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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 TRANSACTIONS**

#### **HEADS OF AGREEMENT FOR SUBSCRIPTION OF PREFERENCE SHARES AND WARRANTS OF NEW RANGE INVESTMENTS LTD.**

The Board is pleased to announce that on 27 July 2009, the Group, through Waytech, as the subscriber and New Range as the company entered into a legally binding heads of agreement, under which the Group conditionally agreed to subscribe for the New Range Preference Shares (with New Range Warrants) for a total cash consideration of HK\$80 million.

The Group (through Waytech), Ms. Wu and FIL are currently holding 20%, 70% and 10% of the entire issued ordinary share capital of New Range respectively. If the New Range Preference Shares and the New Range Warrants are issued and fully converted and exercised, the Group will become 75% shareholder of New Range. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, New Range and its ultimate beneficial owners (other than the Group itself) are third parties independent of the Company and its connected persons.

The subscription of the New Range Preference Shares and the New Range Warrants contemplated under the New Range Heads of Agreement is subject to, amongst other things, the parties having agreed and entered into a formal subscription agreement, in which the full terms and conditions of the subscription of such securities will be included, on or before 31 October 2009 (or such other date as the parties may agree in writing).

The transactions contemplated under the New Range Heads of Agreement (including the subscription of the New Range Warrants and the New Range Preference Shares, and the possible acquisition of up to maximum of 55% additional shareholding interest in New Range by the Group assuming that the New Range Warrants and the New Range Preference Shares are fully converted and exercised by Waytech) constitute discloseable transactions for the Company under the Listing Rules as the applicable percentage ratios in respect of these transactions exceed 5% but all of them are less than 25%.

## A. THE NEW RANGE HEADS OF AGREEMENT

The Board is pleased to announce that on 27 July 2009, the Group, through Waytech, as the subscriber and New Range as the company entered into the New Range Heads of Agreement. Under this agreement, the Group conditionally agreed to subscribe for the New Range Preference Shares (with New Range Warrants) for a total cash consideration of HK\$80 million. The material terms of the New Range Heads of Agreement are summarized below:

1. *Date*

27 July 2009

2. *Parties*

- (a) Subscriber: Waytech, which is an indirect wholly-owned subsidiary of the Company.
- (b) Company: New Range, which is a limited liability company incorporated in Hong Kong. The principal business of New Range is investment holding.

As at the date of this announcement, the Group, Ms Wu and FIL are currently holding 20%, 70% and 10% of the entire issued ordinary share capital of New Range respectively. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, New Range and its ultimate beneficial owners (including Ms Wu and FIL, but excluding the Group itself) are third parties independent of the Company and its connected persons.

3. *Asset to be acquired and the consideration*

A total of 20 New Range Preference Shares will be issued and allotted to Waytech. The issue price of each of the New Range Preference Shares shall be HK\$4,000,000. In addition to New Range Preference Shares, New Range shall further issue to Waytech 2 New Range Warrants by bonus issue (without any premium or other consideration or payment) upon completion of the subscription of the New Range Preference Shares. The total consideration for the 20 New Range Preference Shares (with 2 New Range Warrants) is HK\$80 million payable in cash upon completion.

The Consideration was determined after arm's length negotiations between the parties to the New Range Heads of Agreement. It was agreed to by the Company primarily with reference to the anticipated revenue, the operation costs and growth prospect of future investment projects of New Range Group.

4. *Principal terms of the New Range Preference Shares and New Range Warrants*

(a) The terms of the New Range Preference Shares are summarized below:

**Income:** The New Range Preference Shares shall carry fixed annual preferential dividend on the capital for the time being paid up thereon at the rate of 2 per cent. per annum. Dividends accrued shall be non-cumulative and payable semi-annually on 30 June and 31 December each year.

**Capital:** The New Range Preference Shares shall entitle the holders on a return of capital on liquidation or reduction of capital involving return of capital (other than on redemption of the New Range Preference Shares), in priority to any return of capital on the New Range Ordinary Shares or any other class of shares of New Range, to repayment of the capital and premium (if any) paid up on them.

**Voting Rights:** The New Range Preference Shares are non-voting shares, except for resolution for liquidation or reduction of capital or abrogation/variation of class rights.

**Conversion right and price:** Each New Range Preference Share fully paid up is convertible into one New Range Ordinary Shares.

This 1:1 conversion ratio above shall be subject to 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 of or in respect of the New Range Ordinary Shares.

**Conversion period:** The New Range Preference Shares will be convertible at any time on or before the Maturity Date, being the fifth (5th) anniversary of the first date of issuance. Unless they are previously redeemed or converted, the New Range Preference Shares still in issue on the Maturity Date will be automatically converted.

**Redemption right and price:** New Range is entitled (but not under obligation) to redeem all or some of the New Range Preference Shares in issue before the Maturity Date. The redemption price payable by New Range for the New Range Preference Shares shall be 100% of the issue price of the New Range Preference Shares to be redeemed plus accrued dividend (if any) payable in cash at redemption.

