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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)

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED CAPITAL OF GLOBAL CASTLE INVESTMENTS LIMITED

THE ACQUISITION AGREEMENT

The Board is pleased to announce that on 5 October 2012 (after trading hours), Equal Leader, a wholly owned subsidiary of the Company, and the Vendor entered into the Acquisition Agreement, pursuant to which Equal Leader conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Share and the Sale Loan at the Consideration of HK\$800 million.

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules and is subject to reporting, announcement and the Shareholders' approval requirements.

GENERAL

It is expected that a circular containing further (i) details of the Acquisition; (ii) the accountants' report of the Global Castle Group; (iii) the pro forma financial information of the Group as a result of the Acquisition; (iv) a notice convening the SGM; and (v) other information required to be disclosed under the Listing Rules, will be published and despatched to the Shareholders on or before 2 November 2012.

THE ACQUISITION AGREEMENT

The Board is pleased to announce that on 5 October 2012 (after trading hours), Equal Leader, a wholly owned subsidiary of the Company, and the Vendor entered into the Acquisition Agreement, pursuant to which Equal Leader conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Share and the Sale Loan at the Consideration of HK\$800 million.

The material terms of the Acquisition Agreement are summarised below:

Date: 5 October 2012 (after trading hours)

Parties: (i) Purchaser: Equal Leader, a wholly owned subsidiary of the Company

(ii) Vendor: Speedy Harvest Holdings Limited

The Vendor is an investment holding company incorporated in BVI. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Share, representing the entire issued share capital of Global Castle, together with the Sale Loan. Upon Completion, Global Castle will become a wholly owned subsidiary of the Company.

According to the unaudited consolidated management accounts of Global Castle Group as at 31 August 2012, the amount due from Global Castle Group to the Vendor is approximately HK\$57.7 million. The Sale Loan is unsecured, interest free and without fixed repayment date.

Consideration

Pursuant to the Acquisition Agreement, the Consideration is HK\$800 million, which is to be satisfied by the Purchaser in the following manner:

- (1) HK\$20 million in cash, being an initial deposit, has been paid by the Purchaser upon signing of the Acquisition Agreement;
- (2) HK\$130 million in cash, being further deposit, shall be paid by the Purchaser within fourteen days from the date of the Acquisition Agreement; and
- (3) HK\$650 million in cash, representing the remaining balance of the Consideration, shall be paid by the Purchaser upon Completion.

If the Acquisition Agreement is not completed due to default of the Vendor (or if the Acquisition Agreement is automatically terminated because the conditions precedent are not fulfilled or waived as described in the paragraph headed "Conditions Precedent" below), all of the deposits (without interest) shall be refunded in full to the Purchaser. If the Acquisition Agreement is not completed due to default of the Purchaser, all of the deposits will be forfeited to the Vendor absolutely.

The Consideration is expected to be funded by internal resources of the Group and/or external borrowings.

The Consideration was determined after arm's length negotiations between the Company and the Vendor with reference to (i) the unaudited net liabilities of Global Castle Group of approximately HK\$1.8 million as set out in the unaudited consolidated management accounts of Global Castle Group as at 31 August 2012; (ii) the preliminary valuation of the Forestlands prepared by LCH (Asia-Pacific) Surveyors Limited, an independent professional valuer, at approximately RMB669 million (equivalent to approximately HK\$818 million) as at 31 July 2012; (iii) the amount due from Global Castle Group to the Vendor amounted to approximately HK\$57.7 million as set out in the unaudited consolidated management accounts of Global Castle Group as at 31 August 2012; and (iv) the potential appreciation of the value of the Forestlands in the future.

Conditions Precedent

Completion of the Acquisition Agreement is conditional upon the fulfillment or waiver (if applicable) of the following conditions:

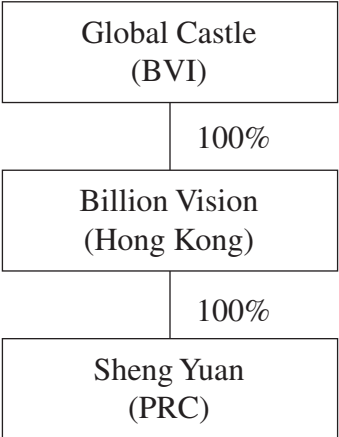
- (1) the obtaining the Shareholders' approval of the Acquisition Agreement and transactions contemplated thereunder at the SGM in accordance with the Listing Rules;
- (2) the Purchaser being satisfied with the results of the due diligence review on Global Castle Group, including but not limited to (a) the financial, legal, accounting, business, taxation and trading positions and aspects of each member of Global Castle Group; and (b) the title of each member of the Global Castle Group to its assets and its outstanding liabilities and obligations;
- (3) the warranties given by the Purchaser under the Acquisition Agreement remaining true and accurate;
- (4) the warranties given by the Vendor under the Acquisition Agreement remaining true and accurate; and
- (5) no material adverse change in the financial position, business or property, results of operations of the Global Castle Group as a whole having occurred.

