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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,
RIGHTS ISSUE OF 94,982,339 RIGHTS SHARES
AT THE PRICE OF HK\$0.50 PER RIGHTS SHARE
ON THE BASIS OF
ONE RIGHTS SHARE FOR EVERY TWO ADJUSTED SHARES
HELD ON THE RECORD DATE
AND
RESUMPTION OF TRADING**

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) Share Consolidation: every 10 Shares of HK\$0.10 each in the issued share capital of the Company will be consolidated into one (1) Consolidated Share of HK\$1.00;
- (b) Capital Reduction: forthwith upon the Share Consolidation taking effect, the issued share capital of the Company will be reduced by cancelling the paid-up capital to the extent of HK\$0.99 on each issued Consolidated Share; and
- (c) Subdivision: following the Capital Reduction, every authorised but unissued Share (including the unissued Shares arising from the Capital Reduction) will be subdivided into 10 Adjusted Shares of HK\$0.01 each.

The credit arising from the Capital Reduction of approximately HK\$188 million, calculated based on 1,899,646,790 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\$1,150 million as at 31 March 2010.

* For identification purposes only

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 Adjusted Shares.

THE RIGHTS ISSUE

Subject to the Capital Reorganisation becoming effective, the Company proposes to raise approximately HK\$47.5 million before expenses by way of the Rights Issue of 94,982,339 Rights Shares at the Subscription Price of HK\$0.50 per Rights Share on the basis of one Rights Share for every two Adjusted Shares held on the Record Date. Under the Rights Issue, 94,982,339 Rights Shares will be allotted and issued, representing approximately 50.00% of the issued share capital of the Company after the Capital Reorganisation and approximately 33.33% of the total issued share capital of the Company after the Capital Reorganisation as enlarged by the issue of 94,982,339 Rights Shares.

The Rights Issue is fully underwritten by the Underwriter on the terms and subject to the conditions set out in the Underwriting Agreement.

The estimated net proceeds of the Rights Issue are approximately HK\$45.9 million, the entire amount of which is intended to be used for increasing the Group's investment in the Internet lottery business in the PRC or, failing which, for general working capital of the Group. Details for the intended use of proceeds are set out in the paragraph headed "Reasons for the Rights Issue and intended use of proceeds" below.

If the Underwriter terminates the Underwriting Agreement (see the paragraph headed "Termination of the Underwriting Agreement" below) or the conditions precedent to the Rights Issue (see the paragraph headed "Conditions precedent to the Rights Issue and the Underwriting Agreement" below) are not fulfilled or waived in whole or in part by the Underwriter, the Rights Issue will not proceed. **Accordingly, the Rights Issue may or may not proceed. The attention of investors and Shareholders is drawn to the paragraph headed "Warning of the risks of dealings in the shares of the Company (including the nil-paid Rights Shares)" below.**

The last day of dealings in the Adjusted Shares on a cum-rights basis is expected to be Monday, 21 February 2011. The Adjusted Shares are expected to be dealt in on an ex-rights basis from Tuesday, 22 February 2011. Dealings in the Rights Shares in nil-paid form are expected to take place from Monday, 7 March 2011 to Monday, 14 March 2011 (both days inclusive). To qualify for the Rights Issue, any transfer of the Adjusted Shares (together with the relevant share certificate(s)) must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited by 4:30 p.m. on Wednesday, 23 February 2011.

The last day for acceptance and payment of the Rights Shares is expected to be on Thursday, 17 March 2011. The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

GENERAL

A circular containing, among other things, further particulars of the Capital Reorganisation and the notice of the SGM, will be despatched to the Shareholders on or before 24 January 2011.

The Company will also despatch the Rights Issue Documents to the Qualifying Shareholders and, for their information only, the Prospectus to the Excluded Shareholders in due course in accordance with the Listing Rules and the applicable law and regulations.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 5 January 2011 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 Shares with effect from 9:30 a.m. on 7 January 2011.

CAPITAL REORGANISATION

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

Share Consolidation

Every 10 Shares of HK\$0.10 each in the issued share capital of the Company will be consolidated into one (1) Consolidated Share of HK\$1.00. 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.

