	the board of Directors
“Company”	Heritage International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Conversion Price”	the conversion price of HK\$0.15 per Conversion Share (subject to adjustment)

“Conversion Shares”	new Radford Shares which would fall to be issued by Radford upon the exercise of the conversion rights attached to the Convertible Bond
“Convertible Bond”	zero coupon convertible bond due 2011 in an aggregate principal amount of HK\$20,000,000 proposed to be issued by Radford to Double Smart or its nominee pursuant to the Settlement Deed
“Director(s)”	the director(s) of the Company
“Double Smart”	Double Smart Finance Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, which is licensed to carry on business as a money lender under the Money Lenders Ordinance
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan in the principal amount of HK\$20,000,000 extended by Double Smart to Radford
“Radford”	Radford Capital Investment Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Radford Group”	Radford and its subsidiaries
“Radford Share(s)”	share(s) of a nominal value of HK\$0.10 each in the issued share capital of Radford
“Settlement Deed”	the conditional settlement deed dated 24 September 2008 (as supplemented by a supplemental deed dated 26 September 2008) entered into between Radford and Double Smart in relation to the settlement of the Loan by the Convertible Bond, subject to the terms and conditions contained therein

“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Convertible Bond by the Group pursuant to the terms of the Settlement Deed

By order of the Board
Kwong Kai Sing, Benny
Chairman

Hong Kong, 26 September 2008

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

* *For identification purposes only*