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HERITAGE INTERNATIONAL HOLDINGS LIMITED

漢基控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 412)

(Warrant Code: 1248)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO PROPOSED ACQUISITION OF RICHFUL ZONE INTERNATIONAL LIMITED

Reference is made to the announcement made by the Company on 8 June, 2012 (the “Announcement”) in respect of the discloseable transaction relating to the proposed acquisition of Richful Zone Group. Unless otherwise defined in this announcement, capitalized terms defined in the Announcement shall have the same meaning as used herein. The Company would like to provide further information relating to the Acquisition as below:–

1. Further information on the Forest Land

Historical Background

On 18 June 2007, China Capital Strategy Limited (“CCSL”), Amerinvest International Forestry Group Company Limited (“Amerinvest International”) and Allied Loyal entered into a concession contract (“Concession Contract”). Under the Concession Contract, Allied Loyal acquired 50% of the concession rights and interests in respect of three parcels of forest land with a total site area of approximately 36,735 Chinese Mu, located in (i) Forest No. 92, Nan Xian He Ying Pan Mountain, Liu Shun Village, Simao District, Puer City, Yunnan Province with a site area of approximately 10,182 Chinese Mu; (ii) Forest No. 104, Gan Niu Zhai Mountain, Yi Xiang Town, Simao District, Puer City, Yunnan Province with a site area of approximately 16,344 Chinese Mu; and (iii) Forest No. 104, Gan Niu Zhai Mountain, Yi Xiang Town, Simao District, Puer City, Yunnan Province with a site area of approximately 10,209 Chinese Mu (“Old Forest Land”), from Amerinvest International. Pursuant to the Concession Contract, CCSL is responsible for the operation and management of the Old Forest Land, and Allied Loyal agreed to pay to CCSL an annual management fee at the lower of the attributable profits distributed to Allied Loyal or 8% of the annual turnover generated by the Old Forest Land. No management fee will be charged by CCSL in the event that the operation of the Old Forest Land recorded no distributable profits during the relevant year. Allied Loyal is not required to make any capital commitment for operation of the Old Forest Land.

* For identification purposes only

On 31 May 2010, a supplementary contract was entered into between CCSL, Amerinvest International, Allied Loyal and Amerinvest Kesiya Forestry (Yunnan) Company Limited (“AKFCL”) (“Supplementary Contract”) in respect of which all the parties agreed, amongst others: (a) a change in the details of the location and the total site area of the subject forest land under the Concession Contract from that of the Old Forest Land to the forest land with a total site area of approximately 36,737 Chinese Mu, located in (i) Forest No. 92, Nan Xian He Ying Pan Mountain, Liu Shun Village, Simao District, Puer City, Yunnan Province with a site area of approximately 10,382 Chinese Mu; (ii) Forest No. 104, Gan Niu Zhai Mountain, Yi Xiang Town, Simao District, Puer City, Yunnan Province with a site area of approximately 20,485 Chinese Mu; and (iii) Forest No. 101, Ji Zhai Mountain, Boluo Mu, Yi Xiang Town, Simao District, Puer City, Yunnan Province with a site area of approximately 5,870 Chinese Mu, (“Forest Land”); (b) CCSL transfers all its obligations, rights and liabilities of Forest Land pursuant to the Concession Contract including the payment term of management fee to AKFCL; and (c) AKFCL will be responsible for the operation and management of the Forest Land.

Duration of the Concession Rights and Interests of the Forest Land under the Agreement

Forest No.	Location	Duration of forest land use right and forest tree ownership right of the Forest Land
101	Ji Zhai Mountain, Boluo Mu, Yi Xiang Town, Simao District, Puer City, Yunnan Province	8 January 2010 to 7 January 2060 (50 years)
92	Nan Xian He Ying Pan Mountain, Liu Shun Village, Simao District, Puer City, Yunnan Province	24 January 2007 to 23 January 2060 (53 years)
104	Gan Niu Zhai Mountain, Yi Xiang Town, Simao District, Puer City, Yunnan Province	24 January 2007 to 7 January 2060 (53 years)

Further information on AKFCL

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, AKFCL is a wholly-owned foreign enterprise incorporated in the PRC with limited liability and Mr. Wang Sing is the director and legal representative of AKFCL.