Capital Reduction

Forthwith upon the Share Consolidation taking effect, the issued share capital of the Company will be reduced by cancelling the paid-up capital to the extent of HK\$0.99 on each issued Consolidated Share.

On the basis of 1,899,646,790 Shares currently in issue, a credit of approximately HK\$188 million will arise from the Capital Reduction and will be transferred to the contributed surplus account of the Company, to be applied for setting-off the accumulated losses of the Company, which stood at approximately HK\$1,150 million as at 31 March 2010.

Subdivision

Following the Capital Reduction, every authorised but unissued Share (including the unissued Shares arising from the Capital Reduction) will be subdivided into 10 Adjusted Shares of HK\$0.01 each.

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 Adjusted Shares to be issued following completion of the Capital Reorganisation.

Effect of the Capital Reorganisation

The Adjusted 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:

	Before the Capital Reorganisation	Immediately after the Capital Reorganisation
Nominal value	HK\$0.10	HK\$0.01
Authorised share capital	HK\$500,000,000.00 divided into 5,000,000,000 Shares	HK\$500,000,000.00 divided into 50,000,000,000 Adjusted Shares
Issued and paid-up share capital	HK\$189,964,679.00 divided into 1,899,646,790 Shares	HK\$1,899,646.79 divided into 189,964,679 Adjusted Shares

Notes:

- (a) The above table is prepared on the assumption that no further Shares will be 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 does not have any outstanding options or other securities which are convertible or exchangeable into Shares.

After the Capital Reorganisation becoming effective, the board lot for trading in the shares of the Company will be changed from 5,000 Shares to 5,000 Adjusted 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.

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, 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.

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 17 February 2011 until 25 March 2011, submit their existing certificates (in dark blue 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 purple colour) for the Adjusted 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 Adjusted 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 Adjusted Shares at any time.

Further, to alleviate the difficulties arising from the existence of odd lots of Adjusted 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 Adjusted Shares on a best efforts basis, during the period from 3 March 2011 to 23 March 2011 (both days inclusive). Holders of the Adjusted Shares in odd lots who wish to take advantage of this matching facility either to dispose of their odd lots of Adjusted Shares or to top up to board lots of 5,000 Adjusted Shares, may contact Mr. Cecil Chan of 26/F., China United Centre, 28 Marble Road, North Point, Hong Kong at telephone number (852) 3198 0888 during office hours.

RIGHTS ISSUE

Subject to the Capital Reorganisation becoming effective, the Company proposes to raise approximately HK\$47.5 million before expenses by way of the Rights Issue of 94,982,339 Rights Shares at the Subscription Price of HK\$0.50 per Rights Share on the basis of one Rights Share for every two Adjusted Shares held on the Record Date.

Issue statistics

Basis of the Rights Issue:	one Rights Share for every two Adjusted Shares held on the Record Date
Number of Adjusted Shares to be in issue on the Record Date:	189,964,679 Adjusted Shares
Subscription Price:	HK\$0.50 per Rights Share
Number of Rights Shares:	94,982,339 Rights Shares
Underwriter:	Chung Nam Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activities under the SFO

Under the Rights Issue, 94,982,339 Rights Shares will be allotted and issued, representing approximately 50.00% of the total issued share capital of the Company after the Capital Reorganisation and approximately 33.33% of the total issued share capital of the Company after the Capital Reorganisation as enlarged by the issue of 94,982,339 Rights Shares. The aggregate nominal value of the Rights Shares will be HK\$949,823.39.

As at the date of this announcement, there are no outstanding options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for new shares of the Company.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date. The register of members of the Company will be closed from Thursday, 24 February 2011 to Wednesday, 2 March 2011 (both days inclusive) for ascertaining entitlements of the Shareholders under the Rights Issue. In order to be registered as members of the Company on the Record Date, all transfers of Adjusted Shares must be lodged (together with the relevant share certificate(s)) with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, by 4:30 p.m. (Hong Kong time) on Wednesday, 23 February 2011. The address of the branch share registrar of the Company in Hong Kong is:

Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East,
Wan Chai, Hong Kong

The Company will send the Rights Issue Documents to the Qualifying Shareholders, and the Prospectus only to the Excluded Shareholders for information purposes.

