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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)

### **PROPOSED CAPITAL REORGANISATION**

The Company intends to put forward to the Shareholders for their approval a proposal involving the following changes to the capital of the Company:

- (a) Capital Reduction: the issued share capital of the Company will be reduced by cancelling the paid-up capital to the extent of HK\$0.09 on each issued Share;
- (b) Subdivision: forthwith upon the Capital Reduction taking effect, every authorised but unissued Share will be subdivided into 10 shares of HK\$0.01 par value each;
- (c) Reduction of Authorised Share Capital: following the Subdivision, the authorised share capital of the Company will be reduced from HK\$1,000 million to HK\$100 million; and
- (d) Share Consolidation: upon the Capital Reduction, the Subdivision and the Reduction of Authorised Share Capital becoming effective, every 10 shares of HK\$0.01 each in both the issued and unissued share capital of the Company will be consolidated into one Consolidated Share of HK\$0.10 each.

The credit arising from the Capital Reduction of approximately HK\$230 million, calculated based on 2,557,667,916 Shares currently in issue, will be transferred to the contributed surplus account of the Company to set-off the accumulated losses of the Company, which stood at approximately HK\$590 million as at 31 March 2008.

The Capital Reorganisation is conditional upon, among other things, the passing by the Shareholders of the relevant resolution(s) at the SGM and the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares.

A circular containing, among other things, further particulars of the Capital Reorganisation and the notice of the SGM, will be despatched to the Shareholders as soon as possible in accordance with the Listing Rules.

## **1. CAPITAL REORGANISATION**

The Company intends to put forward to the Shareholders for their approval the Capital Reorganisation comprising the Capital Reduction, the Subdivision, the Reduction of Authorised Share Capital and the Share Consolidation, details of which are set out below.

### **A. Capital Reduction**

The issued share capital of the Company will be reduced by cancelling the paid-up capital to the extent of HK\$0.09 on each issued Share.

On the basis of 2,557,667,916 Shares currently in issue, a credit of approximately HK\$230 million will arise from the Capital Reduction and will be transferred to the contributed surplus account of the Company. It will be applied to set-off the accumulated losses of the Company, which stood at approximately HK\$590 million as at 31 March 2008.

### **B. Subdivision**

Forthwith upon the Capital Reduction taking effect, every authorised but unissued Share will be subdivided into 10 shares of HK\$0.01 par value each.

### **C. Reduction of Authorised Share Capital**

Following the Subdivision, the authorised share capital of the Company will be reduced from HK\$1,000 million to HK\$100 million by cancelling 90,000,000,000 unissued shares of HK\$0.01 each.

**D. Share Consolidation**

Upon the Capital Reduction, the Subdivision and the Reduction of Authorised Share Capital becoming effective, every 10 shares of HK\$0.01 each in both the issued and unissued share capital of the Company will be consolidated into one Consolidated Share of HK\$0.10 each. Fractional Consolidated Shares will not be issued to individual Shareholders but will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise if the entire shareholding of a Shareholder is not in integral multiple of 10 regardless of the number of share certificates held by such Shareholder.

**E. Conditions of the Capital Reorganisation**

The Capital Reorganisation is conditional upon:

- (a) passing by the Shareholders of the relevant resolution(s) at the SGM approving the Capital Reorganisation;
- (b) publication of a notice of capital reduction in Bermuda in accordance with the Companies Act;
- (c) on the date on which the Capital Reduction is to take effect, there are no reasonable grounds for believing that the Company is, or after the Capital Reduction would be, unable to pay its liabilities as they fall due; and
- (d) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Consolidated Shares to be issued following completion of the Capital Reorganisation.

## **F. Effect of the Capital Reorganisation**

The Consolidated Shares arising from the Capital Reorganisation will rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions contained in the bye-laws of the Company. The following table sets out the effect of the Capital Reorganisation on the share capital of the Company, that is, before and after implementation of the Capital Reorganisation:

	<b>Before the Capital Reorganisation</b>	<b>Immediately after the Capital Reorganisation</b>
<b>Nominal value</b>	HK\$0.10	HK\$0.10
<b>Authorised share capital</b>	HK\$1,000,000,000.00 divided into 10,000,000,000 Shares	HK\$100,000,000.00 divided into 1,000,000,000 Consolidated Shares
<b>Issued and paid-up share capital</b>	HK\$255,766,791.60 divided into 2,557,667,916 Shares	HK\$25,576,679.10 divided into 255,766,791 Consolidated Shares

*Notes:*

- (a) The above table is prepared on the assumption that no further Shares are issued or repurchased between the date of this announcement and the date of the SGM.
- (b) As at the date of this announcement, the Company has 355,333,583\* outstanding warrants which entitle the holders thereof to subscribe for an aggregate of 355,333,583\* Shares. Save as aforesaid, the Company does not have any outstanding options or other securities which are convertible or exchangeable into Shares as at the date hereof.

After the Share Consolidation becoming effective, the board lot for trading in the Consolidated Shares will be changed from 5,000 Shares to 5,000 Consolidated Shares.

The implementation of the Capital Reorganisation will not, of itself, materially alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests of the Shareholders, save for any fractional Consolidated Shares to which Shareholders would otherwise be entitled.

## **G. Reasons for the Capital Reorganisation**

The main purpose for implementing the Capital Reorganisation is to reduce the overall transaction costs for dealings in the shares of the Company. Upon the Share Consolidation becoming effective, the market value of each board lot of shares of the Company will be higher than the market value of each existing board lot of shares. Any trading costs or handling charges, which are

calculated on per board lot basis, will for a given interest in the Company be lower. In addition, the Company can apply the credit arising from the Capital Reduction to offset the accumulated losses of the Company.

