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If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Heritage International Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

DISCLOSEABLE TRANSACTION

**DISPOSAL OF THE ENTIRE INTEREST IN
GLAMOUROUS INVESTMENTS LIMITED,
BEST INSPIRE LIMITED
AND
BRIGHT MAJESTIC LIMITED**

A letter from the board of directors of Heritage International Holdings Limited is set out on pages 4 to 17 of this circular.

* *For identification purposes only*

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Agreements”	collectively SP Agreement 1, SP Agreement 2 and SP Agreement 3
“Best Inspire”	Best Inspire Limited, the sole legal and beneficial owner of Silver Target
“Board”	the board of Directors
“Bright Majestic”	Bright Majestic Limited, the sole legal and beneficial owner of Wealth Champion
“Company”	Heritage International Holdings Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the main board of the Stock Exchange
“Conversion Shares”	new fully-paid Willie Share(s) which will fall to be allotted and issued by Willie upon the exercise of the conversion rights attached to the convertible note to be issued pursuant to the Agreements at the then effective conversion price
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Interests
“Glamorous”	Glamorous Investments Limited, the sole legal and beneficial owner of Wiseteam
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Latest Practicable Date”	27 May 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Properties”	collectively Property 1, Property 2 and Property 3
“Property 1”	30th Floor of China United Centre, No.28 Marble Road, North Point, Hong Kong

DEFINITIONS

“Property 2”	31st Floor of China United Centre, No.28 Marble Road, North Point, Hong Kong
“Property 3”	32nd Floor of China United Centre, No.28 Marble Road, North Point, Hong Kong
“Purchaser 1”	Perfectday Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Willie
“Purchaser 2”	Equal Sky Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Willie
“Purchaser 3”	Oasis Choice Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Willie
“Sale Interests”	<ul style="list-style-type: none">(a) the entire issued share capital of, and the related shareholder’s loan extended to, Glamourous;(b) the entire issued share capital of Best Inspire and the related shareholder’s loan extended to Best Inspire and Silver Target; and(c) the entire issued share capital of Bright Majestic and the related shareholder’s loan extended to Bright Majestic and Wealth Champion
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Silver Target”	Silver Target Limited, a company incorporated in the British Virgin Islands with limited liability and the registered owner of Property 2
“SP Agreement 1”	the conditional sale and purchase agreement dated 19 May 2008 entered into between Vendor 1 and Purchaser 1 in relation to the sale and purchase of the entire issued share capital of, and the related shareholder’s loan extended to, Glamourous

DEFINITIONS

“SP Agreement 2”	the conditional sale and purchase agreement dated 19 May 2008 entered into between Vendor 2 and Purchaser 2 in relation to the sale and purchase of the entire issued share capital of Best Inspire and the related shareholder’s loan extended to Best Inspire and Silver Target
“SP Agreement 3”	the conditional sale and purchase agreement dated 19 May 2008 entered into between Vendor 2 and Purchaser 3 in relation to the sale and purchase of the entire issued share capital of Bright Majestic and the related shareholder’s loan extended to Bright Majestic and Wealth Champion
“sq. ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor 1”	Senstar Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Vendor 2”	Power Global Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Wealth Champion”	Wealth Champion Limited, a company incorporated in the British Virgin Islands with limited liability and the registered owner of Property 3
“Willie”	Willie International Holdings Limited, a company incorporated in Hong Kong with limited liability, the securities of which are listed on the main board of the Stock Exchange
“Willie Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of Willie
“Wiseteam”	Wiseteam Assets Limited, a company incorporated in the British Virgin Islands with limited liability and the registered owner of Property 1
“%”	per cent

LETTER FROM THE BOARD



HERITAGE INTERNATIONAL HOLDINGS LIMITED

漢基控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 412)

Executive Directors:

Kwong Kai Sing, Benny

Ong Peter

Poon Chi Wan

Chow Chi Wah, Vincent

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent non-executive Directors:

Chan Sze Hung

To Shing Chuen

Ha Kee Choy, Eugene

Chung Yuk Lun

Lo Wong Fung

Principal place of business in

Hong Kong:

32nd Floor, China United Centre

28 Marble Road

North Point

Hong Kong

30 May 2008

To the Shareholders and holders of warrants of the Company

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

DISPOSAL OF THE ENTIRE INTEREST IN GLAMOUROUS INVESTMENTS LIMITED, BEST INSPIRE LIMITED AND BRIGHT MAJESTIC LIMITED

1. INTRODUCTION

The Board announced that on 19 May 2008, the Group entered into the following agreements to dispose of its entire interest in the Properties for an aggregate consideration of approximately HK\$86.6 million:

* For identification purposes only

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- (a) SP Agreement 1 between Vendor 1 (a wholly-owned subsidiary of the Company) and Purchaser 1, whereby Vendor 1 conditionally agreed to sell and Purchaser 1 conditionally agreed to purchase, the entire issued share capital of, and the related shareholder's loan extended to, Glamourous;
- (b) SP Agreement 2 between Vendor 2 (a wholly-owned subsidiary of the Company) and Purchaser 2, whereby Vendor 2 conditionally agreed to sell and Purchaser 2 conditionally agreed to purchase, the entire issued share capital of Best Inspire and the related shareholder's loan extended to Best Inspire and Silver Target; and
- (c) SP Agreement 3 between Vendor 2 and Purchaser 3, whereby Vendor 2 conditionally agreed to sell and Purchaser 3 conditionally agreed to purchase, the entire issued share capital of Bright Majestic and the related shareholder's loan extended to Bright Majestic and Wealth Champion.

The Disposal constitutes a discloseable transaction for the Company under Rule 14.06 of the Listing Rules. The main purpose of this circular is to provide you with further particulars of the Disposal.

2. THE AGREEMENTS

2.1 SP Agreement 1

Date:

19 May 2008

Parties:

Vendor : Senstar Limited, an investment holding company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company.

Purchaser : Perfectday Investments Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Willie. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, save for holding an approximate interest of 7.19% in the Company, Purchaser 1 and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

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Assets to be disposed of:

The entire issued share capital of, and the related shareholder's loan in the amount of approximately HK\$24.0 million extended to, Glamourous. As a result of the Disposal, Glamourous and Wiseteam will cease to be subsidiaries of the Company and the Company will not hold any interest in Glamourous and Wiseteam.

Glamourous is a company incorporated under the laws of the British Virgin Islands and is the legal and beneficial owner of the entire issued share capital of Wiseteam. Other than holding the interest in Wiseteam, Glamourous has no other assets or business.

Wiseteam, a wholly-owned subsidiary of Glamourous, is a property holding company and its principal asset is Property 1. Property 1 occupies a gross floor area of approximately 11,262 sq. ft. and is valued at HK\$49 million as at 31 March 2008 by Asset Appraisal Limited, an independent qualified professional property valuer appointed by the Company.

Based on the unaudited consolidated management accounts of Glamourous made up to 31 March 2008, the unaudited consolidated net liabilities of Glamourous as at 31 March 2008 were approximately HK\$3.8 million with the value of Property 1 booked at HK\$49 million and the unaudited consolidated profit before tax of Glamourous was approximately HK\$1.25 million for the year ended 31 March 2007 (or HK\$0.32 million loss after tax) and the unaudited consolidated loss (both before and after tax) of Glamourous was approximately HK\$3.21 million for the year ended 31 March 2008.

