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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 DISPOSAL OF 50% EQUITY INTEREST IN BEST PURPOSE GROUP

AND

RESUMPTION OF TRADING

On 8 June 2009, the Group, through Coupeville, as the vendor and Welltodo as the purchaser entered into a share purchase agreement, under which the Group conditionally agreed to dispose of the Sale Shares, representing 50% shareholding interest in Best Purpose, to Welltodo at total consideration of HK\$180 million. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, Welltodo and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Best Purpose Group is principally engaged in money lending business. The Group is currently holding 100% shareholding interest in Best Purpose. After completion of the Best Purpose Disposal Agreement, the Group will continue to have the remaining 50% shareholding in Best Purpose.

The consideration for the Sale Shares will be satisfied at completion by the issue of the Convertible Note for the principal amount of HK\$180 million, which is convertible into new shares of Willie at HK\$1.39 each (subject to adjustment).

The outstanding principal amount of the Convertible Note will be interest bearing at the rate of 2% p.a. and, unless previously converted or redeemed, will be due on the third anniversary of the date of issue of the Convertible Note. Upon full conversion of the HK\$180 million principal amount of the Convertible Note at HK\$1.39 per Willie Share, a total of 129,496,402 new Willie Shares will be issued, representing (i) approximately 33.21% of the issued share capital of Willie as at the date of this announcement; and (ii) approximately 24.93% of the issued share capital of Willie as enlarged by the issue of the Conversion Shares.

The Best Purpose Disposal Agreement constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules as the applicable percentage ratios in respect of it exceed 25% but are less than 75%. It is therefore subject to the Shareholders' approval under Chapter 14 of the Listing Rules. Willie is holding about 3.45% of the entire issued share capital of the Company indirectly. Accordingly, Willie and its associates will abstain from voting at the SGM. A major transaction circular in connection with the Best Purpose Disposal Agreement together with notice to convene the SGM for consideration and approval of such agreement will be despatched to the Shareholders as soon as practicable.

Trading in the Shares on the Stock Exchange was temporarily suspended at the request of the Company with effect from 9:30 a.m. on 9 June 2009 pending the release of this announcement. The Company has applied for a resumption of trading in the Shares with effect from 9:30 a.m. on 12 June 2009.

A. THE BEST PURPOSE DISPOSAL AGREEMENT

The material terms of the Best Purpose Disposal Agreement are summarized below:

1. *Date*

8 June 2009

2. *Parties*

- (a) Vendor : Coupeville, which is an indirect wholly-owned subsidiary of the Company.
- (b) Purchaser : Welltodo, which is a wholly owned subsidiary of Willie whose issued share capital is listed on the Stock Exchange. The principal business of Welltodo is an investment holding.

The Company is indirectly owning about 9.75% of the entire issued share capital of Willie, which in turn is indirectly holding about 3.45% of the entire issued share capital of the Company and about 8.63% of the listed warrants of the Company (warrant code: 652) expiring on Tuesday, 30 June 2009.

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

3. *Asset to be disposed of and Consideration*

Coupeville conditionally agreed to dispose of 50% shareholding interest in Best Purpose at the total consideration of HK\$180 million.

The Best Purpose Disposal Agreement provides that the audited accounts of Double Smart as at 31 March 2009 prepared by an independent firm of accountants shall be delivered to Welltodo five business days before the date of completion of the Best Purpose Disposal Agreement. If the write-offs and provisions for loans receivable of Double Smart as at 31 March 2009 as shown in such audited accounts are greater than those as shown in the management accounts, Coupeville shall make up to Double Smart :

- (i) the shortfall amount of the loans receivable from such write-offs, if any, made and shown in such audited accounts compared to the management accounts; and
- (ii) that portion of such further provisions of the loans receivable as shown in such audited accounts which is above and over HK\$50 million in cash on a dollar-to-dollar basis upon completion. The HK\$50 million threshold to limit the Group's liability was agreed by the parties based on the review of the recoverability of the existing loans receivables balances of the Double Smart and historical impairment loss made.

The Company intends to make such payments, if any, by way of capital injection from the Group, or in such other manner as agreed by the parties. If the write-offs and provisions for the loans receivable in the audited accounts of Double Smart as at 31 March 2009 are not greater than those as shown in the management accounts, there is no obligation on any party or the Best Purpose Group to make any payments or compensation.

The Consideration was determined after arm's length negotiations between the parties to the Best Purpose Disposal Agreement. It was agreed to by the Company primarily with reference to 50% of the unaudited consolidated net asset value of Best Purpose Group standing at approximately HK\$359.7 million as at 3 June 2009.

4. *Principal terms of the Convertible Note*

Willie shall issue the Convertible Note in satisfaction of the Consideration. The principal terms are summarized below:

Principal amount and issue price:

The Convertible Note will be issued at 100% of its principal amount of HK\$180 million, in denomination of HK\$10 million each.