The Forest Land is currently managed by AKFCL. Saved as disclosed, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, AKFCL has no relationship with the Vendor or the Company and is independent third party not connected with the Company and its connected person.

Existing operation status of the Forest Land

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries as below:

- (i) AKFCL is in the course of conducting afforestation with other botany species including oak and pine and such afforestation will be completed within the year of 2013. Logging of trees that reached maturity stage is expected to be completed within the year of 2013. The first stage of logging with respect to the trees planted in the year of 2008 is expected to be commenced in the year of 2023. In addition, the Company will send experts and/or representatives to the Forest Land for further due diligence on Richful Zone Group and its assets. As at the date of this announcement, the Purchaser has no intention to waive the conditions (i) and (v) shown in the Announcement dated 8 June 2012.
- (ii) Set out below is the annual turnover, annual net profit/(loss) generated from the operation of the Forest Land and attributable profit distributed to Allied Loyal for the four years ended 31 December 2011:

For the year ended 31 December	Annual turnover RMB'000 (approx.)	Annual net profit (net loss) RMB'000 (approx.)	Attributable profit distributed to Allied Loyal RMB
2011	7,648	(1,561)	–
2010	14,585	1,510*	–
2009	15,789	(673)	–
2008	6,722	(416)	–

Note:* Pursuant to the Concession Contract and the Supplementary Contract, Allied Loyal agreed to pay to AKFCL an annual management fee at the lower of the attributable profits distributed to Allied Loyal or 8% of the annual turnover generated by the Forest Land. Since 8% of the annual turnover exceeds 50% of the annual net profit for the year ended 31 December 2010, no profit has been distributed to Allied Loyal in relation to its interests in the Forest Land.

Since 8% of the annual turnover exceeds 50% of the annual net profit/(loss) for each of the four years ended 31 December 2011, no profit has been distributed to Allied Loyal in respect of its interest in the Forest Land. Save for the Concession Contract and the Supplementary Contract, there is no any management contract entered into with AKFCL.

2. Further reasons for and benefit of the Acquisition

The Directors believe that the Acquisition offers the Group a good opportunity to diversify into business with good prospect which may possibly enhance the Group's income stream and overall profitability, and to maintain the Group's growth momentum in the long run.

In order to enhance future income stream to be generated from the Acquisition upon Completion, the Company will consider negotiating with AKFCL for lowering the management fee. The Directors will also consider engaging relevant accounting and forestry professionals to work with AKFCL to see if there is any feasibility to streamline the existing operations and management of Forest Land so as to shorten the waiting time of the Company before Richful Zone Group can bring in any profit contribution.

The positive growth prospect of the macro-economy and timber consumption industries in the PRC indicates that the demand for timber products in the PRC will continue to grow steadily in long term. In 2010, China's import of timber and logs had grown rapidly, according to forest industry journal Wood Resources Quarterly. According to the report, China imported 18 percent of its lumber from North America in 2010, up from only 4 percent in 2005. The report forecasts that China imports will now grow an average of at least 10 percent per year until 2015. Moreover, urbanization of population in China will continue to drive demand for timber and its related products.

After taking into consideration of (i) the Consideration represents a discount of approximately 25.9% to the unaudited net asset value of Richful Zone Group as at 31 December 2011; (ii) the abovementioned positive prospects on forestry business; and (iii) to better utilize the Group's available financial resources for potentially attractive investment opportunity, the Directors consider that the uncertainty in timing of Richful Zone Group's possible future income stream to be generated from its interests in the Forest Land can be justified. Accordingly, the Company is of the view that the Acquisition is fair and reasonable and in the interest of the Shareholders and the Company as a whole.

By Order of the Board of
Heritage International Holdings Limited
Dr. Kwong Kai Sing, Benny
Chairman

Hong Kong, 28 June 2012

As at the date of this announcement, the Board comprises the following members:–

Executive Directors

Dr. Kwong Kai Sing, Benny (*Chairman*)

Mr. Ong Peter

Ms. Poon Chi Wan

Mr. Chow Chi Wah, Vincent

Independent Non-executive Directors

Mr. To Shing Chuen

Mr. Ha Kee Choy, Eugene

Mr. Chung Yuk Lun

Mr. Lo Wong Fung