**Others:** The New Range Preference Shares shall be transferable to third parties subject to the applicable law and regulations. They shall not be listed or quoted on any stock exchange.

- (b) The terms of the New Range Warrants are summarized below:

**Subscription right and exercise price:** Each New Range Warrant carries the rights to subscribe for one New Range Ordinary Share at the exercise price of HK\$1 per New Range Ordinary Share (subject to adjustment). The exercise price shall be payable by the holders upon exercise in cash. The exercise price shall be subject to 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 of or in respect of the New Range Ordinary Shares.

**Voting and Participating Rights:** Holders of the New Range Warrants will not have any right to attend or vote at any meeting of New Range by virtue of them being the holders of the New Range Warrants or to participate in any distributions and/or offers of further securities made by New Range.

**Exercise Period:** The New Range Warrants may be exercised at any time during a period of five years commencing from the issuance date. Any outstanding New Range Warrants upon expiration of the exercise period shall automatically lapse.

**Others:** The New Range Preference Shares shall be transferable to third parties subject to the applicable law and regulations, but shall not be listed or quoted on any stock exchange.

##### 5. *Conditions precedent*

The obligations of Waytech to subscribe and New Range to issue and allot the New Range Preference Shares (with New Range Warrants) shall be conditional upon certain conditions precedent being satisfied, the material ones being summarized below:

- (a) the New Range Subscription Agreement, in form and substance to the satisfaction of Waytech, providing for full terms and conditions for the subscription and issue of the New Range Preference Shares (with New Range Warrants) and transactions contemplated under the New Range Heads of Agreement, having been duly executed by the relevant parties;
- (b) the articles of association of New Range having been amended to enable New Range to create, issue and allot the New Range Preference Shares, the New Range Warrants and (upon their conversion or exercise) new New Range Ordinary Shares;

- (c) the due diligence review of the legal aspects of the New Range Group and its undertakings having been completed to the satisfaction of Waytech;
- (d) a shareholders agreement, in form and substance to the satisfaction of Waytech, amongst New Range and its shareholders having been duly executed by the relevant parties thereto;
- (e) (if required) all consents, approvals and waivers required for these transactions (including any approval required for change in ultimate control of the PRC subsidiary(ies) of New Range) from any governmental or administrative authorities or bodies in the PRC having been obtained and not revoked;
- (f) there being no material adverse change to the financial and business position, and the operations and prospects of the New Range Group and its business; and
- (g) New Range complying in full with its obligations contemplated under the New Range Heads of Agreement (or the New Range Subscription Agreement, as the case may be).

If the conditions are not satisfied by 31 October 2009 (or such other date as the parties may agree in writing), all the obligations and liabilities of the parties to the New Range Heads of Agreement (or the New Range Subscription Agreement, as the case may be) shall automatically cease and determine forthwith.

## **B. REASONS FOR, AND BENEFITS OF, THE NEW RANGE HEADS OF AGREEMENT**

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.

New Range is presently owned as to 20% by Waytech. Its principal business is investment holding. Its wholly-owned subsidiary, Heritage Newline, is an intermediate holding company holding 100% shareholding of Newline Advertising. The principal business of Newline Advertising is placing advertisements outside lottery ticketing booths, counters and shops in the PRC upon refurbishment of the same. These members of New Range Group are jointly controlled entities (and accounted for using equity methods in the financial statements of the Group for the year ended 31 March 2008).

The impact of exercise and conversion of the New Range Warrants and the New Range Preference Shares on the issued ordinary share capital of New Range is illustrated below:

	As at the date of this announcement		Upon full exercise of the New Range Warrants		Upon full conversion of the New Range Preference Shares	
	<i>Number of New Range Ordinary Shares</i>	<i>Approximate %</i>	<i>Number of New Range Ordinary Shares</i>	<i>Approximate %</i>	<i>Number of New Range Ordinary Shares</i>	<i>Approximate %</i>
Ms Wu	7	70	7	58.33	7	21.88
Waytech	2	20	4	33.33	24	75
FIL	1	10	1	8.33	1	3.13
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
Total	<u>      </u> <u>      </u>	<u>      </u> <u>      </u>	<u>      </u> <u>      </u>	<u>      </u> <u>      </u>	<u>      </u> <u>      </u>	<u>      </u> <u>      </u>

The conversion and exercise of any of the New Range Preference Shares and the New Range Warrants during a period of five years commencing from the issuance date up to the Maturity Date is at the discretion of Waytech.

On the basis that the New Range Preference Shares and the New Range Warrants are fully converted and exercised, the acquisition of a total of 22 New Range Ordinary Shares will increase the Group's holding to the maximum of 75% of the entire issued ordinary share capital of New Range, and the assets of New Range will be consolidated in the consolidated financial statements of the Group under the applicable Hong Kong generally accepted accounting principles and practice.