Consideration:

The aggregate consideration payable by Purchaser 1 to Vendor 1 for the acquisition of the entire issued share capital of, and the related shareholder's loan extended to, Glamourous is HK\$49 million less any amount of bank loan outstanding as at completion and subject to further adjustments by reference to the consolidated net assets or liabilities (as the case may be) of Glamourous (excluding the value of Property 1, the bank loan and the shareholder's loan to be assigned) as at completion. According to SP Agreement 1, when calculating the consolidated net assets or liabilities of Glamourous, only the book value of the following assets, namely, utility and other deposits and prepayments, and cash and bank balance, would be taken into account. Based on the unaudited consolidated management accounts of Glamourous made up to 31 March 2008, the amount of bank loan outstanding as at 31 March 2008 was approximately HK\$26.7 million and was provided by The Bank of East Asia, Limited to Wiseteam on normal commercial terms, and the utility and other deposits and prepayments paid by Glamourous and Wiseteam amounted to about HK\$0.21 million as at 31 March 2008 and Glamourous and Wiseteam did not have any cash and bank balance as at 31 March 2008. The Directors do not foresee any substantial increment to any of the above figures.

The aggregate consideration of approximately HK\$20.4 million shall be satisfied upon completion by issue of a convertible note at 100% of the face value of its principal amount by Willie to Vendor 1 (or such other person or persons as Vendor 1 may direct).

LETTER FROM THE BOARD

The consideration has been arrived at after arm's length negotiations between the parties with reference to the value of Property 1 of HK\$49 million as at 31 March 2008.

Completion:

Subject to the fulfillment or waiver of the following conditions, completion of SP Agreement 1 shall take place on the third business day after fulfillment or waiver of the last of the following conditions (except the condition set out in paragraph (h) which shall be fulfilled immediately prior to completion) or such other date as may be agreed between Vendor 1 and Purchaser 1 in writing.

Completion shall be conditional upon:

- (a) (if necessary) the passing of the necessary resolution(s) by the shareholders of the Company and Willie (other than those who are required to abstain from voting under the Listing Rules or the applicable laws or otherwise by the Stock Exchange) in accordance with the rules and regulations applicable to them in their respective general meetings to approve SP Agreement 1 and the transactions contemplated thereunder;
- (b) the passing of the necessary resolution(s) by the shareholders of Willie (other than those who are required to abstain from voting under the Listing Rules or the applicable laws or otherwise by the Stock Exchange) in accordance with the rules and regulations applicable to Willie in its general meeting to approve the creation and issue of the convertible note and the issue and allotment of the Conversion Shares pursuant to the terms of SP Agreement 1;
- (c) the Stock Exchange granting or agreeing to grant the listing of and permission to deal in the Conversion Shares;
- (d) the mortgagee bank agreeing to keep current the banking facilities now extended to Wiseteam as secured by the mortgage of Property 1 subject only to such conditions as may be acceptable to Purchaser 1;
- (e) Purchaser 1 being reasonably satisfied with its due diligence review of the legal and financial affairs of Glamourous and Wiseteam;
- (f) Vendor 1 having shown and given a good title of Wiseteam to Property 1 in accordance with the Conveyancing and Property Ordinance;
- (g) SP Agreement 2 and SP Agreement 3 becoming unconditional in all respects, other than any condition therein requiring SP Agreement 1 to be unconditional; and
- (h) the representations and warranties made or given by Vendor 1 under SP Agreement 1 remaining true and accurate in all material respects and not misleading in any material respect as at the completion date.

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If any of the conditions precedent set out above is not fulfilled (or waived by Purchaser 1) on or before 31 July 2008, the rights and obligations of the parties under SP Agreement 1 shall lapse and be of no further force and effect, and the parties shall be released from all further obligations thereunder without any liability save to any antecedent breach.

Pursuant to SP Agreement 1, Purchaser 1 may at its absolute discretion waive the conditions precedent set out in paragraphs (e) to (h) above. As at the Latest Practicable Date, none of the above conditions precedent had been fulfilled.

2.2 SP Agreement 2

Date:

19 May 2008

Parties:

Vendor : Power Global Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company.

Purchaser : Equal Sky Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Willie. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, save for holding an approximate interest of 7.19% in the Company, Purchaser 2 and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Assets to be disposed of:

The entire issued share capital of Best Inspire and the related shareholder's loan in the amount of approximately HK\$9.7 million extended to Best Inspire and Silver Target. As a result of the Disposal, Best Inspire and Silver Target will cease to be subsidiaries of the Company and the Company will not hold any interest in Best Inspire and Silver Target.