Therefore, the Directors consider the Capital Reorganisation to be in the interests of the Company and the Shareholders as a whole.

#### **H. Exchange of share certificates and trading arrangements**

Subject to the passing of the relevant resolution(s) approving the Capital Reorganisation, Shareholders may, during business hours from 28 November 2008 until 9 January 2009 submit their existing certificates (in orange colour) for the Shares to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong in exchange for new certificates (in dark blue colour) for the Consolidated Shares at the expenses of the Company. Thereafter, existing certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each new certificate issued for the Consolidated Shares or each old share certificate for the Shares submitted for cancellation, whichever the number of certificates issued or cancelled is higher. Nevertheless, certificates for the existing Shares will continue to be good evidence of legal title and may be exchanged for certificates for the Consolidated Shares at any time.

Further, to alleviate the difficulties arising from the existence of odd lots of Consolidated Shares, the Company has agreed to procure Chung Nam Securities Limited to stand in the market to provide matching services regarding the sale and purchase of odd lots of Consolidated Shares on a best efforts basis, during the period from 12 December 2008 to 7 January 2009 (both dates inclusive). Holders of the Consolidated Shares in odd lots who wish to take advantage of this matching facility either to dispose of their odd lots of Consolidated Shares or to top up to board lots of 5,000 Consolidated Shares, may contact Mr. Cecil Chan of 26/F, China United Centre, 28 Marble Road, North Point, Hong Kong at telephone number (852) 3198 0838 during office hours.

#### **I. Adjustment to the subscription price of the outstanding warrants**

Subject to the Share Consolidation taking effect, the subscription price of the outstanding warrants of the Company will be adjusted in accordance with the terms and conditions of the instrument creating the warrants. The adjustment to the subscription price of the warrants is subject to certification by an approved merchant bank or the auditors of the Company and will be disclosed by the Company in the circular to be issued to all Shareholders containing further particulars of the Capital Reorganisation.

## 2. TENTATIVE TIMETABLE FOR THE CAPITAL REORGANISATION

The following expected timetable is indicative only and may be subject to change:

Circular to be despatched on . . . . . 4 November 2008

Latest time for lodging proxy  
form for the SGM . . . . . 9:00 a.m. on 25 November 2008

Date and time of the SGM . . . . . 9:00 a.m. on 27 November 2008

Effective date of the Capital Reorganisation . . . . . 28 November 2008

Consolidated Shares commence trading on the  
Stock Exchange . . . . . 9:30 a.m. on 28 November 2008

Original counter for trading in the  
Shares in board lots of 5,000  
Shares closes . . . . . 9:30 a.m. on 28 November 2008

Temporary counter for trading in the Consolidated  
Shares in board lots of 500 Consolidated Shares  
(in the form of existing share certificates)  
opens . . . . . 9:30 a.m. on 28 November 2008

First day of free exchange of share certificates for  
existing Shares for new share certificates for  
Consolidated Shares . . . . . 28 November 2008

Original counter for trading in the Consolidated  
Shares in board lots of 5,000 Consolidated Shares  
(in the form of new share certificates)  
re-opens . . . . . 9:30 a.m. on 12 December 2008

Parallel trading in the Consolidated Shares  
(in the form of new share certificates and  
existing share certificates) commences . . . . . 9:30 a.m. on 12 December 2008

Designated broker starts to stand in the  
market to provide matching services. . . . . 9:30 a.m. on 12 December 2008

Temporary counter for trading in the Consolidated  
Shares in board lots of 500 Consolidated Shares  
(in the form of existing share certificates)  
closes . . . . . 4:10 p.m. on 7 January 2009

Parallel trading in the Consolidated Shares  
(in the form of new share certificates and  
existing share certificates) ends . . . . . 4:10 p.m. on 7 January 2009

Designated broker ceases to stand in the  
market to provide matching services. . . . . 4:10 p.m. on 7 January 2009

Last day of free exchange of the share certificates for  
existing Shares for new share certificates for  
Consolidated Shares . . . . . 9 January 2009

Further announcement(s) will be made by the Company if there is any change to  
the above expected timetable.

### **3. GENERAL MATTERS**

An application will be made to the Listing Committee of the Stock Exchange for  
the listing of, and permission to deal in, the Consolidated Shares to be issued  
following the completion of the Capital Reorganisation.

A circular containing, among other things, further particulars of the Capital  
Reorganisation and the notice of the SGM, will be despatched to the Shareholders  
as soon as possible in accordance with the Listing Rules.

### **4. DEFINITIONS**

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

“Board”	the board of Directors
“Capital Reorganisation”	the proposed capital reorganisation of the Company comprising the Capital Reduction, the Subdivision, the Reduction of Authorised Share Capital and the Share Consolidation, as referred to in the section headed “Proposed Capital Reorganisation” above
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	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
“Consolidated Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company following the Capital Reorganisation
“Director(s)”	the director(s) of the Company

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Reduction of Authorised Share Capital”	the proposed reduction of authorised share capital of the Company from HK\$1,000 million to HK\$100 million
“SGM”	the special general meeting of the Company to be convened for the purpose of approving the Capital Reorganisation
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Consolidation”	the proposed consolidation of shares as referred to in the paragraph headed “Share Consolidation” above
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdivision”	the proposed subdivision of every authorised but unissued Share into 10 shares of HK\$0.01 par value each
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By order of the Board  
**Poon Chi Wan**  
*Executive Director*

Hong Kong, 14 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*