As at 31 March 2009, the audited consolidated net deficit of New Range Group was approximately HK\$3.1 million. The table below summarizes the audited operating results of New Range Group for the following accounting periods:

	For the financial year ended 31 March 2008 (HK\$'000)	For financial year ended 31 March 2009 (HK\$'000)
Turnover	741	109
Net Profit/(Loss) (both before and after taxation and extraordinary items)	(1,857)	(763)

New Range Group has entered into negotiation with a leading gaming technology and services company for exploring possible co-operation opportunities in connection with the lottery tickets related business in the PRC. It is also negotiating and planning to invest in a PRC entity which is actively involved in selling of sport lottery tickets and have a internet platform for selling lottery tickets.

After taking into account the above factors and the terms of the Heads of Agreement (including the conditions precedent), the Directors believe that the terms of the New Range Heads of Agreement are on normal commercial terms and fair and reasonable, and are also in the interests of the Company and the Shareholders as a whole.

### **C. LISTING RULES IMPLICATIONS**

The relevant percentage ratios for the subscription of the New Range Preference Shares (with New Range Warrants) itself under the New Range Heads of Agreement exceed 5% but are less than 25%. Assuming that the New Range Preference Shares and the New Range Warrants are fully converted and exercised, the Group's aggregate percentage holdings in the issued ordinary share capital of New Range will be increased from the original 20% to 75% as mentioned above. The relevant percentage ratios for the acquisition of 55% additional shareholding interest in the ordinary share capital of New Range will be more than 5% but still be less than 25%. Accordingly, the transactions contemplated under the New Range Heads of Agreement (including the subscription of the New Range Warrants and the New Range Preference Shares, and the possible acquisition of up to maximum of 55% additional shareholding interest in New Range by the Group assuming that the New Range Warrants and the New Range Preference Shares are fully converted and exercised by Waytech immediately upon completion) constitute discloseable transactions for the Company under Rule 14.06(2) of the Listing Rules.

The Company will also comply with the Listing Rules (including Rules 14.72 to 14.77) as applicable to the conversion, exercise and/or transfer of any of the New Range Preference Shares and New Range Warrants.

### **D. DEFINITIONS**

The following expressions in this announcement have the meanings set out below unless the context requires otherwise:

“associate”	has the meaning ascribed to such term in the Listing Rules
“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
“Completion Date”	the date of completion of the subscription of the New Range Preference Shares under the New Range Heads of Agreement (or New Range Subscription Agreement, as the case may be) currently expected to be on or before 31 October 2009
“connected person”	has the meaning ascribed to such term in the Listing Rules
“Consideration”	the total sum of HK\$80 million for subscription of the New Range Preference Shares (with New Range Warrants)
“Directors”	the directors of the Company
“FIL”	Foreglory International Limited, a company incorporated in the British Virgin Islands with limited liability, which is holding 10% of the entire issued ordinary share capital of New Range
“Group”	the Company and its subsidiaries
“Heritage Newline”	上海漢基新幹線投資諮詢有限公司(Shanghai Heritage Newline Investment Consultancy Co., Ltd.), a limited liability company established in Shanghai, the PRC, which is a direct wholly-owned subsidiary of New Range
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the fifth (5th) anniversary of the first date of issuance of the New Range Preference Shares and New Range Warrants
“Ms Wu”	Miss WU Xiao Hong, who is holding 70% of the entire issued ordinary share capital of New Range



“New Range Group”	New Range, Heritage Newline and Newline Advertising
“New Range Heads of Agreement”	the legally binding heads of agreement dated 27 July 2009 between Waytech as the subscriber and New Range as the company
“New Range Ordinary Shares”	the ordinary shares of HK\$1.00 each in the share capital of New Range
“New Range Preference Shares”	the 2 per cent. convertible redeemable non-voting preference shares of HK\$1.00 each in the share capital of New Range, to be created and issued to Waytech as contemplated under the New Range Heads of Agreement, the material terms of which are summarized in this announcement
“New Range Subscription Agreement”	a formal subscription agreement to be entered into between Waytech and New Range providing the full terms and conditions for the subscription and issue of the New Range Preference Shares (with New Range Warrants) and transactions contemplated under the New Range Heads of Agreement
“New Range Warrants”	the bonus warrants of New Range to be issued as contemplated under the New Range Heads of Agreement, entitling the holder(s) thereof to subscribe for New Range Ordinary Shares, the material terms of which are summarized in this announcement
“New Range”	New Range Investments Limited (華晴投資有限公司), which is a company incorporated in Hong Kong and whole entire issued ordinary share capital is presently held as to 70% by Ms Wu, 20% by Waytech and 10% by FIL respectively
“Newline Advertising”	上海新幹線廣告有限公司(Shanghai Newline Advertising Inc.), a limited liability company established in Shanghai, the PRC which is a direct wholly-owned subsidiary of Heritage Newline

“PRC”	The People’s Republic of China
“Share”	ordinary share of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Waytech”	Waytech Limited, which is a company incorporated in the British Virgin Islands and is an indirect wholly owned subsidiary of the Company

By order of the Board  
**Kwong Kai Sing, Benny**  
*Chairman*

Hong Kong, 27 July 2009

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

\* *For identification purposes only*