Best Inspire is a company incorporated under the laws of the British Virgin Islands and is the legal and beneficial owner of the entire issued share capital of Silver Target. Other than holding the interest in Silver Target, Best Inspire has no other assets or business.

Silver Target, a wholly-owned subsidiary of Best Inspire, is a property holding company and its principal asset is Property 2. Property 2 occupies a gross floor area of approximately 11,262 sq. ft. and is valued at HK\$49 million as at 31 March 2008 by Asset Appraisal Limited, an independent qualified professional property valuer appointed by the Company.

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Based on the unaudited consolidated management accounts of Best Inspire made up to 31 March 2008, the unaudited consolidated net assets of Best Inspire as at 31 March 2008 were approximately HK\$22.4 million with the value of Property 2 booked at HK\$49 million and the unaudited consolidated profit before tax of Best Inspire was approximately HK\$0.40 million for the year ended 31 March 2007 (or HK\$0.24 million after tax) and HK\$4.28 million for the year ended 31 March 2008 (or HK\$3.58 million after tax).

Consideration:

The aggregate consideration payable by Purchaser 2 to Vendor 2 for the acquisition of the entire issued share capital of Best Inspire and the related shareholder's loan extended to Best Inspire and Silver Target is HK\$49 million less any amount of borrowing outstanding as at completion and subject to further adjustments by reference to the consolidated net assets or liabilities (as the case may be) of Best Inspire (excluding the value of Property 2, any other borrowing and the shareholder's loan to be assigned) as at completion. According to SP Agreement 2, when calculating the consolidated net assets or liabilities of Best Inspire, only the book value of the following assets, namely, utility and other deposits and prepayments, and cash and bank balance, would be taken into account. Based on the unaudited consolidated management accounts of Best Inspire made up to 31 March 2008, the amount of bank borrowing outstanding as at 31 March 2008 was approximately HK\$12.5 million and was provided by The Hongkong and Shanghai Banking Corporation Limited to Silver Target on normal commercial terms, and the utility and other deposits and prepayments paid by Best Inspire and Silver Target amounted to about HK\$0.20 million as at 31 March 2008 and Best Inspire and Silver Target had cash and bank balance amounting to approximately HK\$1,500 as at 31 March 2008. The Directors do not foresee any substantial increment to any of the above figures.

The aggregate consideration of approximately HK\$32.1 million shall be satisfied upon completion by issue of a convertible note at 100% of the face value of its principal amount by Willie to Vendor 2 (or such other person or persons as Vendor 2 may direct).

The consideration has been arrived at after arm's length negotiations between the parties with reference to the value of Property 2 of HK\$49 million as at 31 March 2008.

Completion:

Subject to the fulfillment or waiver of the following conditions, completion of SP Agreement 2 shall take place on the later of (i) 6 July 2008 and (ii) the third business day after fulfillment or waiver of the last of the following conditions (except the condition set out in paragraph (h) which shall be fulfilled immediately prior to completion), or such other date as may be agreed between Vendor 2 and Purchaser 2 in writing.

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Completion shall be conditional upon:

- (a) (if necessary) the passing of the necessary resolution(s) by the shareholders of the Company and Willie (other than those who are required to abstain from voting under the Listing Rules or the applicable laws or otherwise by the Stock Exchange) in accordance with the rules and regulations applicable to them in their respective general meetings to approve SP Agreement 2 and the transactions contemplated thereunder;
- (b) the passing of the necessary resolution(s) by the shareholders of Willie (other than those who are required to abstain from voting under the Listing Rules or the applicable laws or otherwise by the Stock Exchange) in accordance with the rules and regulations applicable to Willie in its general meeting to approve the creation and issue of the convertible note and the issue and allotment of the Conversion Shares pursuant to the terms of SP Agreement 2;
- (c) the Stock Exchange granting or agreeing to grant the listing of and permission to deal in the Conversion Shares;
- (d) the mortgagee bank agreeing to keep current the banking facilities now extended to Silver Target as secured by the mortgage of Property 2 subject only to such conditions as may be acceptable to Purchaser 2, or Vendor 2 having procured a loan to Silver Target on terms no less favourable than those offered by the mortgagee bank in substitution for the bank loan;
- (e) Purchaser 2 being reasonably satisfied with its due diligence review of the legal and financial affairs of Best Inspire and Silver Target;
- (f) Vendor 2 having shown and given a good title of Silver Target to Property 2 in accordance with the Conveyancing and Property Ordinance;
- (g) SP Agreement 1 and SP Agreement 3 becoming unconditional in all respects, other than any condition therein requiring SP Agreement 2 to be unconditional; and
- (h) the representations and warranties made or given by Vendor 2 under SP Agreement 2 remaining true and accurate in all material respects and not misleading in any material respect as at the completion date.

If any of the conditions precedent set out above is not fulfilled (or waived by Purchaser 2) on or before 31 July 2008, the rights and obligations of the parties under SP Agreement 2 shall lapse and be of no further force and effect, and the parties shall be released from all further obligations thereunder without any liability save to any antecedent breach.

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Pursuant to SP Agreement 2, Purchaser 2 may at its absolute discretion waive the conditions precedent set out in paragraphs (e) to (h) above. As at the Latest Practicable Date, none of the above conditions precedent had been fulfilled.

2.3 SP Agreement 3

Date:

19 May 2008

Parties:

Vendor : Power Global Limited.

Purchaser : Oasis Choice Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Willie. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, save for holding an approximate interest of 7.19% in the Company, Purchaser 3 and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Assets to be disposed of:

The entire issued share capital of Bright Majestic and the related shareholder's loan in the amount of approximately HK\$14.7 million extended to Bright Majestic and Wealth Champion. As a result of the Disposal, Bright Majestic and Wealth Champion will cease to be subsidiaries of the Company and the Company will not hold any interest in Bright Majestic and Wealth Champion.

Bright Majestic is a company incorporated under the laws of the British Virgin Islands and is the legal and beneficial owner of the entire issued share capital of Wealth Champion. Other than holding the interest in Wealth Champion, Bright Majestic has no other assets or business.

Wealth Champion, a wholly-owned subsidiary of Bright Majestic, is a property holding company and its principal asset is Property 3. Property 3 occupies a gross floor area of approximately 11,262 sq. ft. and is valued at HK\$49 million as at 31 March 2008 by Asset Appraisal Limited, an independent qualified professional property valuer appointed by the Company.

Based on the unaudited consolidated management accounts of Bright Majestic made up to 31 March 2008, the unaudited consolidated net assets of Bright Majestic as at 31 March 2008 were approximately HK\$19.4 million with the value of Property 3 booked

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at HK\$49 million and the unaudited consolidated loss before tax of Bright Majestic was approximately HK\$1.00 million for the year ended 31 March 2007 (or HK\$1.16 million after tax) and the unaudited consolidated profit before tax of Bright Majestic was approximately HK\$11.1 million for the year ended 31 March 2008 (or HK\$9.23 million after tax).

Consideration:

The aggregate consideration payable by Purchaser 3 to Vendor 2 for the acquisition of the entire issued share capital of Bright Majestic and the related shareholder's loan extended to Bright Majestic and Wealth Champion is HK\$49 million less any amount of borrowing outstanding as at completion and subject to further adjustments by reference to the consolidated net assets or liabilities (as the case may be) of Bright Majestic (excluding the value of Property 3, any other borrowing and the shareholder's loan to be assigned) as at completion. According to SP Agreement 3, when calculating the consolidated net assets or liabilities of Bright Majestic, only the book value of the following assets, namely, utility and other deposits and prepayments, and cash and bank balance, would be taken into account. Based on the unaudited consolidated management accounts of Bright Majestic made up to 31 March 2008, the amount of bank borrowing outstanding as at 31 March 2008 was approximately HK\$12.5 million and was provided by The Hongkong and Shanghai Banking Corporation Limited to Wealth Champion on normal commercial terms, and the utility and other deposits and prepayments paid by Bright Majestic and Wealth Champion amounted to about HK\$0.22 million as at 31 March 2008 and Bright Majestic and Wealth Champion had cash and bank balance amounting to approximately HK\$0.16 million as at 31 March 2008. The Directors do not foresee any substantial increment to any of the above figures.