Conversion price:

The initial Conversion Price is HK\$1.39 per Conversion Share, subject to usual anti-dilution adjustments in certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivatives issues.

The initial Conversion Price was agreed with reference to the closing price of the Willie Shares of HK\$1.39 per share as quoted on 8 June 2009 (“Last Trading Day”), being the last trading day of the Willie Shares immediately prior to its temporary suspension of trading commencing at 9:30 a.m. on 9 June 2009. The initial Conversion Price also represents:

- (i) a discount of approximately 0.71% to the average of the closing prices of the Willie Shares of HK\$1.40 per share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 2.80% to the average of the closing prices of the Willie Shares of HK\$1.43 per share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 64.81% to the audited net asset value per Willie Share of HK\$3.95 as at 31 December 2008.

Interest rate:

The outstanding principal amount of the Convertible Note will be interest bearing at the rate of 2% per annum payable semi-annually in arrear on 30 June and 31 December in each year. If Willie defaults in the payment of any sum due and payable under the Convertible Note, Willie shall pay default interest calculated at 4% above the prime lending rate from the due date until actual repayment.

Maturity and redemption:

The outstanding principal amount of the Convertible Note, unless previously converted or redeemed, will be due for repayment on the third anniversary of the date of issue of the Convertible Note, and shall be redeemed by Willie in full on such maturity date at 100% of the then outstanding principal amount plus interest then accrued.

Willie may at any time elect to redeem the whole or part (in the denomination above) of the then outstanding principal amount of the Convertible Note at 100% of the relevant principal amount to be redeemed. After issuance of the Convertible Note, the early redemption right may be exercised by Willie not later than 7 days prior to the maturity date of the Convertible Note.

Transferability:

Subject to any conditions, approvals, requirements and any other provisions of or under the Stock Exchange and all applicable laws and regulations, the Convertible Note may at any time be transferred to any third party.

Conversion period:

Conversion of the outstanding principal amount of the Convertible Note may be exercised after issuance and up to the business day before the maturity date.

Conversion Shares:

Upon full conversion of the entire principal amount of the Convertible Note at the initial conversion price of HK\$1.39 per Conversion Share, a total of 129,496,402 new Willie Shares will be issued, representing (i) approximately 33.21% of the issued share capital of Willie as at the date of this announcement; and (ii) approximately 24.93% of the issued share capital of Willie as enlarged by the issue of the Conversion Shares.

Willie shall not issue any Willie Shares if, upon such issue, (i) the holder of the Convertible Note and parties acting in concert with it (within the meaning under the Hong Kong Code on Takeovers and Mergers), will become interested in 30% (or such amount as may from time to time be specified in such code as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of Willie at the relevant conversion date; and/or (ii) the shareholding in Willie by the public will be less than 25% or the minimum prescribed percentage as set out in the Listing Rules from time to time.

The effect of conversion of the above Convertible Note on the shareholding of Willie based on information as at the date of this announcement is illustrated as follows:

	As at the date of this announcement		Upon full conversion of the HK\$180 million principal amount of the Convertible Note at the initial Conversion Price of HK\$1.39 per Willie Share		Conversion of the HK\$180 million principal amount of the Convertible Note at the initial Conversion Price of HK\$1.39 per Willie Share to the fullest extent permitted under its terms and conditions (Note 2)	
	Number of Willie Shares	Approximate %	Number of Willie Shares	Approximate %	Number of Willie Shares	Approximate %
Mr. Chuang Yueheng Henry (director of Willie)	23,353,440	5.99	23,353,440	4.50	23,353,440	4.69
Company and its associates (Note 1)	-	-	167,498,402	32.24	145,915,669	29.31
Public :						
(a) Company and its associates	38,002,000	9.75	-	-	-	-
(b) Existing public	328,605,541	84.26	328,605,541	63.26	328,605,541	66.00
Sub-total	366,607,541	94.01	328,605,541	63.26	328,605,541	66.00
Total	<u>389,960,981</u>	<u>100</u>	<u>519,457,383</u>	<u>100</u>	<u>497,874,650</u>	<u>100</u>

Notes :

- (1) The Company is interested in the block of 38,002,000 Willie Shares indirectly through its associates, including Coupeville.
- (2) Under the Convertible Note, Willie shall not issue any Conversion Shares to Coupeville if it will result in the Company and parties acting in concert with it (including Coupeville) becoming interested in 30% or more of the then enlarged issued share capital of Willie at the relevant conversion date.

Voting:

Holder(s) of the Convertible Note will not be entitled to receive notices of, attend or vote at any general meeting of Willie by reason only of it/they being the holder(s) of the Convertible Note.

