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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 – SUBSCRIPTION AND ISSUE OF CONVERTIBLE NOTES**

### **SUPPLEMENTAL AGREEMENTS, ADJOURNMENT OF SPECIAL GENERAL MEETING AND RESUMPTION OF TRADING**

The Board wishes to announce that after trading hours on 7 September 2009, the Company and Neptune entered into two supplemental agreements to amend certain terms of the Neptune CB Subscription Agreement and the Heritage CB Subscription Agreement as follows:

- (i) the principal amount of the Neptune Convertible Note and the Heritage Convertible Note is reduced from HK\$100 million to HK\$90 million;
- (ii) the initial Neptune Conversion Price is reduced from HK\$0.13 to HK\$0.117 per Neptune Share;
- (iii) the initial Heritage Conversion Price is reduced from HK\$0.96 to HK\$0.76 per Heritage Share;
- (iv) completion of the Neptune CB Subscription Agreement and the Heritage CB Subscription Agreement will not be conditional on each other;

\* *For identification purposes only*

- (v) completion of the Neptune CB Subscription Agreement will be conditional upon the Capital Reduction of Neptune becoming effective;
- (vi) the subscription price for the Neptune Convertible Note will be satisfied by the Company in cash if the Heritage CB Subscription Agreement does not become unconditional on or before the date of completion of the Neptune CB Subscription Agreement;
- (vii) the subscription price for the Heritage Convertible Note will be satisfied by Neptune in cash if the Neptune CB Subscription Agreement does not become unconditional before 31 December 2009; and
- (viii) the long stop date for fulfillment of the conditions precedent to the Neptune CB Subscription Agreement is extended from 31 October 2009 to 31 December 2009.

Despite the above amendments, the Subscription remains a major transaction for the Company under Rule 14.06 of the Listing Rules. In order to give the Shareholders sufficient time to consider the terms of the supplemental agreements and the transactions contemplated thereunder, the special general meeting originally convened to be held on 10 September 2009 for the purpose of approving the Neptune CB Subscription Agreement, the Heritage CB Subscription Agreement and the transactions respectively contemplated thereunder will be adjourned to 28 September 2009. The notice of the adjourned special general meeting and the revised forms of proxy will be sent out to Shareholders as soon as practicable.

Trading in the Heritage Shares was suspended with effect from 9:30 a.m. on 8 September 2009 at the request of the Company pending the release of this announcement and application has been made to the Stock Exchange for the resumption of trading in the Heritage Shares with effect from 9:30 a.m. on 9 September 2009.

Reference is made to the announcement and circular (the “**Circular**”) issued by the Company on 16 July 2009 and 25 August 2009 respectively. Unless otherwise defined herein, terms defined in the Circular shall have the same meanings when used herein.

## 1. SUPPLEMENTAL AGREEMENTS DATED 7 SEPTEMBER 2009

The Board wishes to announce that after trading hours on 7 September 2009, the Company and Neptune entered into two supplemental agreements to amend certain terms of the Neptune CB Subscription Agreement and the Heritage CB Subscription Agreement. The amended terms are summarised as follows:

### A. Neptune CB Subscription Agreement

	Existing terms	Amendments
Principal amount of the Neptune Convertible Note:	HK\$100 million	HK\$90 million
Settlement method:	By issue of the Heritage Convertible Note.	By cash if the Heritage CB Subscription Agreement cannot become unconditional on or before the date of completion of the Neptune CB Subscription Agreement.
Conditions precedent:	Completion of the Neptune CB Subscription Agreement is conditional upon, among other things, all the conditions precedent under the Heritage CB Subscription Agreement (other than the condition precedent requiring fulfilment or waiver of all the conditions precedent contained under the Neptune CB Subscription Agreement) having been fulfilled or waived (as the case may be) in accordance with the provisions thereof.	Remove such condition precedent but add another condition precedent that completion of the Neptune CB Subscription Agreement will be conditional upon the Capital Reduction of Neptune becoming effective.
Long stop date for fulfillment of the conditions precedent:	31 October 2009	31 December 2009

