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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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****SUBSCRIPTION OF CONVERTIBLE BOND OF  
RADFORD CAPITAL INVESTMENT LIMITED**

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A letter from the board of directors of Heritage International Holdings Limited is set out on pages 3 to 9 of this circular.

\* *For identification purposes only*

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## DEFINITIONS

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

“Board”	the board of Directors
“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 Price”	the conversion price of HK\$0.15 per Conversion Share (subject to adjustment)
“Conversion Shares”	new Radford Shares which would fall to be issued by Radford upon the exercise of the conversion rights attached to the Convertible Bond
“Convertible Bond”	zero coupon convertible bond due 2011 in an aggregate principal amount of HK\$20,000,000 proposed to be issued by Radford to Double Smart or its nominee pursuant to the Settlement Deed
“Director(s)”	the director(s) of the Company
“Double Smart”	Double Smart Finance Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, which is licensed to carry on business as a money lender under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Latest Practicable Date”	14 October 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
“Loan”	the loan in the principal amount of HK\$20,000,000 extended by Double Smart to Radford
“Radford”	Radford Capital Investment Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange

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## DEFINITIONS

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“Radford Group”	Radford and its subsidiaries
“Radford Share(s)”	share(s) of a nominal value of HK\$0.10 each in the issued share capital of Radford
“Settlement Deed”	the conditional settlement deed dated 24 September 2008 (as supplemented by a supplemental deed dated 26 September 2008) entered into between Radford and Double Smart in relation to the settlement of the Loan by the Convertible Bond, subject to the terms and conditions contained therein
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Convertible Bond by the Group pursuant to the terms of the Settlement Deed
“%”	per cent

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## LETTER FROM THE BOARD

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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)**

*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

17 October 2008

*To the Shareholders and holders of warrants of the Company*

Dear Sir or Madam,

### DISCLOSEABLE TRANSACTION

### SUBSCRIPTION OF CONVERTIBLE BOND OF RADFORD CAPITAL INVESTMENT LIMITED

#### 1. INTRODUCTION

The Board announced that on 24 September 2008, Double Smart, a subsidiary of the Company, entered into the Settlement Deed with Radford, pursuant to which Radford had agreed to issue the Convertible Bond to Double Smart or its nominee in settlement of the Loan.

The subscription of the Convertible Bond 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 Subscription.

\* For identification purposes only

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## LETTER FROM THE BOARD

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### 2. THE SETTLEMENT DEED

**Date:**

24 September 2008 (as supplemented by a supplemental deed dated 26 September 2008)

**Parties:**

Lender : Double Smart Finance Limited, a wholly-owned subsidiary of the Company, licensed to carry on business as a money lender under the Money Lenders Ordinance.

Borrower : Radford Capital Investment Limited. Radford is a company listed on the main board of the Stock Exchange (Stock Code: 901) and is primarily engaged in the business of investing in both listed and unlisted companies.

As at the Latest Practicable Date, the Group is interested in approximately 6.97% of the issued share capital of Radford, and Radford is interested in approximately 8.71% of the issued share capital of the Company. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, save as disclosed above, Radford and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules) except that Mr. Chung Yuk Lun, an independent non-executive director of the Company, is the Chairman of Radford and Mr. Chan Sze Hung is an independent non-executive director of both the Company and Radford.

**Conversion Shares:**

Pursuant to the Settlement Deed, Radford will issue the Convertible Bond to Double Smart or its nominee in settlement of the Loan, which has an outstanding principal amount of HK\$20,000,000 as at the Latest Practicable Date, while interest accrued on the Loan shall be separately repaid on completion of the Settlement Deed.

Assuming full conversion of the Convertible Bond at the initial Conversion Price of HK\$0.15 per Radford Share, the Convertible Bond will be convertible into 133,333,333 Conversion Shares, representing approximately 25.81% of the existing issued share capital of Radford and approximately 20.52% of the issued share capital of Radford as enlarged by the issue of the Conversion Shares.