Listing:

No application will be made for the listing of the Convertible Note on the Stock Exchange or any other stock exchange. An application will be made 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 attaching to the Convertible Note.

Ranking:

The obligations of Willie arising under the Convertible Note shall at all times rank pari passu with all other present and future unsecured and unsubordinated obligations of Willie.

5. *Conditions to Completion*

Completion of Best Purpose Disposal Agreement shall be conditional upon the fulfilment (or waiver, as the case may be) of the conditions precedent summarized below:

- (i) Welltodo having notified Coupeville that it is reasonably satisfied with its due diligence review on the financial, legal, commercial and taxation aspects of the Best Purpose Group and its title to assets;
- (ii) the approval by the shareholders of Willie in general meeting of (a) the acquisition by Welltodo of the Sale Shares and the transactions contemplated under the Best Purpose Disposal Agreement; and (b) the issue of the Convertible Note and the Conversion Shares by Willie to Coupeville (or its nominees);
- (iii) the approval by the Shareholders in general meeting of the disposal by Coupeville of the Sale Shares and the transactions contemplated under the Best Purpose Disposal Agreement;
- (iv) if applicable, the obtaining of all consents by Coupeville from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Best Purpose Disposal Agreement and any of the transactions contemplated under it;
- (v) there having been no breach by Coupeville of any obligations, undertakings, representations and warranties under the Best Purpose Disposal Agreement;
- (vi) there having been no breach by Welltodo of any obligations, undertakings, representations and warranties under the Best Purpose Disposal Agreement; and

(vii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares.

Welltodo may waive the conditions set out in paragraphs (i) and (v) and Coupeville may waive the condition in paragraph (vi) above. If any of the above conditions precedent is not fulfilled (or waived) on or before 30 September 2009 (or such other date as the parties may agree in writing), either party shall be entitled to treat the Best Purpose Disposal Agreement as terminated. If the Best Purpose Disposal Agreement is so terminated, all obligations of Coupeville and Welltodo under the Best Purpose Disposal Agreement shall cease, provided that rights and liabilities of the parties hereto which have accrued prior to termination shall subsist.

The completion of the Best Purpose Disposal Agreement will take place on the third business day after the last conditions precedent is fulfilled (or waived), and is currently expected to take place before 30 September 2009.

6. *Post completion management*

After completion of the Best Purpose Disposal Agreement, Coupeville and Welltodo will be having equal shareholding interests in Best Purpose. It also provides that the maximum number of the directors of Best Purpose Group shall be 4, of which each of Coupeville and Welltodo shall have the right to appoint and remove up to 2 directors. The Best Purpose Disposal Agreement accordingly has certain provisions similar to a typical shareholders or joint venture agreement to expressly delineate and protect their respective rights and obligations in their capacities as shareholders of Best Purpose in relation to Best Purpose Group and affairs after completion, including, amongst other things, dispute resolutions and prohibitions against undertaking any of the following actions and matters without approval of both of Coupeville and Welltodo or their respective representatives:

- any amendments to the articles of association, any increase or decrease in the issued share capital or registered capital, and the dissolution of any Best Purpose Group Company;
- placing any properties or assets of any Best Purpose Group Company under encumbrances save in the ordinary course of business;
- merger or demerger of any Best Purpose Group Company or any change in the organizational structure of the Best Purpose Group;
- establishment or closure of any subsidiaries, branches or business entities by the Best Purpose Group;

- initiation or termination of any litigation, arbitration or other material legal proceeding;
- any transactions entered into between any Best Purpose Group Company on the one hand and any shareholder or related entities/parties of such shareholder on the other hand;
- any acquisition by any Best Purpose Group Company save in the ordinary course of business;
- the addition of any additional investor to any Best Purpose Group Company; and
- any change in the scope of business of any Best Purpose Group Company.

B. REASONS FOR, AND BENEFITS OF, THE BEST PURPOSE DISPOSAL AGREEMENT

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.

Best Purpose Group is principally engaged in money lending business. Its customers include certain directors of Willie and one of its subsidiaries and the total outstanding loan amount involved is about HK\$34 million, representing about 9.45% of the unaudited consolidated net asset value of Best Purpose Group as at 3 June 2009.

As at 3 June 2009, the unaudited consolidated net asset value of Best Purpose Group was approximately HK\$359.7 million. The table below summarizes the audited operating results of Best Purpose Group for the following accounting periods (assuming Best Purpose were the holding company for such periods):

	Year ended 31 March 2007	Year ended 31 March 2008
Turnover	HK\$26.91 million	HK\$19.5 million
Profit/(Loss) before taxation	HK\$17.63 million	HK\$(2.0 million)
Profit/(Loss) after taxation and extraordinary items	HK\$17.63 million	HK\$(2.0 million)

After completion of the Best Purpose Disposal Agreement, the Group will continue to have the remaining 50% shareholding in Best Purpose; and both of Best Purpose and Double Smart will be accounted for as jointly-controlled entities of the Company in the financial statements of the Group pursuant to the Hong Kong general accepted accounting principles.