In the event the abovementioned conditions precedent are not fulfilled (or conditions precedent (2), (4) and (5) above not being waived by the Purchaser) on or before 5 January 2013 (or such later date as may be agreed by the parties in writing), all rights, obligations and liabilities of the parties shall cease provided that the rights and liabilities of any of the parties which have accrued prior to termination shall subsist.

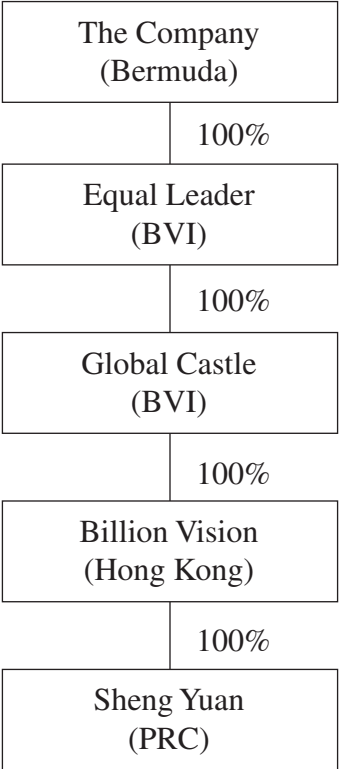
Completion

Completion will take place within one month after all conditions precedent to the Acquisition Agreement being fulfilled (or being waived). Upon Completion, Global Castle, Billion Vision and Sheng Yuan will become wholly-owned subsidiaries of the Company. Set out below is the corporate structure of the Global Castle Group immediately before and after Completion.

Immediately before Completion:



Immediately after Completion:



INFORMATION ON GLOBAL CASTLE GROUP

Global Castle Group comprises Global Castle, Billion Vision and Sheng Yuan.

Global Castle

Global Castle is an investment holding company incorporated in BVI on 28 January 2011 with limited liability. Global Castle is a wholly-owned subsidiary of the Vendor and owns the entire issued share capital of Billion Vision as at the date of this announcement.

Billion Vision

Billion Vision is an investment holding company incorporated in Hong Kong on 3 December 2010 with limited liability. Billion Vision is a wholly-owned subsidiary of Global Castle and owns 100% equity interest in Sheng Yuan as at the date of this announcement.

Sheng Yuan

Sheng Yuan is a company incorporated on 30 January 2011 as a wholly foreign-owned enterprise in the PRC. As at the date of this announcement, Sheng Yuan has registered capital of HK\$40 million, among which HK\$9.0005 million has been paid up. It is principally engaged in investment management services and production and management of forest base (including cultivating and planting fruit trees, saplings and trees for the greening purpose).

In 2011, Sheng Yuan entered into various forest land management rights transfer agreements (承包經營權流轉協議) (the “**Transfer Agreements**”) with respective villagers committees of Qinglong Manchu Autonomous County (青龍滿族自治縣) in relation to the forest land use rights in the total area of 63,035.29 mu. Pursuant to the Transfer Agreements, Sheng Yuan has paid approximately RMB43.5 million as transfer fees (流轉費) to the villagers. As at the date of this announcement, Sheng Yuan has obtained Forest Rights Certificates issued by the People’s Government of Qinglong Manchu Autonomous County (青龍滿族自治縣人民政府) for the Forestlands with a total area of 63,035.29 mu. Pursuant to the Forest Rights Certificates, Sheng Yuan has the legal rights to occupy, use, lease, transfer (or in other legal means) the forest lands and forest on the forest lands from 10 February 2011 to 10 February 2057.