Excluded Shareholders

As at the date of this announcement, the Company has certain Shareholders whose addresses as shown on the register of members of the Company are located in countries outside Hong Kong. The Company will ascertain the Shareholders whose addresses as shown on the register of members of the Company are outside Hong Kong on the Record Date, and in determining who will be the Excluded Shareholders on the Record Date, the Company will make enquiry regarding the legal restrictions (if any) under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges for the Company's offering the Rights Shares to the Excluded Shareholders in compliance with the Listing Rules. Further details regarding the Excluded Shareholders will be set out in the Prospectus.

Arrangements will be made for as many as possible of the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, to be sold as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The Company will then distribute such proceeds in Hong Kong dollars to the Excluded Shareholders pro rata (but rounded down to the nearest cent) to their shareholdings on the Record Date, except that individual amount of HK\$100 or less shall not be so distributed but shall be retained for the benefit of the Company. Any such nil-paid Rights Shares remaining unsold at the Latest Time for Acceptance shall be made available for excess application.

Closure of register of members

The register of members of the Company will be closed from Thursday, 24 February 2011 to Wednesday, 2 March 2011, both days inclusive. No transfer of Adjusted Shares will be registered during this period.

TERMS OF THE RIGHTS ISSUE

Subscription Price

HK\$0.50 per Rights Share, payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or application for excess Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price of HK\$0.50 per Adjusted Share is equivalent to, on the basis of existing share capital of the Company prior to the Capital Reorganisation, HK\$0.05 per Share, which represents:

- (i) a discount of approximately 35.06% to the closing price of HK\$0.077 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a discount of approximately 35.06% to the average closing price of approximately HK\$0.077 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Date;
- (iii) a discount of approximately 49.49% to the average closing price of approximately HK\$0.099 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Date;
- (iv) a discount of approximately 26.47% to the theoretical ex-rights price of HK\$0.068 based on the closing price of HK\$0.077 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (v) a discount of approximately 92.54% to the unaudited consolidated net assets value attributable to the shareholders of the Company of approximately HK\$0.67 per Share as at 30 September 2010; and
- (vi) a discount of approximately 96.30% to the audited consolidated net assets value attributable to the shareholders of the Company of approximately HK\$1.35 per Share as at 31 March 2010.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to the market price of the shares of the Company under the prevailing market conditions as adjusted for the Capital Reorganisation. The Directors consider that the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Basis of allotment

The Company will allot and issue one Rights Share for every two Adjusted Shares held by the Qualifying Shareholders as at the close of business on the Record Date. The Rights Shares (nil-paid) will be provisionally allotted to all the Qualifying Shareholders who are entitled to it after the Capital Reorganisation has become effective but before despatch of the Rights Issue Documents, details of which are set out in the timetable below.

Certificates for the Rights Shares

Subject to the fulfillment or the waiver in whole or in part by the Underwriter of the conditions of the Rights Issue, certificates for the fully-paid Rights Shares are expected to be posted on or before Thursday, 24 March 2011 to those Qualifying Shareholders and applicants who have accepted or (as the case may be) applied and paid for the Rights Shares, at their own risks.

Fractions of the Rights Shares

The Company will not allot fractions of Rights Shares (both nil-paid and fully-paid). All fractions of Rights Shares will be aggregated, and all or as many as possible of Rights Shares arising from such aggregation will be sold in the market after dealings in the nil-paid Rights Shares commence if a premium (net of expenses) can be achieved, and the Company will keep the net proceeds for its own benefit. Any fractions of nil-paid Rights Shares remaining unsold at the Latest Time for Acceptance will be made available for excess application.

Application for excess Rights Shares

The Qualifying Shareholders shall be entitled to apply for any unsold entitlements of the Excluded Shareholders, any unsold Rights Shares created by adding together fractions of the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders. Application may be made by completing the form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion, but on a fair basis in accordance with the Listing Rules on the following principles:

- (i) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with the intention to abuse this mechanism; and

- (ii) subject to availability of excess Rights Shares after allocation under principle (i) above, the excess Rights Shares will be allocated to the Qualifying Shareholders based on a sliding scale with reference to the number of excess Rights Shares applied by them (i.e. Qualifying Shareholders applying for smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive less number of Rights Shares; whereas Qualifying Shareholders applying for larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive greater number of Rights Shares).

