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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
INVOLVING
SUBSCRIPTION OF CONVERTIBLE BOND OF,
AND
PROVISION OF FINANCIAL ASSISTANCE TO,
HANG FA LAU HOLDINGS LIMITED**

A letter from the board of directors of Heritage International Holdings Limited is set out on pages 4 to 11 of this circular.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
– Introduction	4
– Subscription Agreement dated 16 February 2008	5
– Loan Agreement dated 16 February 2008	8
– Information on Hang Fa Lau	9
– Reasons for, and benefits of, the Transactions	10
– Financial effect of the Transactions	10
– Additional information	11
Appendix – General information	12

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, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Subscription Agreement
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Conversion Price”	the initial conversion price of HK\$1,800 per Conversion Share
“Conversion Share(s)”	new fully paid ordinary share(s) of HK\$1.00 each in the share capital of Hang Fa Lau which will fall to be allotted and issued by Hang Fa Lau upon the exercise of the conversion rights attached to the Convertible Bond at the then effective conversion price
“Convertible Bond”	the 2% convertible bond due 2011 in the aggregate principal amount of HK\$18 million issued by Hang Fa Lau, which will entitle the holder(s) thereof to convert the principal amount outstanding into the Conversion Shares at the then effective conversion price
“Director(s)”	the director(s) of the Company
“DSF”	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 (Licence No.156/2007)
“Facility”	the revolving loan facility of up to HK\$25 million made available by DSF to Hang Fa Lau subject to and upon the terms and conditions of the Loan Agreement
“GCG”	Greater Chance Group Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries

DEFINITIONS

“Hang Fa Lau”	Hang Fa Lau Holdings Limited, a private company incorporated in Hong Kong with limited liability
“HFL Group”	Hang Fa Lau and its subsidiaries
“Latest Practicable Date”	4 March 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 aggregate principal amount drawn and for the time being outstanding under the Facility
“Loan Agreement”	the loan agreement dated 16 February 2008 between DSF and Hang Fa Lau in relation to the provision of the Facility to Hang Fa Lau
“Maturity Date”	the day falling three years from the date of issue of the Convertible Bond or, if that is not a business day, the first business day thereafter
“PRC”	the People’s Republic of China
“Provision of Financial Assistance”	the provision of financial assistance to Hang Fa Lau pursuant to the Loan Agreement
“SFO”	the Securities and Futures Ordinance (Cap. 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 GCG pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 16 February 2008 entered into between GCG and Hang Fa Lau in relation to the Subscription

DEFINITIONS

“Transactions”	Provision of Financial Assistance and Subscription
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	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

Lo Ki Yan, Karen

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

6 March 2008

To the Shareholders and holders of warrants of the Company

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
INVOLVING
SUBSCRIPTION OF CONVERTIBLE BOND OF,
AND
PROVISION OF FINANCIAL ASSISTANCE TO,
HANG FA LAU HOLDINGS LIMITED**

INTRODUCTION

The Board announced that on 16 February 2008, GCG, an indirect wholly-owned subsidiary of the Company, entered into the Subscription Agreement with Hang Fa Lau in relation to the subscription by GCG of the Convertible Bond with a principal amount of HK\$18 million.

The initial conversion price is HK\$1,800 per Conversion Share. Upon full conversion of the Convertible Bond at the initial Conversion Price of HK\$1,800 per Conversion Share, the Group will be interested in a total of 10,000 Conversion Shares, representing 50% of the issued share capital of Hang Fa Lau as enlarged by the full conversion of the Convertible Bond.

* For identification purposes only

LETTER FROM THE BOARD

On the same date, DSF, another wholly-owned subsidiary of the Company, also entered into the Loan Agreement with Hang Fa Lau, pursuant to which, DSF had agreed to make available to Hang Fa Lau a revolving loan facility of up to HK\$25 million subject to and upon the terms and conditions therein contained.

The Subscription and the Provision of Financial Assistance together constitutes a discloseable transaction for the Company under the Listing Rules. The main purpose of this circular is to provide you with further particulars of the Transactions.