Based upon the amount of the Consideration (less expenses) and the net asset value of HK\$180 million, of the Group's 50% interest in Best Purpose Group in its audited financial statements as at 3 June 2009, no material gain is expected to accrue to the Group from the disposal of the Sale Shares. However, the ultimate gain or loss, if any, as at Completion Date remains subject to finalisation of the financial statements of Best Purpose Group as at the Completion Date.

The Directors take the view that the proposed sale of the Group's 50% shareholding interest in Best Purpose structured through injection of such interest into Willie would offer the Group and its management opportunity to capture and share in any benefits and results of the future business growth of Best Purpose Group indirectly. In making the investment in Willie, the Company has bargained for financially fair and reasonable terms in the Convertible Note, including interests set at 2% p.a. and the Conversion Price agreed at HK\$1.39 per Willie Share, being at a substantial discount (of approximately 64.81%) to the audited net asset value per Willie Share of HK\$3.95 as at 31 December 2008.

After taking into account the above factors, the Directors believe that the terms of the Best Purpose Disposal Agreement are on normal commercial terms and fair and reasonable, and are also in the interests of the Company and the Shareholders as a whole.

C. LISTING RULES IMPLICATIONS

The Best Purpose Disposal Agreement constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules as the relevant percentage ratios exceed 25% but are less than 75%. It is therefore subject to the Shareholders' approval under Chapter 14 of the Listing Rules. A major transaction circular in connection with the Best Purpose Disposal Agreement together with a notice to convene the SGM for consideration and approval of such agreement will be despatched to the Shareholders as soon as practicable.

As Willie, through Welltodo, has interests in the Best Purpose Disposal Agreement, Willie and its associates will abstain from voting its shareholdings (including the 3.45% shareholding in the Company mentioned above) at the SGM in respect of the proposed resolution to approve the Best Purpose Disposal Agreement pursuant to the Listing Rules.

Trading in the Shares on the Stock Exchange was temporarily suspended at the request of the Company with effect from 9:30 a.m. on 9 June 2009 pending the release of this announcement. The Company has applied for a resumption of trading in the Shares with effect from 9:30 a.m. on 12 June 2009.

D. DEFINITIONS

The following expressions in this announcement have the meanings set out below unless the context requires otherwise:

“associate”	has the meaning ascribed to such term in the Listing Rules
“Best Purpose Disposal Agreement”	the share purchase agreement dated 8 June 2009 between Coupeville as the vendor and Welltodo as the purchaser relating to the sale of the Sale Shares to Welltodo
“Best Purpose Group”	Best Purpose and Double Smart, and “Best Purpose Group Company” refers to any of them
“Best Purpose”	Best Purpose Limited, a limited liability company incorporated in the British Virgin Islands on 12 May 2009 and an indirect wholly owned subsidiary of the Company
“Board”	the board of Directors
“Company”	Heritage International Holdings Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange
“Completion Date”	the date of completion of the sale and purchase of the Sale Shares under the Best Purpose Disposal Agreement, currently expected to be before 30 September 2009
“connected person”	has the meaning ascribed to such term in the Listing Rules
“Consideration”	the amount of HK\$180 million
“Conversion Price”	HK\$1.39 per new Willie Share (subject to adjustments)

“Conversion Shares”	new Willie Shares, currently of HK\$0.10 each, to be allotted and issued by Willie upon exercise of conversion rights attaching to the Convertible Note
“Convertible Note”	HK\$180 million 2 per cent. convertible note due 2012 to be issued by the Company at completion of the Best Purpose Disposal Agreement to settle the Consideration for the Sale Shares
“Coupeville”	Coupeville Limited, which is a company incorporated in the British Virgin Islands and is a wholly owned subsidiary of the Company
“Directors”	the directors of the Company
“Double Smart”	Double Smart Finance Limited which is a limited liability company incorporated in Hong Kong on 12 September 2001 and a direct wholly owned subsidiary of Best Purpose
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Sale Shares”	50% of the entire issued share capital of Best Purpose
“SGM”	a special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approve the Best Purpose Disposal Agreement and the transactions contemplated thereunder
“Share”	ordinary share of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Welltodo”	Welltodo Investment Limited, which is a company incorporated in the British Virgin Islands and is a wholly owned subsidiary of Willie

“Willie Share(s)” ordinary share(s), currently of par value of HK\$0.10 each, in the share capital of Willie

“Willie” Willie International Holdings Limited, a company incorporated in Hong Kong with limited liability and whose issued shares are listed on the Stock Exchange

By order of the Board
Chow Chi Wah, Vincent
Executive Director

Hong Kong, 11 June 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, 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*