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Thursday, 24 March 2011 by ordinary post to the relevant unsuccessful applicants therefor at their own risk.

The Shareholders with their Adjusted Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of excess Rights Shares will not be extended to beneficial owners individually. Beneficial owners who hold their Adjusted Shares through a nominee company are advised to consider whether they would like to arrange registration of their Adjusted Shares in their own names prior to the Record Date.

For the Shareholders whose Adjusted Shares are held by their nominee(s) and would like to have their names registered on the register of members of the Company, they must complete the relevant registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, by 4:30 p.m. on Wednesday, 23 February 2011.

Application for listing

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

Nil-paid Rights Shares are expected to be traded in board lots of 5,000 (the Adjusted Shares will be traded on the Stock Exchange in board lots of 5,000). Dealings in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, Securities and Futures Commission transaction levy or any other applicable fees and charges in Hong Kong.

CONDITIONS PRECEDENT TO THE RIGHTS ISSUE AND THE UNDERWRITING AGREEMENT

The Rights Issue and the underwriting obligations of the Underwriter under the Underwriting Agreement are conditional upon the following:

- (a) the delivery to the Stock Exchange and the filing with and registration of the Rights Issue Documents by the Registrar of Companies in Hong Kong in compliance with the Companies Ordinance on or before the Posting Date;
- (b) the posting of the Rights Issue Documents to the Qualifying Shareholders on or before the Posting Date;
- (c) the Listing Committee granting or agreeing to grant (subject to allotment) the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms, either unconditionally or subject to such conditions as the Underwriter may in its absolute discretion accept and the satisfaction of such conditions (if any and where relevant) before 8:00 a.m. on the date on which nil-paid Rights Shares commence dealings on the Stock Exchange, and not having withdrawn or revoked such listing and permission before 8:00 a.m. on the date (“dealing date”) dealings in the Rights Shares, in fully-paid form, commence on the Stock Exchange;
- (d) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms thereof;
- (e) the shares of the Company remaining listed on the Stock Exchange at all times prior to the dealing date and the current listing of the shares of the Company not having been withdrawn and no indication being received before 8:00 a.m. on the dealing date from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason; and
- (f) the Capital Reorganisation having become effective.

If any of the above conditions precedent is not satisfied and/or waived at or prior to the respective time specified therein or, if no time or date is specified, 4:00 p.m. on 30 April 2011 or such other date as the Underwriter may agree with the Company in writing, the Underwriting Agreement shall be automatically terminated and all obligations of the parties to the Underwriting Agreement shall cease and neither party shall have any claim against the other save that all such reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Rights Issue shall be borne by the Company, and the Rights Issue will not proceed.

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date:	The Underwriting Agreement was entered into after trading hours on 4 January 2011.
Parties:	the Company and Chung Nam Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activities under the SFO, as the Underwriter
Number of Rights Shares underwritten by the Underwriter:	all the Rights Shares, not exceeding 94,982,339 Adjusted Shares, under the Rights Issue
Commission:	2.5% of the aggregate Subscription Price in respect of the Underwritten Shares

TERMINATION OF THE UNDERWRITING AGREEMENT

If at any time on or before 6:00 p.m. on the second business day following the Latest Acceptance Date:

- (i) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that, any of the warranties contained in the Underwriting Agreement was untrue, inaccurate, misleading or breached, and in each case the same is (in the reasonable opinion of the Underwriter) material in the context of the Rights Issue; or
- (ii) there shall be:
 - (a) any new law or regulation enacted, or there is any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
 - (b) any change in local, national or international financial, political, industrial or economic conditions;
 - (c) any change of an exceptional nature in local, national or international equity securities or currency markets;
 - (d) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict;
 - (e) any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange; or

- (f) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere,

which event or events is or are in the reasonable opinion of the Underwriter:

- (1) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or
- (2) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares taken up; or
- (3) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then and in such case, the Underwriter may by notice in writing to the Company terminate the Underwriting Agreement whereupon all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and the Rights Issue shall not proceed.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The effects of the Rights Issue on the shareholding of the Company are as follows:

	Current shareholding		Shareholding after the Rights Issue (assuming all Shareholders take up their entitlements)		Shareholding after the Rights Issue (assuming no Shareholders take up their entitlements)	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Directors						
Kwong Kai Sing, Benny	1,544,400	0.082	231,660	0.082	154,440	0.054
Ong Peter	859,536	0.045	128,929	0.045	85,953	0.030
Poon Chi Wan	118,800	0.006	17,820	0.006	11,880	0.004
Public	1,897,124,054	99.867	284,568,609	99.867	189,712,406	66.578
Underwriter	–	–	–	–	94,982,339	33.334
Total	<u>1,899,646,790</u>	<u>100.000</u>	<u>284,947,018</u>	<u>100.000</u>	<u>284,947,018</u>	<u>100.000</u>

As shown above, in the event that the Underwriter is called upon to subscribe for all the Rights Shares pursuant to its obligations under the Underwriting Agreement, the interest of the Underwriter in the issued share capital of the Company would increase from nil to approximately 33.33% immediately after completion of the Rights Issue. However, pursuant to the Underwriting Agreement, the Underwriter has undertaken to the Company that:

- (i) it shall, whether by itself or together with the parties acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers) with it (if any), be under no circumstances hold 30% or more of the issued share capital of the Company immediately after completion of the Rights Issue; and
- (ii) it shall, in fulfillment of its underwriting obligations under the Underwriting Agreement to subscribe for (or procure subscribers for) any Underwritten Shares not taken up, procure that the subscribers procured by it and/or its sub-underwriter(s) and/or the subscribers procured by such sub-underwriter(s), are not parties acting in concert with it, so that it, together with parties acting in concert with it (if any) will not become the controlling shareholder of the Company immediately after completion of the Rights Issue.

EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation and the Rights Issue is set out below:

2011

Expected date of despatch of the circular in relation to the Capital Reorganisation to the Shareholders	Monday, 24 January
Latest time for lodging proxy form for the SGM	9:00 a.m. on Monday, 14 February
Expected date of the SGM	9:00 a.m. on Wednesday, 16 February
Announcement of the results of the SGM	Wednesday, 16 February
Effective date of the Capital Reorganisation	Thursday, 17 February
Adjusted Shares commence trading on the Stock Exchange	9:30 a.m. on Thursday, 17 February
Original counter for trading in existing Shares in existing share certificates in board lots of 5,000 existing Shares temporarily closes.	9:30 a.m. on Thursday, 17 February
Temporary counter for trading in board lots of 500 Adjusted Shares (in the form of existing share certificates) opens.	9:30 a.m. on Thursday, 17 February
First day of free exchange of certificates for existing Shares into new certificates for the Adjusted Shares	Thursday, 17 February
Last day of dealings in the Adjusted Shares on a cum-rights basis.	Monday, 21 February
Commencement of dealings in the Adjusted Shares on an ex-rights basis	Tuesday, 22 February
Latest time for lodging transfer of the Adjusted Shares in order to be qualified for the Rights Issue.	4:30 p.m. on Wednesday, 23 February
Register of members closes.	Thursday, 24 February to Wednesday, 2 March (both days inclusive)

Record Date	Wednesday, 2 March
Register of members re-opens	Thursday, 3 March
Posting Date	Thursday, 3 March
Original counter for trading in Adjusted Shares in board lots of 5,000 Adjusted Shares (only new certificates for the Adjusted Shares can be traded at this counter) re-opens	9:30 a.m. on Thursday, 3 March
Parallel trading in the Adjusted Shares (in the form of new and existing certificates) commences	9:30 a.m. on Thursday, 3 March
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of Adjusted Shares	9:30 a.m. on Thursday, 3 March
First day of dealings in nil-paid Rights Shares	Monday, 7 March
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Wednesday, 9 March
Last day of dealings in nil-paid Rights Shares	Monday, 14 March
Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares	4:00 p.m. on Thursday, 17 March
Latest Time for Termination of the Underwriting Agreement	6:00 p.m. on Monday, 21 March
Temporary counter for trading in board lots of 500 Adjusted Shares (in the form of existing share certificates) closes	4:00 p.m. on Wednesday, 23 March
Parallel trading in the Adjusted Shares (in the form of new and existing certificates) ends	4:00 p.m. on Wednesday, 23 March
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of Adjusted Shares	Wednesday, 23 March
Announcement of results of the Rights Issue	Wednesday, 23 March