SUBSCRIPTION AGREEMENT DATED 16 FEBRUARY 2008

A. Parties

- (a) GCG as the subscriber for the Convertible Bond; and
- (b) Hang Fa Lau as the issuer of the Convertible Bond.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Hang Fa Lau and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

B. Conditions of the Subscription Agreement

Completion of the Subscription Agreement is conditional upon:

- (a) the representations and warranties made by Hang Fa Lau in the Subscription Agreement remaining accurate and correct in all respects at, and as if made at, Completion; and
- (b) Hang Fa Lau having performed, in all material respects, all of its undertakings or obligations to be performed under the Subscription Agreement on or before Completion.

If any of the above conditions precedent is not satisfied or waived by GCG on or before the date falling three business days from the date of the Subscription Agreement (or such other date as GCG and Hang Fa Lau may agree), then the Subscription Agreement shall lapse immediately thereafter and be of no further effect and neither party to the Subscription Agreement shall have any claim or liability or obligation to the other party under the Subscription Agreement except for the liability of Hang Fa Lau to pay all costs and expenses incurred in connection with the preparation of the Subscription Agreement and any antecedent breach.

C. Completion

All the conditions stated above having been satisfied, Completion took place on 4 March 2008 as agreed by the parties.

LETTER FROM THE BOARD

D. Termination

GCG may, upon prior consultation with Hang Fa Lau, terminate the Subscription Agreement in any of the following circumstances by notice to Hang Fa Lau given at any time prior to payment of the net subscription monies for the Convertible Bond:

- (i) if there shall have come to the notice of GCG any material breach of, or any event rendering untrue or incorrect in any material respect, any of the warranties and representations contained in the Subscription Agreement or any material failure by Hang Fa Lau to perform any of its undertakings or agreements in the Subscription Agreement;
- (ii) if there shall have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations, or in or affecting the properties of Hang Fa Lau which would, in GCG's reasonable view, materially and adversely affect Hang Fa Lau;
- (iii) if there shall be an imposition of a new legal or regulatory restriction, or any change in the interpretation of existing legal or regulatory restrictions, that would, in GCG's reasonable view, materially and adversely affect Hang Fa Lau, or the offering, sale or delivery of the Convertible Bond or the Conversion Shares that can be issued on conversion thereof; or
- (iv) if there shall have occurred an event of default in respect of any bonds, debentures, notes or other similar securities of Hang Fa Lau issued and outstanding.

In the event that GCG terminates the Subscription Agreement, all obligations of each of the parties under the Subscription Agreement shall cease and terminate and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Subscription Agreement except for the liability of Hang Fa Lau to pay all costs and expenses incurred in connection with the preparation of the Subscription Agreement and any antecedent breach.

E. Principal Terms of the Convertible Bond

- Principal amount : HK\$18 million.
- Subscription price : 100% of the principal amount of the Convertible Bond.
- Conversion Price : The initial Conversion Price is HK\$1,800 per Conversion Share. The Convertible Bond does not contain any provisions for anti-dilution adjustments but provides that Hang Fa Lau may not create or issue any class of share capital, without the written approval of holder(s) of 51% of the aggregate principal amount of the Convertible Bond then outstanding.

LETTER FROM THE BOARD

The Conversion Price is determined after arm's length negotiation between GCG and Hang Fa Lau with reference to the audited consolidated results of Hang Fa Lau for the two financial years ended 31 March 2007 and the estimated business growth of Hang Fa Lau in the years to come.