The aggregate consideration of approximately HK\$34.1 million shall be satisfied upon completion by issue of a convertible note at 100% of the face value of its principal amount by Willie to Vendor 2 (or such other person or persons as Vendor 2 may direct).

The consideration has been arrived at after arm's length negotiations between the parties with reference to the value of Property 3 of HK\$49 million as at 31 March 2008.

Completion:

Subject to the fulfillment or waiver of the following conditions, completion of SP Agreement 3 shall take place on the later of (i) 6 July 2008 and (ii) the third business day after fulfillment or waiver of the last of the following conditions (except the condition set out in paragraph (h) which shall be fulfilled immediately prior to completion), or such other date as may be agreed between Vendor 2 and Purchaser 3 in writing.

Completion shall be conditional upon:

- (a) (if necessary) the passing of the necessary resolution(s) by the shareholders of the Company and Willie (other than those who are required to abstain from voting under the Listing Rules or the applicable laws or otherwise by the

LETTER FROM THE BOARD

Stock Exchange) in accordance with the rules and regulations applicable to them in their respective general meetings to approve SP Agreement 3 and the transactions contemplated thereunder;

- (b) the passing of the necessary resolution(s) by the shareholders of Willie (other than those who are required to abstain from voting under the Listing Rules or the applicable laws or otherwise by the Stock Exchange) in accordance with the rules and regulations applicable to Willie in its general meeting to approve the creation and issue of the convertible note and the issue and allotment of the Conversion Shares pursuant to the terms of SP Agreement 3;
- (c) the Stock Exchange granting or agreeing to grant the listing of and permission to deal in the Conversion Shares;
- (d) the mortgagee bank agreeing to keep current the banking facilities now extended to Wealth Champion as secured by the mortgage of Property 3 subject only to such conditions as may be acceptable to Purchaser 3, or Vendor 2 having procured a loan to Wealth Champion on terms no less favourable than those offered by the mortgagee bank in substitution for the bank loan;
- (e) Purchaser 3 being reasonably satisfied with its due diligence review of the legal and financial affairs of Bright Majestic and Wealth Champion;
- (f) Vendor 2 having shown and given a good title of Wealth Champion to Property 3 in accordance with the Conveyancing and Property Ordinance;
- (g) SP Agreement 1 and SP Agreement 2 becoming unconditional in all respects, other than any condition therein requiring SP Agreement 3 to be unconditional; and
- (h) the representations and warranties made or given by Vendor 2 under SP Agreement 3 remaining true and accurate in all material respects and not misleading in any material respect as at the completion date.

If any of the conditions precedent set out above is not fulfilled (or waived by Purchaser 3) on or before 31 July 2008, the rights and obligations of the parties under SP Agreement 3 shall lapse and be of no further force and effect, and the parties shall be released from all further obligations thereunder without any liability save to any antecedent breach.

Pursuant to SP Agreement 3, Purchaser 3 may at its absolute discretion waive the conditions precedent set out in paragraphs (e) to (h) above. As at the Latest Practicable Date, none of the above conditions precedent had been fulfilled.

