
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 NOTE OF
UNITY INVESTMENTS HOLDINGS LIMITED**

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

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\$0.132 per Conversion Share (subject to adjustment)
“Conversion Shares”	new Unity Shares which would fall to be issued by Unity upon the exercise of the conversion rights attached to the Convertible Note
“Convertible Note”	zero coupon convertible note due 2011 in an aggregate principal amount of HK\$20,000,000 proposed to be issued by Unity 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”	17 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 Unity
“Settlement Deed”	the conditional settlement deed dated 8 October 2008 entered into between Unity and Double Smart in relation to the settlement of the Loan by the Convertible Note, subject to the terms and conditions contained therein

DEFINITIONS

“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 Note by the Group pursuant to the terms of the Settlement Deed
“Unity”	Unity Investments Holdings 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
“Unity Group”	Unity and its subsidiaries
“Unity Share(s)”	share(s) of a nominal value of HK\$0.10 each in the issued share capital of Unity
“%”	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

21 October 2008

To the Shareholders and holders of warrants of the Company

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

SUBSCRIPTION OF CONVERTIBLE NOTE OF UNITY INVESTMENTS HOLDINGS LIMITED

1. INTRODUCTION

The Board announced that on 8 October 2008, Double Smart, a subsidiary of the Company, entered into the Settlement Deed with Unity, pursuant to which Unity had agreed to issue the Convertible Note to Double Smart or its nominee in settlement of the Loan.

The subscription of the Convertible Note 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

LETTER FROM THE BOARD

2. THE SETTLEMENT DEED

Date:

8 October 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 : Unity Investments Holdings Limited. Unity is a company listed on the main board of the Stock Exchange (Stock Code: 913) and is principally engaged in investments in listed securities in Hong Kong and the other main stock market around the world and also in unlisted companies.

As at the Latest Practicable Date, the Group is interested in approximately 5.32% of the issued share capital of Unity, and Unity is interested in approximately 7.36% 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, Unity and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Conversion Shares:

Pursuant to the Settlement Deed, Unity will issue the Convertible Note 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 Note at the initial Conversion Price of HK\$0.132 per Unity Share, the Convertible Note will be convertible into 151,515,151 Conversion Shares, representing approximately 40.32% of the existing issued share capital of Unity and approximately 28.73% of the issued share capital of Unity as enlarged by the issue of the Conversion Shares.

The Company understood from Unity that it had on 8 October 2008 entered into a separate settlement deed with another lender, pursuant to which Unity had agreed to issue another convertible note to such lender, which if converted at the initial conversion price of HK\$0.132 per Unity Share, would entitle this lender to subscribe for an aggregate of 136,363,636 Unity Shares. Assuming full conversion of both convertible notes at the initial conversion price of HK\$0.132 per

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Unity Share and taking into account the existing shareholding of the Group in Unity, the Group will be interested in approximately 25.84% of the enlarged issued share capital of Unity after full conversion of the Convertible Note.

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

	Year ended 31 December	
	2007	2006
	HK\$	HK\$
Turnover	837,238,944	295,055,810
(Loss) Profit before taxation	(98,995,641)	12,204,259
(Loss) Profit for the year	(98,995,641)	12,204,259

	As at 31 December	
	2007	2006
	HK\$	HK\$
Total assets	447,924,232	225,294,435
Total liabilities	31,123,296	13,033,169
Net assets	416,800,936	212,261,266

Conversion Price:

The initial Conversion Price of HK\$0.132 per Conversion Share was arrived at after arm's length negotiation between the Company and Unity with reference to the recent market price of the Unity Shares and:

- (a) represents a discount of approximately 5.71% to the closing price of HK\$0.14 per Unity Share as quoted on the Stock Exchange on 6 October 2008, being the last trading day immediately before the date of the Settlement Deed;
- (b) represents a discount of approximately 10.93% to the average closing price of HK\$0.1482 per Unity Share as quoted on the Stock Exchange for the last 5 trading days up to and including 6 October 2008, being the last trading day immediately before the date of the Settlement Deed;
- (c) represents a discount of approximately 74.62% to the unaudited consolidated net asset value of approximately HK\$0.52 per Unity Share as announced by Unity on 6 October 2008; and
- (d) is the same as the closing price of HK\$0.132 per Unity Share as quoted on the Stock Exchange on the Latest Practicable Date.