- Interest rate : 2% per annum.
- Maturity : The day falling three years from the date of issue of the Convertible Bond.
- Redemption : Unless previously converted, redeemed or cancelled in accordance with the terms of the Convertible Bond, Hang Fa Lau will redeem the Convertible Bond on the Maturity Date at 124% of the principal amount of the Convertible Bond then outstanding.
- Early redemption : Hang Fa Lau may at any time on or before the Maturity Date redeem the whole or any part of the outstanding principal amount of the Convertible Bond at the following rates:
- (i) if redemption is made on or before the first anniversary date from the issue date of the Convertible Bond, at 108% of the principal amount of the Convertible Bond to be redeemed;
 - (ii) if redemption is made on or before the second anniversary date from the issue date of the Convertible Bond but after the first anniversary date from the issue date of the Convertible Bond, at 116% of the principal amount of the Convertible Bond to be redeemed; and
 - (iii) if redemption is made on or before the third anniversary date from the issue date of the Convertible Bond but after the second anniversary date from the issue date of the Convertible Bond, at 124% of the principal amount of the Convertible Bond to be redeemed.
- Transferability : The Convertible Bond shall not be assigned or transferred other than: (i) to GCG's subsidiary or holding company or subsidiary of such a holding company; or (ii) with the prior written consent of Hang Fa Lau (such consent not to be unreasonably withheld or delayed).

LETTER FROM THE BOARD

- Conversion period : Holder(s) of the Convertible Bond shall have the right to convert, the whole or any part of the outstanding principal amount of the Convertible Bond into Conversion Shares at the then prevailing Conversion Price at any time on or after the issue of the Convertible Bond up to the close of business on the Maturity Date.
- Conversion Shares : On the basis of 10,000 shares in issue as at the Latest Practicable Date, upon full conversion of the entire principal amount of the Convertible Bond by GCG at the initial Conversion Price of HK\$1,800 per Conversion Share, a total of 10,000 Conversion Shares will be issued and GCG will be interested in 50% of the enlarged issued share capital of Hang Fa Lau.
- Voting : GCG will not be entitled to receive notice of, attend or vote at any general meeting of Hang Fa Lau by reason only of it being the holder of the Convertible Bond.
- Ranking : The obligations of Hang Fa Lau arising under the Convertible Bond shall at all times rank pari passu with all other present and future unsecured and unsubordinated obligations of Hang Fa Lau.

F. Other Material Terms of the Subscription Agreement

Pursuant to the terms of the Subscription Agreement, so long as any Convertible Bond remains outstanding and registered in the name of GCG, GCG shall have the right to appoint up to two directors to the board of Hang Fa Lau and to remove or substitute any of them by giving written notice to Hang Fa Lau. Further, on full conversion of the Convertible Bond, provided that the Group shall continue to hold not less than 50% of the issued share capital of Hang Fa Lau, it shall have the right to appoint up to 50% of the number of members to the board of Hang Fa Lau and to remove or substitute any of them by giving written notice to Hang Fa Lau. The Directors (including the independent non-executive Directors) consider the terms of the Subscription Agreement to be fair and reasonable.

LOAN AGREEMENT DATED 16 FEBRUARY 2008

A. Parties

- (a) DSF as the lender; and
- (b) Hang Fa Lau as the borrower.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Hang Fa Lau and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

LETTER FROM THE BOARD

B. Facility

A revolving loan facility of up to HK\$25 million.

C. Interest Rate

5% over 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 (currently at 5.75% per annum), which rate was arrived at after arm's length negotiation between DSF and Hang Fa Lau, and reflects the normal commercial rate. The Directors (including the independent non-executive Directors) consider the terms of the Loan Agreement to be fair and reasonable.

D. Availability of Facility

Subject to the approval by DSF of the usage proposal submitted by Hang Fa Lau on each drawing, Hang Fa Lau may request the making of more than one advance at any time during the period commencing from the date of the Loan Agreement and ending three years thereafter provided that the aggregate principal amount of all advances outstanding at any one time shall not exceed the aggregate principal amount available under the Facility.

INFORMATION ON HANG FA LAU

Hang Fa Lau was established in 2000 and the fast casual restaurant chain managed by it under the brand of “杏花樓” started operating in the 1990s. They specialise in Canton-style dishes and desserts and have 12 restaurants in Hong Kong at present, 11 of which are wholly owned by the HFL Group with 1 owned as to 45% by the HFL Group and 55% by third parties who, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, are independent of the Company and connected persons of the Company. It also operates one Chiu Chow restaurant and one dessert shop in Shanghai, both of which are wholly-owned by the HFL Group. Starting from late 2007, it also participated in the operation of canteens at the Hong Kong Baptist University on its own. In order to retain customers and attract new ones, Hang Fa Lau would change its menu constantly to suit its customers' tastes. From time to time, it would also introduce festive products such as glutinous rice pudding, turnip pudding and water chestnut pudding into the market to broaden the HFL Group's revenue stream.