LETTER FROM THE BOARD

3. PRINCIPAL TERMS OF THE CONVERTIBLE NOTE

Pursuant to the Agreements, Willie shall issue convertible note at 100% of the face value of its principal amount to Vendor 1 and Vendor 2 (or such other person or persons as Vendor 1 and Vendor 2 may direct) in satisfaction of the consideration payable thereunder. The principal terms of the convertible note are set out below:

- Principal amount : Approximately HK\$86.6 million.
- Conversion price : The initial conversion price is HK\$0.11 per Conversion Share, subject to usual anti-dilution adjustments in certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivatives issues.

The initial conversion price of HK\$0.11 represents:

- (i) a discount of approximately 1.8% to the closing price of HK\$0.112 per Willie Share as quoted on the Stock Exchange on 16 May 2008, being the last trading day of the Willie Shares immediately prior to the date of the Agreements;
- (ii) a discount of approximately 2.7% to the average closing price of approximately HK\$0.113 per Willie Share as quoted on the Stock Exchange from 9 May 2008 to 16 May 2008, both days inclusive, being the last five trading days of the Willie Shares immediately prior to the date of the Agreements;
- (iii) a premium of approximately 7.8% over the closing price of HK\$0.102 per Willie Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (iv) a discount of approximately 73.8% to the net asset value per Willie Share of approximately HK\$0.42 (based on the consolidated net asset value of Willie of approximately HK\$1,486.5 million as at 31 December 2007 and 3,499,442,596 Willie Shares in issue as at the date hereof).

- Interest rate : The convertible note is non-interest bearing.
- Maturity : The day falling three years from the date of issue of the convertible note.
- Redemption : Unless previously redeemed or converted, the convertible note shall be redeemed by Willie at its principal amount outstanding on the maturity date.

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- Early redemption : Willie may at any time after the first anniversary date of the issue date of the convertible note redeem the whole or any part of the outstanding principal amount of the convertible note provided that if redemption is made earlier than the maturity date, it should be made at 110% of the principal amount of the note to be redeemed.
- Transferability : Subject to any conditions, approvals, requirements and any other provisions of or under the Stock Exchange and all applicable laws and regulations, the convertible note may at any time be transferred to any third party.
- Conversion period : Holder(s) of the convertible note shall have the right, at its/their absolute discretion, to convert, the whole or any part of the outstanding principal amount of the convertible note into Conversion Shares at the then prevailing conversion price at any time on or after the issue of the convertible note up to the day which is 7 days prior to the maturity date.
- Conversion Shares : Upon full conversion of the entire principal amount of the convertible note at the initial conversion price of HK\$0.11 per Conversion Share, an aggregate of approximately 787 million Conversion Shares will be issued. On the basis of 3,499,442,596 Willie Shares in issue as at the Latest Practicable Date, upon full conversion of the entire principal amount of the convertible note, the Group will be interested in approximately 18.4% of the enlarged issued share capital of Willie.

The effect of conversion of the above convertible note on the shareholding of Willie is as follows:

	As at the Latest Practicable Date		Upon full conversion of the convertible note (assuming that the principal amount of the convertible note is approximately HK\$86.6 million and is converted at the initial conversion price of HK\$0.11)	
	No. of shares	Approximate %	No. of shares	Approximate %
Holder(s) of the convertible note	–	–	787,272,727	18.37
Other shareholders	3,499,442,596	100.00	3,499,442,596	81.63
Total	<u>3,499,442,596</u>	<u>100.00</u>	<u>4,286,715,323</u>	<u>100.00</u>

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The Company is aware that conversion of the above convertible note may, depending on the amount converted and the circumstances prevailing at the time of conversion, constitute another notifiable transaction for the Company. The Company will revisit the relevant requirements of the Listing Rules before exercising the conversion right attaching thereto and comply with the same as appropriate.

- Voting : Holder(s) of the convertible note will not be entitled to receive notices of, attend or vote at any general meeting of Willie by reason only of it/ they being the holder(s) of the convertible note.
- Listing : No application will be made for the listing of the convertible note on the Stock Exchange or any other stock exchange. An application will be made for the listing of and permission to deal in the Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the convertible note.
- Ranking : The obligations of Willie arising under the convertible note shall at all times rank *pari passu* with all other present and future unsecured and unsubordinated obligations of Willie.

