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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 NOTE OF UNITY INVESTMENTS HOLDINGS LIMITED

The Board announces that on 8 October 2008, Double Smart, a subsidiary of the Company, entered into the Settlement Deed with Unity, pursuant to which Unity had agreed to issue the Convertible Note to Double Smart or its nominee in settlement of the Loan.

Upon full conversion of the Convertible Note at the initial Conversion Price of HK\$0.132 per Unity Share, a total of 151,515,151 Conversion Shares will be issued, representing approximately 40.32% of the existing issued share capital of Unity and approximately 28.73% of the issued share capital of Unity as enlarged by the issue of the Conversion Shares.

The subscription of the Convertible Note 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 14 August 2008, Double Smart (in its ordinary and normal course of business as a licensed money lender) entered into a loan agreement with Unity, pursuant to which Double Smart lent a sum of HK\$20,000,000 to Unity 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 13 November 2008. If Unity 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 Unity, Double Smart has agreed to accept the Convertible Note in settlement of the Loan and a settlement deed was entered into by Double Smart with Unity on 8 October 2008. The salient terms of the Settlement Deed are summarised below.

2. THE SETTLEMENT DEED

Date:

8 October 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: Unity Investments Holdings Limited. Unity is a company listed on the main board of the Stock Exchange (Stock Code: 913) and is principally engaged in investments in listed securities in Hong Kong and the other main stock market around the world and also in unlisted companies.

As at the date of this announcement, the Group is interested in approximately 5.32% of the issued share capital of Unity, and Unity is interested in approximately 7.36% 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, Unity and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Conversion Shares:

Pursuant to the Settlement Deed, Unity will issue the Convertible Note 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 Note at the initial Conversion Price of HK\$0.132 per Unity Share, the Convertible Note will be convertible into 151,515,151 Conversion Shares, representing approximately 40.32% of the existing issued share capital of Unity and approximately 28.73% of the issued share capital of Unity as enlarged by the issue of the Conversion Shares.

The Company understood from Unity that it had on 8 October 2008 entered into a separate settlement deed with another lender, pursuant to which Unity had agreed to issue another convertible note to such lender, which if converted at the initial conversion price of HK\$0.132 per Unity Share, would entitle this lender to subscribe for an aggregate of 136,363,636 Unity Shares. Assuming full conversion of both convertible notes at the initial conversion price of HK\$0.132 per Unity Share and taking into account the existing shareholding of the Group in Unity, the Group will be interested in approximately 25.84% of the enlarged issued share capital of Unity after conversion of the Convertible Note.

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

	Year ended 31 December	
	2007	2006
	HK\$	HK\$
Turnover	837,238,944	295,055,810
(Loss) Profit before taxation	(98,995,641)	12,204,259
(Loss) Profit for the year	(98,995,641)	12,204,259

	As at 31 December	
	2007	2006
	HK\$	HK\$
Total assets	447,924,232	225,294,435
Total liabilities	31,123,296	13,033,169
Net assets	416,800,936	212,261,266

Conversion Price:

The initial Conversion Price of HK\$0.132 per Conversion Share was arrived at after arm's length negotiation between the Company and Unity with reference to the recent market price of the Unity Shares and represents:

- (a) a discount of approximately 5.71% to the closing price of HK\$0.14 per Unity Share as quoted on the Stock Exchange on 6 October 2008, being the last trading day immediately before the date of the Settlement Deed;
- (b) a discount of approximately 10.93% to the average closing price of HK\$0.1482 per Unity Share as quoted on the Stock Exchange for the last 5 trading days up to and including 6 October 2008, being the last trading day immediately before the date of the Settlement Deed; and
- (c) a discount of approximately 74.62% to the unaudited consolidated net asset value of approximately HK\$0.52 per Unity Share as announced by Unity on 6 October 2008.

The Conversion Price will be subject to adjustment, the details of which are summarised in the paragraph headed "Terms of the Convertible Note" 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 Unity approving the issue of the Convertible Note and the Conversion Shares thereunder in accordance with the Listing Rules.

If any of the above conditions have not been fulfilled by 31 December 2008 (or such other date as the parties thereto may agree), the Settlement Deed will lapse and become null and void and Unity 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 NOTE

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

- Principal amount** : HK\$20,000,000
- Conversion Price** : HK\$0.132 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** : The Convertible Note is non-interest bearing.
- Maturity** : The third anniversary of the date of issue of the Convertible Note.
- Early redemption** : There is no early redemption right under the Convertible Note.
- Transferability** : The Convertible Note is not transferable without the prior written consent of Unity, except by a transfer to subsidiaries or the holding company of the holder of the Convertible Note. The Convertible Note may not be transferred by the holder of the Convertible Note, without the prior written consent of Unity, to any connected person (as defined in the Listing Rules) of Unity.
- Conversion period** : The holder of the Convertible Note shall have the right to convert at any time following the date of issue of the Convertible Note 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 Note into Conversion Shares at the Conversion Price.
- Deemed conversion** : Unless previously converted, the holder of the Convertible Note shall be deemed to have delivered a conversion notice and exercised in full its conversion rights under the outstanding principal amount of the Convertible Note at the Conversion Price if the closing price of the Unity 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 Note may not exercise its conversion rights and Unity will not issue any Unity Shares if, upon such issue, (i) the holder of the Convertible Note 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 Unity on the relevant conversion date, or (ii) the public shareholding in Unity 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 Note will not be entitled to receive notice of, attend or vote at any meeting of Unity by reason only of it being the holder of the Convertible Note.
- Listing** : No application will be made for the listing of the Convertible Note on the Stock Exchange or any other securities exchange but an application will be made by Unity 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 Note.
- Ranking** : The Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Note will rank *pari passu* in all respects with all other Unity Shares in issue at the date of conversion of the Convertible Note.

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 Unity 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, Unity has requested Double Smart to enter into the Settlement Deed with a view of restructuring the Loan. Although the Convertible Note does not carry any interest and has no early redemption right, it gives the Group an option to convert the loan into equity interest in Unity and benefit from the future growth of the Unity Group. Although Unity has recorded a loss for the financial year ended 31 December 2007, the net assets of the Unity Group almost doubled from approximately HK\$212 million as at 31 December 2006 to approximately HK\$417 million as at 31 December 2007. Besides, in view of the recent market price of the Unity Shares which had almost reached its lowest point in years, the Directors consider the entering into of the Settlement Deed to be in the interests of the Company and its shareholders as a whole as it gives the Group an opportunity to capture any upside benefit which may arise as a result of any increase in the share price of the Unity Shares. Further, given that the Conversion Price represents a discount to the recent traded market price of the Unity Shares and a substantial discount to the unaudited consolidated net asset value per Unity 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 Note.

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\$0.132 per Conversion Share (subject to adjustment)

“Conversion Shares”	new Unity Shares which would fall to be issued by Unity upon the exercise of the conversion rights attached to the Convertible Note
“Convertible Note”	zero coupon convertible note due 2011 in an aggregate principal amount of HK\$20,000,000 proposed to be issued by Unity 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 Unity
“Settlement Deed”	the conditional settlement deed dated 8 October 2008 entered into between Unity and Double Smart in relation to the settlement of the Loan by the Convertible Note, 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 Note by the Group pursuant to the terms of the Settlement Deed
“Unity”	Unity Investments Holdings 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

“Unity Group”	Unity and its subsidiaries
“Unity Share(s)”	share(s) of a nominal value of HK\$0.10 each in the issued share capital of Unity

By order of the Board
Poon Chi Wan
Executive Director

Hong Kong, 9 October 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*