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## LETTER FROM THE BOARD

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The Company understood from Radford that it had on 24 September 2008 entered into another settlement deed, pursuant to which Radford had agreed to issue another convertible bond to another lender, which if converted at the initial conversion price of HK\$0.15 per Radford Share, would entitle this lender to subscribe for an aggregate of 166,666,667 Radford Shares. Assuming full conversion of both convertible bonds at the initial conversion price of HK\$0.15 per Radford Share and taking into account the existing shareholding of the Group in Radford, the Group will be interested in approximately 20.74% of the enlarged issued share capital of Radford after full conversion of the Convertible Bond.

Set out below is the audited consolidated financial information of the Radford Group for each of the two financial years ended 31 December 2006 and 2007 as extracted from the 2007 annual report of Radford:

	<b>Year ended 31 December</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$</i>	<i>HK\$</i>
Turnover	1,101,896,960	230,697,848
Loss before taxation	(29,720,157)	(28,541,032)
Loss for the year	(29,720,157)	(28,541,032)

  

	<b>As at 31 December</b>	
	<b>2007</b>	<b>2006</b>
	<i>HK\$</i>	<i>HK\$</i>
Total assets	487,023,703	166,257,798
Total liabilities	69,518,964	5,812,525
Net assets	417,504,739	160,445,273

### **Conversion Price:**

The initial Conversion Price of HK\$0.15 per Conversion Share was arrived at after arm's length negotiation between the Company and Radford with reference to the recent market price of the Radford Shares and represents:

- (a) a discount of approximately 4.46% to the closing price of HK\$0.157 per Radford Share as quoted on the Stock Exchange on 24 September 2008, being the date of the Settlement Deed;
- (b) a discount of approximately 12.59% to the average closing price of HK\$0.1716 per Radford Share as quoted on the Stock Exchange for the last 5 trading days up to and including 23 September 2008, being the last trading day immediately before the date of the Settlement Deed;

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## LETTER FROM THE BOARD

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- (c) a discount of approximately 50.17% to the unaudited consolidated net asset value of approximately HK\$0.301 per Radford Share as announced by Radford on 9 September 2008; and
- (d) a premium of approximately 22.95% over the closing price of HK\$0.122 per Radford Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Conversion Price will be subject to adjustment, the details of which are summarised in the paragraph headed “Terms of the Convertible Bond” of this circular.

### **Conditions precedent:**

Completion of the Settlement Deed is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares; and
- (b) the passing of a resolution by the shareholders of Radford approving the issue of the Convertible Bond and the Conversion Shares thereunder in accordance with the Listing Rules.

If any of the above conditions have not been fulfilled by 30 November 2008 (or such other date as the parties thereto may agree), the Settlement Deed will lapse and become null and void and Radford will remain liable for the repayment of the Loan and interest accrued thereon.

### **Completion:**

Completion of the Settlement Deed will take place on the third business day after all the above conditions precedent have been fulfilled or such other date as the parties thereto may mutually agree in writing.

### **3. TERMS OF THE CONVERTIBLE BOND**

The principal terms of the Convertible Bond are summarised as follows:

Principal amount	:	HK\$20,000,000
Conversion Price	:	HK\$0.15 per Conversion Share, subject to adjustments in certain events including, among other things, share consolidation, share subdivision, capitalisation issue, capital distribution and rights issue.
Interest rate	:	The Convertible Bond is non-interest bearing.