	<b>Existing terms</b>	<b>Amendments</b>
Conversion price:	HK\$0.13	<p>HK\$0.117</p> <p>The revised initial Neptune Conversion Price represents:</p> <ul style="list-style-type: none"> <li>(i) a discount of 10.00% to the original initial Neptune Conversion Price;</li> <li>(ii) a discount of approximately 5.65% to the closing price of HK\$0.124 per Neptune Share as quoted on the Stock Exchange on the Last Trading Day;</li> <li>(iii) a discount of approximately 7.87% to the average closing price of approximately HK\$0.127 per Neptune Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and</li> <li>(iv) a discount of approximately 10.69% to the average closing price of approximately HK\$0.131 per Neptune Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day.</li> </ul>

	<b>Existing terms</b>	<b>Amendments</b>
Conversion shares:	Assuming that the Neptune Convertible Note is converted in full at the original initial Neptune Conversion Price, a total of 769,230,769 Neptune Shares will be issued, representing approximately 19.99% of the entire issued share capital of Neptune as at the date of this announcement and approximately 16.66% of the entire issued share capital of Neptune as enlarged by the issue of such Neptune Shares.	Assuming that the Neptune Convertible Note is converted in full at the revised initial Neptune Conversion Price, a total of 769,230,769 Neptune Shares will be issued, representing approximately 19.99% of the entire issued share capital of Neptune as at the date of this announcement and approximately 16.66% of the entire issued share capital of Neptune as enlarged by the issue of such Neptune Shares.

## **B. Heritage CB Subscription Agreement**

	<b>Existing terms</b>	<b>Amendments</b>
Principal amount of the Heritage Convertible Note:	HK\$100 million	HK\$90 million
Settlement method:	By issue of the Neptune Convertible Note.	By cash if the Neptune CB Subscription Agreement cannot become unconditional before 31 December 2009.
Conditions precedent:	Completion of the Heritage CB Subscription Agreement is conditional upon, among other things, all the conditions precedent under the Neptune CB Subscription Agreement (other than the condition precedent requiring fulfilment or waiver of all the conditions precedent contained under the Heritage CB Subscription Agreement) having been fulfilled or waived (as the case may be) in accordance with the provisions thereof.	Remove such condition precedent.

	<b>Existing terms</b>	<b>Amendments</b>
Conversion price:	HK\$0.96	<p>HK\$0.76</p> <p>The revised initial Heritage Conversion Price represents:</p> <ul style="list-style-type: none"> <li>(i) a discount of approximately 20.83% to the original initial Heritage Conversion Price;</li> <li>(ii) a discount of approximately 1.30% to the closing price of HK\$0.77 per Heritage Share as quoted on the Stock Exchange on the Last Trading Day;</li> <li>(iii) a discount of approximately 6.17% to the average closing price of HK\$0.81 per Heritage Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and</li> <li>(iv) a discount of approximately 15.46% to the average closing price of HK\$0.899 per Heritage Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day.</li> </ul>

	<b>Existing terms</b>	<b>Amendments</b>
Conversion shares:	Assuming that the Heritage Convertible Note is converted in full at the original initial Heritage Conversion Price, a total of 104,166,666 Heritage Shares will be issued, representing approximately 33.96% of the entire issued share capital of the Company as at the date of this announcement and approximately 25.35% of the entire issued share capital of the Company as enlarged by the issue of such Heritage Shares.	Assuming that the Heritage Convertible Note is converted in full at the revised initial Heritage Conversion Price, a total of 118,421,052 Heritage Shares will be issued, representing approximately 38.60% of the entire issued share capital of the Company as at the date of this announcement and approximately 27.85% of the entire issued share capital of the Company as enlarged by the issue of such Heritage Shares.

Save for the aforesaid amendments, there were no other material changes to the terms of the Neptune CB Subscription Agreement or the Heritage CB Subscription Agreement.