Hang Fa Lau currently intends to apply the proceeds raised from the issue of the Convertible Bond and the Facility for its business developments which would include (i) the establishment of new restaurants which may be operated by itself or by franchise arrangement with local partners in Hong Kong and the PRC; (ii) any potential merger with and acquisition of similar food and beverage business; and (iii) any other investments. Leveraging on its strong brand name and the extensive experience of its management in the food and beverage industry, it is believed that Hang Fa Lau would be able to continue to grow and expand its business in Hong Kong and the PRC rapidly.

LETTER FROM THE BOARD

Based on the audited consolidated financial statements provided by Hang Fa Lau for the year ended 31 March 2007, the net asset value of Hang Fa Lau was approximately HK\$0.9 million and HK\$10.5 million for the two years ended 31 March 2006 and 2007 respectively, and a profit after tax of approximately HK\$2.9 million (or HK\$3.4 million before tax) and HK\$9.6 million (or HK\$9.9 million before tax) was respectively recorded for each of the two years ended 31 March 2006 and 2007.

REASONS FOR, AND BENEFITS OF, THE TRANSACTIONS

The Company is an investment holding company and its subsidiaries are principally engaged in property related investments and investment in securities and money-lending businesses.

The Group also managed a number of lottery selling outlets in the PRC. Its flagship store in Shanghai is attached to a restaurant to form a leisure/gaming venue for the customers and this concept has proved to be well received by consumers in Shanghai. It is the intention of the Group to bring this new concept to other lottery selling outlets managed by it. It is currently in active negotiation with one of the largest gaming technology service providers in the world to cooperate in expanding the lottery selling network in China, specifically in Hubei, Jilin, Liaoning, Hebei, Guizhou, Jiangsu, Inner Mongolia, Guangxi, Sichuan and Fujian in the near term. It is expected that the total number of lottery selling outlets that would be managed by the Group would increase from around 10 at present to 100 by the end of this year. The Directors believe that Hang Fa Lau's experience and expertise in operating and managing restaurants could help the Group to develop and implement the concept of combining restaurants with lottery selling outlets to form large composite leisure/gaming venues in other parts of the PRC.

Besides, DSF is a licensed money lender and the provision of loans and guarantees to its customers is in the ordinary and normal course of its business. Since the terms of the Subscription Agreement and Loan Agreement reflect the normal commercial terms of transactions of this nature and could provide the Group with revenue and cashflow stream, the Directors consider it to be in the interest of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE TRANSACTIONS

A. Subscription

The subscription monies paid for the Subscription were funded out of internal resources of the Group. The Directors expected that the Subscription would not have material impact on the net asset position of the Group and the interest income to be generated from the Convertible Bond will enhance the revenue and income base of the Group.

B. Provision of Financial Assistance

The Loan, which carries interest at 5% over the prime or best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time, would provide the Group with stable revenue stream. Apart from that, the Directors confirm that Provision of Financial Assistance would not have any immediate impact on the assets and liabilities of the Group.

LETTER FROM THE BOARD

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	–	0.87%
Lo Ki Yan, Karen	Beneficial owner	4,320,000	–	0.24%
Ong Peter	Beneficial owner	8,595,360	–	0.48%
Poon Chi Wan	Beneficial owner	1,188,000	–	0.07%

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 International Holdings Limited	Corporate interest	183,941,280	10.35%
Get Nice Holdings Limited	Corporate interest	355,000,000 ^{1,2}	19.98%

Notes:

1. These Shares represent the same parcel of Shares in which Get Nice Investment Limited (“Get Nice”) is deemed to be interested. Get Nice is a wholly-owned subsidiary of Get Nice Incorporated, which is in turn a wholly-owned subsidiary of Get Nice Holdings Limited.
2. Get Nice is deemed to be interested in these Shares by virtue of the placing and underwriting agreement dated 26 February 2008 entered into between Get Nice and the Company.

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.