4. LEASE BACK OF PROPERTY

In order to minimise any unnecessary interruption to the Group's business, the Group will lease back a part of Property 3 which is currently occupied by the Group as its principal place of business in Hong Kong for a period of two years commencing from the date of completion of SP Agreement 3 for a monthly rental of HK\$139,655. The premises to be leased back is Room 3203 on 32nd Floor of China United Centre, No.28 Marble Road, North Point, Hong Kong. It occupies a gross floor area of approximately 4,505 sq. ft. The rental for the aforesaid premises was determined after arm's length negotiations between the parties with reference to the rental of similar properties in the same vicinity.

5. REASONS FOR, AND BENEFITS OF, THE DISPOSAL

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 Properties were acquired by the Group in 2004 and 2005 at an aggregate consideration of about HK\$94 million. In view of the improved market condition in the property sector, the Directors consider that the Group should take this opportunity to dispose of its interest in the Properties. Nevertheless, the Group would continue to look for suitable investment opportunities in the property market.

Besides, the executive Directors also consider this a valuable opportunity for the Group to acquire a substantial interest in Willie at a reasonable price. Willie is an investment holding company listed on the Stock Exchange with its subsidiaries principally engaged in the business of property investment, investment in securities trading, investing in energy related businesses and acquiring, exploring and

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developing natural resources. The executive Directors are optimistic about the future prospects of the business of Willie and the acquisition of the convertible note will give the Group an opportunity to benefit from the growth of Willie and its subsidiaries in the future.

Taking into account the value of the Properties of HK\$147 million as at 31 March 2008, the Directors consider the terms of the Disposal to be fair and reasonable and in the interests of the Shareholders as a whole.

6. FINANCIAL EFFECT OF THE DISPOSAL

Following the Disposal, the Group's non-current assets are expected to be reduced by HK\$147 million (reflecting the market value of the Properties) and its current and non-current assets are expected to be increased by approximately HK\$86.6 million (representing the face value of the convertible note). In addition, the Group's liabilities are also expected to be reduced by approximately HK\$51.7 million (representing the amount of loan owing to mortgagee banks).

The gain expected to accrue to the Group from the Disposal would be approximately HK\$35.7 million, subject to auditing of the financial statements of the Group for the financial year ending 31 March 2009. The gain represents the difference between the net sale proceeds from the Disposal and the carrying value of the Sale Interests of about HK\$50.9 million in the Group's audited financial statements for the year ended 31 March 2007.

7. ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the Appendix to this circular.

Yours faithfully,
For and on behalf of the Board
Kwong Kai Sing, Benny
Chairman

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

DISCLOSURE OF INTERESTS**(a) Directors and chief executive**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Nature of interest	Number of Shares		Approximate percentage of existing issued share capital of the Company
		Long position	Short position	
Kwong Kai Sing, Benny	Beneficial owner	15,444,000	–	0.60%
Ong Peter	Beneficial owner	8,595,360	–	0.34%
Poon Chi Wan	Beneficial owner	1,188,000	–	0.05%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders

As at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors and chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Capacity in which such interests were held	Number of Shares or underlying Shares	Approximate percentage of existing issued share capital of the Company
Willie	Corporate interest	183,941,280	7.19%
Radford Capital Investment Limited ^{Note}	Corporate interest	132,711,300	5.19%

Note:

Messrs. Chung Yuk Lun and Chan Sze Hung, both Directors, are also directors of Radford Capital Investment Limited.

According to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors and chief executive of the Company, save as disclosed above, there were no other persons (other than the Directors or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

LITIGATION

No member of the Group is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any of its subsidiaries other than contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associate(s) (as defined in the Listing Rules) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

MISCELLANEOUS

- (a) The secretary and the qualified accountant of the Company is Mr. Chow Chi Wah, Vincent, who is a fellow member of the Chartered Association of Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company is located at 32nd Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in case of inconsistency.