The Forestlands are located in Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, the PRC. Qinglong Manchu Autonomous County is a Manchu autonomous county of the northeastern part of Hebei Province bordering Liaoning Province to the north and east and located in the eastern part of Yan Mountains. According to the forestry report prepared by 河北省林業調查規劃設計院 (Forest Investigation and Planning Institute of Hebei Province*) (the “**Forestry Report**”), the Forestlands comprise various parcels of generally hilly sloping land planted with various timber and fruit trees. Out of 63,035.29 mu of the Forestlands, (i) approximately 39,524.21 mu is planted with various fruit trees, including apricot trees, hawthorn

trees, chestnut trees and pear trees; (ii) approximately 16,644.44 mu is suitable for afforestation; (iii) approximately 1,327.89 mu is classified as immature forest; and (iv) approximately 5,538.75 mu is classified as wood and shrub land.

Set out below is summary of the Forest Rights Certificates owned by Sheng Yuan as at the date of this announcement:

No. of Forest Rights Certificate	Location	Area (mu)	Transfer fee (流轉費) (RMB)	Duration of forest land use right and forest tree ownership right
Qinglin (2011) 28, 38, 29	Sanxingkou Village, Sanxingkou Town, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, PRC	7,415.49	5,116,688	10 February 2011 to 10 February 2057
Qinglin (2011) 39, 31	Chutoushi Village, Sanxingkou Town, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, PRC	6,003.90	4,142,691	10 February 2011 to 10 February 2057
Qinglin (2011) 35, 34, 33	Longtou Village, Sanxingkou Town, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, PRC	12,610.00	8,700,900	10 February 2011 to 10 February 2057
Qinglin (2011) 13	Sandaogou Village, Sanxingkou Town, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, PRC	6,496.50	4,482,585	10 February 2011 to 10 February 2057
Qinglin (2011) 24, 25, 23	Guzhangzi Village, Sanxingkou Town, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, PRC	5,636.20	3,888,978	10 February 2011 to 10 February 2057
Qinglin (2011) 26, 27	Muzhangzi Village, Sanxingkou Town, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, PRC	4,908.00	3,386,520	10 February 2011 to 10 February 2057

No. of Forest Rights Certificate	Location	Area (mu)	Transfer fee (流轉費) (RMB)	Duration of forest land use right and forest tree ownership right
Qinglin (2011) 21, 22	Dongzhuanchenghao Village, Sanxingkou Town, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, PRC	2,869.10	1,979,679	10 February 2011 to 10 February 2057
Qinglin (2011) 19, 20, 18	Xizhuanchenghao Village, Sanxingkou Town, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, PRC	1,839.00	1,268,910	10 February 2011 to 10 February 2057
Qinglin (2011) 16, 17	Litaizi Village, Sanxingkou Town, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, PRC	9,052.60	6,246,294	10 February 2011 to 10 February 2057
Qinglin (2011) 15, 14	Taozhangzi Village, Sanxingkou Town, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, PRC	6,204.50	4,281,105	10 February 2011 to 10 February 2057
Total		<u>63,035.29</u>	<u>43,494,350</u>	

According to the preliminary valuation report prepared by LCH (Asia-Pacific) Surveyors Limited, an independent professional valuer, the market value of the Forestlands is valued at approximately RMB669 million (equivalent to approximately HK\$818 million) as at 31 July 2012.

Financial Information of Global Castle Group and Sheng Yuan

Set out below is a summary of (i) the unaudited financial information on Global Castle Group for the eight months ended 31 August 2012; and (ii) the audited financial information on Sheng Yuan for the period from 30 January 2011 (being the date of its incorporation) to 31 December 2011 (which is prepared in accordance with the PRC General Accepted Accounting Principles):

	Global Castle Group (Unaudited) For the eight months ended 31 August 2012 <i>HK\$'000</i>	Sheng Yuan (Audited) From 30 January 2011 to 31 December 2011 <i>RMB'000</i>
Income statement		
Turnover	–	–
Loss before taxation	(98)	(1,077)
Loss after taxation	(98)	(1,077)
Balance sheet	As at 31 August 2012 <i>HK\$'000</i>	As at 31 December 2011 <i>RMB'000</i>
Total assets (<i>Note</i>)	61,893	4,805
Total liabilities	63,650	5,042
Net liabilities	1,757	237

Note: The Forestlands were accounted at cost.

REASONS FOR THE ACQUISITION

The Company is an investment holding company and its subsidiaries are principally engaged in property related investments, investment in securities, investment in advertising, money-lending businesses and operation of Chinese medicine clinic.

As discussed in the section of “Chairman’s Statement & Management Discussion and Analysis” in the 2012 Annual Report, the Group expects the coming fiscal year to be challenging and the market condition is expected to slow down as compared to the previous year. The management of the Group has been taking a cautious approach in its future growth. As such, as announced by the Company on 8 June 2012, the Group acquired a company which owns 50% interest in the concession rights and interests in three parcels of forest land in Yunnan Province of the PRC. The Board believes that this acquisition provides the Group with a good opportunity to diversify into other business with good prospects.