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be despatched on or before.	Thursday, 24 March
Certificates for the Rights Shares expected to be despatched on or before	Thursday, 24 March
Last day of free exchange of certificates for existing Shares into new certificates for the Adjusted Shares.	Friday, 25 March
Dealings in fully-paid Rights Shares commence	Monday, 28 March

All times in this announcement refer to Hong Kong times. Dates stated in this announcement for events mentioned in the timetable are indicative only and may be extended or varied. Any changes to the expected timetable for the Rights Issue will be announced as appropriate in accordance with the Listing Rules.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES OF THE COMPANY (INCLUDING THE NIL-PAID RIGHTS SHARES)

The shares of the Company are expected to be dealt in on an ex-rights basis from Tuesday, 22 February 2011. Dealings in the Rights Shares in nil-paid form are expected to take place from Monday, 7 March 2011 to Monday, 14 March 2011 (both days inclusive). If prior to 6:00 p.m. on Monday, 21 March 2011 (or such other time as the Underwriter may agree with the Company), the Underwriter terminates the Underwriting Agreement (see the paragraph headed “Termination of the Underwriting Agreement” above) or if any of the conditions precedent to the Rights Issue (see the paragraph headed “Conditions precedent to the Rights Issue and the Underwriting Agreement” above) cannot be fulfilled or is not waived, the Rights Issue will not proceed.

Any dealings in the shares of the Company from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled or waived (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases), and any dealings in the Rights Shares in their nil-paid form between Monday, 7 March 2011 to Monday, 14 March 2011, both days inclusive, are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the shares of the Company or the Rights Shares in their nil-paid forms are recommended to consult their own professional advisers.

REASONS FOR THE RIGHTS ISSUE AND INTENDED USE OF PROCEEDS

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.

The Company is recently considering increasing its investment in the Internet lottery business in the PRC through its jointly-controlled entity in Shanghai which investment would require a capital injection of approximately RMB50 million. The Board considers that the Rights Issue will enhance the Group's financial position and enable it to invest in such business should the opportunity materialise. Since the Rights Issue will allow the Qualifying Shareholders to maintain their shareholdings in the Company, the Board considers raising capital through the Rights Issue is in the interest of the Company and the Shareholders as a whole.

The gross proceeds of the Rights Issue are approximately HK\$47.5 million. The estimated net proceeds of the Rights Issue after deducting expenses are approximately HK\$45.9 million, and the net price per Rights Share upon full acceptance of the relevant provisional allotment of the Rights Shares is approximately HK\$0.48. It is intended that the entire amount of the net proceeds will be used for increasing the Group's investment in the Internet lottery business in the PRC or, failing which, for general working capital of the Group.

The Company's equity fund raising exercise over the past 12-month period immediately preceding the date of this announcement is set out below:

Date of announcement	Fund raising activities	Net proceeds raised (approximately)	Actual use of proceeds	Date of grant of issue mandate
5 October 2010	Placing of 316,607,798 new Shares under general mandate at the placing price of HK\$0.102 per Share	HK\$31.39 million	Utilised for general working capital of the Group	Granted at the annual general meeting of the Company held on 20 August 2010
27 July 2010	Issue of 182,006,498 new Shares under general mandate at the subscription price of HK\$0.112 per Share	HK\$19.98 million	Utilised for general working capital of the Group	Granted at the special general meeting of the Company held on 28 May 2010

Date of announcement	Fund raising activities	Net proceeds raised (approximately)	Actual use of proceeds	Date of grant of issue mandate
9 April 2010	Placing of 400,000,000 new Shares under specific mandate at the placing price of HK\$0.25 per Share	HK\$97.30 million	Utilised as to HK\$90 million for repayment of outstanding loan and as to HK\$7.3 million for general working capital of the Group	Granted at the special general meeting of the Company held on 28 May 2010
22 March 2010	Placing of 137,883,749 new Shares under general mandate at the placing price of HK\$0.24 per Share	HK\$32.18 million	Utilised for general working capital of the Group	Granted at the special general meeting of the Company held on 15 March 2010

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 Adjusted 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 on or before 24 January 2011.