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## LETTER FROM THE BOARD

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Maturity	:	The third anniversary of the date of issue of the Convertible Bond.
Early redemption	:	There is no early redemption right under the Convertible Bond.
Transferability	:	The Convertible Bond is not transferable without the prior written consent of Radford, except by a transfer to subsidiaries or the holding company of the holder of the Convertible Bond. The Convertible Bond may not be transferred by the holder of the Convertible Bond, without the prior written consent of Radford, to any connected person (as defined in the Listing Rules) of Radford.
Conversion period	:	The holder of the Convertible Bond shall have the right to convert at any time following the date of issue of the Convertible Bond until the date 7 days before (and excluding) the maturity date the whole or any part (in an amount or integral multiple of HK\$1,000,000) of the outstanding principal amount of the Convertible Bond into Conversion Shares at the Conversion Price.
Deemed conversion	:	Unless previously converted, the holder of the Convertible Bond shall be deemed to have delivered a conversion notice and exercised in full its conversion rights under the outstanding principal amount of the Convertible Bond at the Conversion Price if the closing price of the Radford Shares as published on the Stock Exchange's daily quoted sheets for each dealing day during a consecutive 30 dealing days period is equal to or in excess of 150% of the Conversion Price.
Conversion restriction	:	Holder of the Convertible Bond may not exercise its conversion rights and Radford will not issue any Radford Shares if, upon such issue, (i) the holder of the Convertible Bond will, together with parties acting in concert with it, be interested in 30% (or such amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of Radford on the relevant conversion date, or (ii) the public shareholding in Radford will be less than 25% or the minimum prescribed percentage as set out in the Listing Rules from time to time.

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## LETTER FROM THE BOARD

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Voting	:	The holder of the Convertible Bond will not be entitled to receive notice of, attend or vote at any meeting of Radford by reason only of it being the holder of the Convertible Bond.
Listing	:	No application will be made for the listing of the Convertible Bond on the Stock Exchange or any other securities exchange but an application will be made by Radford 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 attached to the Convertible Bond.
Ranking	:	The Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Bond will rank pari passu in all respects with all other Radford Shares in issue at the date of conversion of the Convertible Bond.

#### **4. REASONS FOR, AND BENEFITS OF, THE SUBSCRIPTION**

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.

On 15 May 2008, Double Smart (in its ordinary and normal course of business as a licensed money lender) entered into a loan agreement with Radford, pursuant to which Double Smart lent a sum of HK\$20,000,000 to Radford by way of revolving loan facility. The interest rate applicable to the Loan is the prime or best lending rate for Hong Kong dollar loans as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time. The Loan is due to be repaid on 14 November 2008. If Radford shall default in repayment, Double Smart may charge default interest at such rate as it may determine from time to time, but at the request of Radford, Double Smart has agreed to accept the Convertible Bond in settlement of the Loan and a settlement deed was entered into by Double Smart with Radford after trading hour on 24 September 2008.

Double Smart is a licensed money lender and the provision of Loan to Radford is in the ordinary and normal course of its business. In view of the recent turmoil in the financial market which results in a tightening of availability of funds, Radford has requested Double Smart to enter into the Settlement Deed with a view of restructuring the Loan. Although the Convertible Bond does not carry any interest, it gives the Group an option to convert the loan into equity interest in Radford and benefit from the future growth of the Radford Group. Therefore, despite that Radford has recorded losses in the past two years, the Directors still consider the terms of the Settlement Deed to be fair and reasonable. Further, given that the Conversion Price represents a discount to the recent traded market price of the Radford Shares and a substantial discount to the unaudited consolidated net asset value per Radford Share, the Directors consider the terms of the Subscription to be fair and reasonable and in the interests of the Company and its shareholders as a whole.

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## LETTER FROM THE BOARD

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### 5. FINANCIAL EFFECT OF THE SUBSCRIPTION

The Directors expect that the Subscription will not have any impact on the assets and liabilities of the Group. The loan to Radford will still be recorded as an asset in the accounts of the Group except that it will take the form of a convertible bond instead of a revolving loan facility. However, there may be a slight decrease in the revenue of the Group given that the Convertible Bond is non-interest bearing.

### 6. 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
Radford <sup>Note</sup>	Corporate interest	222,711,300	8.71%
Willie International Holdings Limited	Corporate interest	209,541,280	8.19%
Unity Investments Holdings Limited	Corporate interest	188,140,705	7.36%

*Note:* Messrs. Chung Yuk Lun and Chan Sze Hung, both Directors, are also directors of Radford.

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.