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The Conversion Price will be subject to adjustment, the details of which are summarised in the paragraph headed “Terms of the Convertible Note” 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 Unity approving the issue of the Convertible Note and the Conversion Shares thereunder in accordance with the Listing Rules.

If any of the above conditions have not been fulfilled by 31 December 2008 (or such other date as the parties thereto may agree), the Settlement Deed will lapse and become null and void and Unity 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 NOTE

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

Principal amount	:	HK\$20,000,000
Conversion Price	:	HK\$0.132 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 Note is non-interest bearing.
Maturity	:	The third anniversary of the date of issue of the Convertible Note.
Early redemption	:	There is no early redemption right under the Convertible Note.

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- Transferability : The Convertible Note is not transferable without the prior written consent of Unity, except by a transfer to subsidiaries or the holding company of the holder of the Convertible Note. The Convertible Note may not be transferred by the holder of the Convertible Note, without the prior written consent of Unity, to any connected person (as defined in the Listing Rules) of Unity.
- Conversion period : The holder of the Convertible Note shall have the right to convert at any time following the date of issue of the Convertible Note 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 Note into Conversion Shares at the Conversion Price.
- Deemed conversion : Unless previously converted, the holder of the Convertible Note shall be deemed to have delivered a conversion notice and exercised in full its conversion rights under the outstanding principal amount of the Convertible Note at the Conversion Price if the closing price of the Unity 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 Note may not exercise its conversion rights and Unity will not issue any Unity Shares if, upon such issue, (i) the holder of the Convertible Note 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 Unity on the relevant conversion date, or (ii) the public shareholding in Unity will be less than 25% or the minimum prescribed percentage as set out in the Listing Rules from time to time.
- Voting : The holder of the Convertible Note will not be entitled to receive notice of, attend or vote at any meeting of Unity by reason only of it being the holder of the Convertible Note.
- Listing : No application will be made for the listing of the Convertible Note on the Stock Exchange or any other securities exchange but an application will be made by Unity 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 Note.

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Ranking : The Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Note will rank pari passu in all respects with all other Unity Shares in issue at the date of conversion of the Convertible Note.

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 14 August 2008, Double Smart (in its ordinary and normal course of business as a licensed money lender) entered into a loan agreement with Unity, pursuant to which Double Smart lent a sum of HK\$20,000,000 to Unity 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 13 November 2008. If Unity 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 Unity, Double Smart has agreed to accept the Convertible Note in settlement of the Loan and a settlement deed was entered into by Double Smart with Unity on 8 October 2008.

Double Smart is a licensed money lender and the provision of Loan to Unity 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, Unity has requested Double Smart to enter into the Settlement Deed with a view of restructuring the Loan. Although the Convertible Note does not carry any interest and has no early redemption right, it gives the Group an option to convert the loan into equity interest in Unity and benefit from the future growth of the Unity Group. Although Unity has recorded a loss for the financial year ended 31 December 2007, the net assets of the Unity Group almost doubled from approximately HK\$212 million as at 31 December 2006 to approximately HK\$417 million as at 31 December 2007. Besides, in view of the recent market price of the Unity Shares which had almost reached its lowest point in years, the Directors consider the entering into of the Settlement Deed to be in the interests of the Company and its shareholders as a whole as it gives the Group an opportunity to capture any upside benefit which may arise as a result of any increase in the share price of the Unity Shares. Further, given that the Conversion Price represents a discount to the recent traded market price of the Unity Shares and a substantial discount to the unaudited consolidated net asset value per Unity 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.

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 Unity will still be recorded as an asset in the accounts of the Group except that it will take the form of a convertible note instead of a revolving loan facility. However, there may be a slight decrease in the revenue of the Group given that the Convertible Note is non-interest bearing.

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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 Capital Investment Limited ^{Note}	Corporate interest	222,711,300	8.71%
Willie International Holdings Limited	Corporate interest	209,541,280	8.19%
Unity	Corporate interest	188,140,705	7.36%

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.