The Rights Issue is not subject to the Shareholders' approval under the Listing Rules. The Company will despatch the Rights Issue Documents to the Qualifying Shareholders and, for information only, the Prospectus to the Excluded Shareholders in due course in accordance with the Listing Rules and the applicable law and regulations.

RESUMPTION OF TRADING

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 5 January 2011 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 Shares with effect from 9:30 a.m. on 7 January 2011.

DEFINITIONS

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

“Adjusted Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company following the Capital Reorganisation
“Board”	the board of Directors
“business day”	any day on which banks in Hong Kong are generally open for business, except a Saturday and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“Capital Reduction”	the proposed reduction of the issued share capital of the Company to the extent of HK\$0.99 on each issued Consolidated Share
“Capital Reorganisation”	the proposed capital reorganisation of the Company comprising the Share Consolidation, the Capital Reduction and the Subdivision, as referred to in the section headed “Capital Reorganisation” above
“Companies Act”	the Companies Act 1981 of Bermuda
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“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\$1.00 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“Director(s)”	the director(s) of the Company

“Excluded Shareholders”	Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date and whose addresses as shown on such register on that date are outside Hong Kong where the Directors, after making relevant enquiry as required under the Listing Rules, consider the exclusion of such Shareholders from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the law of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Date”	3 January 2011, being the last day on which the Shares are traded on the Stock Exchange prior to the Underwriting Agreement
“Latest Acceptance Date”	7 March 2011 or such other date as may be agreed between the Company and the Underwriter, being the latest date for acceptance of the offer of and payment for the Rights Shares
“Latest Time for Acceptance”	4:00 p.m. on the Latest Acceptance Date or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of and payment for the Rights Shares
“Latest Time for Termination”	6:00 p.m. on 21 March 2011, being the second business day after (but excluding) the Latest Acceptance Date, or such other time as may be agreed between the Company and the Underwriter
“Listing Committee”	the listing sub-committee of the board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Posting Date”	3 March 2011 or such other date as the Underwriter may agree in writing with the Company for the despatch of the Rights Issue Documents
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus to be issued by the Company to the Shareholders in relation to the Rights Issue
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company at the close of business on the Record Date except for the Excluded Shareholders
“Record Date”	2 March 2011 or such other date as may be agreed between the Company and the Underwriter, being the record date to determine entitlements of the Shareholders to participate in the Rights Issue
“Rights Issue”	the offer of the Rights Shares by way of rights on the basis of one Rights Share for every two Adjusted Shares held on the Record Date, at the Subscription Price on the terms set out in the Underwriting Agreement and the Rights Issue Documents
“Rights Issue Documents”	the Prospectus, the provisional allotment letters in respect of the Rights Issue and the forms of application for use by the Qualifying Shareholders to apply for excess Rights Shares
“Rights Share(s)”	94,982,339 new Adjusted Share(s) to be offered to the Qualifying Shareholders by way of Rights Issue for subscription on the terms set out in the Underwriting Agreement and the Rights Issue Documents
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 (including the unissued Shares arising from the Capital Reduction) into 10 Adjusted Shares of HK\$0.01 each
“Subscription Price”	the subscription price of HK\$0.50 per Rights Share under the Rights Issue
“Underwriter”	Chung Nam Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 4 January 2011 entered into between the Company and the Underwriter in relation to the underwriting of the Rights Issue
“Underwritten Shares”	all the Rights Shares, not exceeding 94,982,339 Adjusted Shares, under the Rights Issue
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By order of the Board
Dr. Kwong Kai Sing, Benny
Chairman

Hong Kong, 6 January 2011

As at the date of this announcement, the Company has five executive Directors, being Dr. 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.