## 2. EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after exercise of the conversion rights attaching to the Heritage Convertible Note in full at the revised initial Heritage Conversion Price is as follows:

	<b>As at the date of this announcement</b>		<b>Immediately after the issue of the Heritage Conversion Shares</b>	
	<i>Number of Heritage Shares</i>	<i>Approximate %</i>	<i>Number of Heritage Shares</i>	<i>Approximate %</i>
<b>Directors</b>				
Mr. Kwong Kai Sing, Benny	1,544,400	0.50%	1,544,400	0.36%
Mr. Ong Peter	859,536	0.28%	859,536	0.20%
Ms. Poon Chi Wan	118,800	0.04%	118,800	0.03%
<b>Neptune</b>	–	0.00%	118,421,052	27.85%
<b>Other public Shareholders</b>	304,246,009	99.18%	304,246,009	71.56%
<b>Total</b>	<u>306,768,745</u>	<u>100.00%</u>	<u>425,189,797</u>	<u>100.00%</u>

*Note:*

As at the date of this announcement, the Company does not have any other outstanding options, warrants, derivatives or securities convertible into Heritage Shares.

### **3. REASONS FOR ENTERING INTO THE SUPPLEMENTAL AGREEMENTS**

The market prices of the Neptune Shares and the Heritage Shares have both declined as a result of the recent fluctuations in the stock market. The Company and Neptune therefore entered into negotiation and agreed to lower both Neptune Conversion Price and Heritage Conversion Price to reflect more closely the prevailing trading prices of the Neptune Shares and the Heritage Shares. Further, the supplemental agreements ensure that even if the Capital Reduction of Neptune (which is essential for Neptune to issue the Neptune Shares at the initial Neptune Conversion Price) cannot become effective, the Company can still issue the Heritage Convertible Note and receive HK\$90 million cash from Neptune at zero coupon rate. This will strengthen the cash position of the Group and enable the Group to further develop or diversify its businesses. The Directors consider that the terms of the Neptune CB Subscription Agreement and the Heritage CB Subscription Agreement (as amended and supplemented by the supplemental agreements thereto) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Company currently intends to use the net proceeds which may be received from Neptune if the Neptune CB Subscription Agreement does not become unconditional as working capital of the Group.

### **4. ADJOURNMENT OF SPECIAL GENERAL MEETING**

Despite the above amendments, the Subscription remains a major transaction for the Company under Rule 14.06 of the Listing Rules. In order to give the Shareholders sufficient time to consider the terms of the supplemental agreements and the transactions contemplated thereunder, the special general meeting originally convened to be held on 10 September 2009 for the purpose of approving the Neptune CB Subscription Agreement, the Heritage CB Subscription Agreement and the transactions respectively contemplated thereunder will be adjourned to 28 September 2009. The notice of the adjourned special general meeting and the revised forms of proxy will be sent out to Shareholders as soon as practicable.

### **5. RESUMPTION OF TRADING**

Trading in the Heritage Shares was suspended with effect from 9:30 a.m. on 8 September 2009 at the request of the Company pending the release of this announcement and application has been made to the Stock Exchange for the resumption of trading in the Heritage Shares with effect from 9:30 a.m. on 9 September 2009.



## 6. DEFINITIONS

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

- “Capital Reduction”            the proposed cancellation of the paid up capital of Neptune to the extent of HK\$0.19 of each Neptune Share in issue from HK\$0.20 to HK\$0.01 and the reduction of the nominal value of all the issued and unissued Neptune Shares as more particularly described in the announcement issued by Neptune on 2 September 2009
- “Last Trading Day”            4 September 2009, being the last trading day of the Heritage Shares on the Stock Exchange prior to the date of the supplemental agreements

By order of the Board  
**Kwong Kai Sing, Benny**  
*Chairman*

Hong Kong, 8 September 2009

*As at the date of this announcement, the Company has five executive Directors, being Mr. Kwong Kai Sing, Benny, Mr. Wong Chun Hung, 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.*