In the PRC, the general perception of natural living lifestyle has been influencing the consumers market, and the rural ecotourism tourism has become a new trend, as such, the Board considers that the Acquisition not only is in line with the aforesaid diversification approach of the Group, but also provides the Group with an opportunity to participate in the development of relevant industries to capture such trends in the PRC in the future. In addition, pursuant to the Forest Rights Certificates, the projected area (投影面積) and the actual extended area (實際展開面積) of the Forestlands is 63,035.29 mu and 315,176.45 mu respectively. Given the urbanisation in the PRC, the Board also considers the Acquisition provides the Group with a rare investment opportunity to acquire such large size forest lands in the PRC, and the value of the Forestlands has a great potential to increase substantially in the long run.

In connection with this investment, the Group has recruited two consultants with forestry and agricultural experience respectively in the PRC to assist the Company in managing the Forestlands. At the present moment, the Company has no intention to appoint any person to the board of directors of Global Castle. The Board will monitor progress of performance of Global Castle Group regularly.

Having considered the aforesaid factors, the Directors consider the terms of the Acquisition to be fair and reasonable and entering into the Acquisition Agreement are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules and is subject to reporting, announcement and the Shareholders' approval requirements.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Acquisition. As such, no Shareholders would be required to abstain from voting in favour of the resolution approving the Acquisition at the SGM.

GENERAL

A circular containing further (i) details of the Acquisition; (ii) the accountants' report of Global Castle Group; (iii) the pro forma financial information of the Group as a result of the Acquisition; (iv) a notice convening the SGM; and (v) other information required to be disclosed under the Listing Rules, will be published and despatched to the Shareholders pursuant to the requirements of the Listing Rules.

Pursuant to the Listing Rules, the circular must be despatched to the Shareholders within 15 business days after publication of this announcement. However, as more time is required to prepare, among others, the accountant's report of Global Castle Group and the pro forma financial information of the Group as a result of the Acquisition, the Company expects that the circular will be published and despatched on or before 2 November 2012.

DEFINITIONS

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

“Acquisition Agreement”	the sale and purchase agreement dated 5 October 2012 entered into between the Purchaser and Vendor in relation to the Acquisition
“Acquisition”	the acquisition of the Sale Share and Sale Loan by the Purchaser pursuant to the Acquisition Agreement
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“Billion Vision”	Billion Vision Investments Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of Global Castle as at the date of this announcement
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Heritage International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration payable by the Purchaser in respect of the Acquisition under the Acquisition Agreement

“Director(s)”	the director(s) of the Company
“Equal Leader” or “Purchaser”	Equal Leader Limited, a company incorporated in BVI with limited liability, which is a wholly-owned subsidiary of the Company
“Forestlands”	parcels of forest lands held by Sheng Yuan in various locations in Sanxingkou Town, Qinglong Manchu Autonomous County, Qinhuangdao City, Hebei Province, the PRC as referred to in this announcement
“Global Castle Group”	Global Castle, Billion Vision and Sheng Yuan
“Global Castle”	Global Castle Investments Limited, a company incorporated in BVI with limited liability, which is a wholly-owned subsidiary of the Vendor as at the date of this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administration Region of the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“mu”	Chinese Mu, one of which equals approximately 667 square meters
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Loan”	the entire shareholder loan and other indebtedness owed by Global Castle Group to the Vendor at Completion
“Sale Share”	1 ordinary share of US\$1 each, representing the entire issued share capital of Global Castle
“SGM”	the special general meeting of the Company to be convened and held for the purpose of approving the Acquisition Agreement and the transactions contemplated thereunder

“Shareholders”	shareholders of the Company
“Sheng Yuan”	盛源(天津)投資管理服務有限公司 (Sheng Yuan Investments Management Services (Tian Jin) Company Limited*), a wholly foreign-owned enterprise established in Tian Jin, the PRC and an indirect wholly-owned subsidiary of the Vendor as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	Speedy Harvest Holdings Limited, a limited company incorporated in BVI

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

Hong Kong, 5 October 2012

As at the date of this announcement, the Company has five executive Directors, being Dr. Kwong Kai Sing, Benny, Mr. Ong Peter, Ms. Poon Chi Wan, Mr. Chow Chi Wah, Vincent and Dr. Wu Jian 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.

* *For identification purposes only*