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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)

(Warrant Code: 1248)

PROPOSED CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE

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) Share Consolidation: every five (5) Shares of HK\$0.01 each in the issued share capital of the Company will be consolidated into one (1) Consolidated Share of HK\$0.05;
- (b) Capital Reduction: forthwith upon the Share Consolidation taking effect, the issued share capital of the Company will be reduced (i) by eliminating any fraction of a Consolidated Share in the issued share capital of the Company following the Share Consolidation in order to round down the total number of Consolidated Shares to a whole number; and (ii) by cancelling the paid-up capital to the extent of HK\$0.049 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\$0.001 each.

The credit arising from the Capital Reduction of approximately HK\$76.5 million, calculated based on 7,810,278,984 Shares currently in issue, will be transferred to the contributed surplus account of the Company for setting-off the accumulated losses of the Company, which stood at approximately HK\$2,128.5 million as at 31 March 2012.

* For identification purposes only

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

Change in Board Lot Size

Subject to the Capital Reorganisation becoming effective, the board lot for trading in the shares of the Company will also be changed from 50,000 Shares to 10,000 Adjusted Shares.

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 July 2012.

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 five (5) Shares of HK\$0.01 each in the issued share capital of the Company will be consolidated into one (1) Consolidated Share of HK\$0.05. 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 five (5) 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 (i) by eliminating any fraction of a Consolidated Share in the issued share capital of the Company following the Share Consolidation in order to round down the total number of Consolidated Shares to a whole number; and (ii) by cancelling the paid-up capital to the extent of HK\$0.049 on each issued Consolidated Share.

On the basis of 7,810,278,984 Shares currently in issue, a credit of approximately HK\$76.5 million will arise from the Capital Reduction, the entire amount of which 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\$2,128.5 million as at 31 March 2012.

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\$0.001 each.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon:

- (a) the passing by the Shareholders of the relevant resolution at the SGM approving the Capital Reorganisation;
- (b) the publication of a notice in respect of the 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 the 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\$0.010	HK\$0.001
Authorised share capital	HK\$500,000,000.000 divided into 50,000,000,000 Shares	HK\$500,000,000.000 divided into 500,000,000,000 Adjusted Shares
Issued and paid-up share capital	HK\$78,102,789.840 divided into 7,810,278,984 Shares	HK\$1,562,055.796 divided into 1,562,055,796 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 has outstanding warrants entitling the holders thereof to subscribe for 54,258,712 Shares. Save for the aforesaid, the Company does not have any outstanding options or other securities which are convertible or exchangeable into Shares as at the date of this announcement.

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.

Reason for the Capital Reorganisation

The main purpose for implementing the Capital Reorganisation is to reduce the accumulated losses of the Company which will be offset by the credit arising from the Capital Reduction.

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

Exchange of share certificates

Subject to the passing of the relevant resolution approving the Capital Reorganisation, Shareholders may, during normal business hours from Friday, 17 August 2012 until Monday, 24 September 2012, submit their existing certificates (in purple 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, Wanchai, Hong Kong, in exchange for new certificates (in grey 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 (fractional entitlements to the Adjusted Shares being ignored) at any time.

Unless otherwise instructed, new certificates for the Adjusted Shares will be issued in board lots of 10,000 Adjusted Shares. It is expected that new certificates for the Adjusted Shares will be available for collection on or after the tenth business day from the submission of existing certificates for the Shares to the Registrar for exchange. If Shareholders are able to lodge their existing certificates for the Shares with the Registrar during normal business hours on Friday, 17 August 2012, new certificates for the Adjusted Shares will be available for collection during normal business hours on Friday, 31 August 2012.

Adjustment to the subscription price of the outstanding warrants

Subject to the Capital Reorganisation 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 announcement to be issued after the Capital Reorganisation has been approved by the Shareholders.

CHANGE IN BOARD LOT SIZE

After the Capital Reorganisation becoming effective, the board lot for trading in the shares of the Company will be changed from 50,000 Shares to 10,000 Adjusted Shares.

EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation and change in board lot size is set out below:

2012

- Expected date of despatch of the circular in relation to the Capital Reorganisation to the Shareholders Tuesday, 24 July
- Latest time for lodging proxy form for the SGM 4:30 p.m. on Tuesday, 14 August
- Expected date of the SGM 4:30 p.m. on Thursday, 16 August
- Announcement of the results of the SGM Thursday, 16 August
- Effective date of the Capital Reorganisation Friday, 17 August
- First day of free exchange of certificates for existing Shares into new certificates for the Adjusted Shares Friday, 17 August
- Adjusted Shares commence trading on the Stock Exchange 9:00 a.m. on Friday, 17 August

Original counter for trading in existing Shares
in existing share certificates in board lots
of 50,000 existing Shares temporarily closes. 9:00 a.m. on Friday, 17 August

Temporary counter for trading in board lots
of 10,000 Adjusted Shares (in the form of
existing share certificates) opens. 9:00 a.m. on Friday, 17 August

Original counter for trading in Adjusted Shares
in board lots of 10,000 Adjusted Shares
(only new certificates for the Adjusted Shares
can be traded at this counter) re-opens 9:00 a.m. on Friday, 31 August

Parallel trading in the Adjusted Shares (in the form
of new and existing certificates) commences. 9:00 a.m. on Friday, 31 August

Temporary counter for trading in board lots
of 10,000 Adjusted Shares (in the form
of existing share certificates) closes 4:00 p.m. on Thursday, 20 September

Parallel trading in the Adjusted Shares
(in the form of new and existing
certificates) ends 4:00 p.m. on Thursday, 20 September

Last day of free exchange of certificates for existing
Shares into new certificates for the Adjusted Shares Monday, 24 September

Notes:

- 1. All references to time and dates refer to Hong Kong local time and dates.
- 2. The above timetable is subject to change and the Company will make further announcement(s) in respect of such change where required under the Listing Rules.

GENERAL

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 July 2012.

DEFINITIONS

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

“Adjusted Share(s)”	ordinary share(s) of HK\$0.001 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 (i) by eliminating any fraction of a Consolidated Share in the issued share capital of the Company following the Share Consolidation in order to round down the total number of Consolidated Shares to a whole number; and (ii) by cancelling the paid-up capital to the extent of HK\$0.049 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
“Company”	Heritage International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Consolidated Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company immediately after the Share Consolidation becomes effective
“Director(s)”	the director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“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
“Registrar”	Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, 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\$0.01 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\$0.001 each
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By order of the Board
Heritage International Holdings Limited
Dr. Kwong Kai Sing, Benny
Chairman

Hong Kong, 10 July 2012

As at the date of this announcement, the Company has four executive Directors, being Dr. Kwong Kai Sing, Benny, Mr. Ong Peter, Ms. Poon Chi Wan and Mr. Chow Chi Wah, Vincent and four independent non-executive Directors, being Mr. To Shing Chuen, Mr. Ha Kee Choy, Eugene, Mr. Chung Yuk Lun and Mr. Lo Wong Fung.