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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)

- (1) ISSUE OF NEW SHARES UNDER GENERAL MANDATE,
(2) REFRESHMENT OF GENERAL MANDATES,
(3) REFRESHMENT OF THE SCHEME MANDATE LIMIT,
(4) GRANTING OF OPTIONS TO DIRECTORS,
(5) UNUSUAL VOLUME MOVEMENT
AND
(6) RESUMPTION OF TRADING**

On 6 March 2006, the Company entered into a conditional subscription agreement with the Subscriber pursuant to which the Company has agreed to issue and allot, and the Subscriber has agreed to subscribe for, an aggregate of 375,000,000 new Shares at the price of HK\$0.025 per Share.

The Board also proposes to convene a special general meeting to seek the approval of the Shareholders to (i) refresh the general mandates to issue and repurchase Shares; (ii) refresh the 10% limit on the grant of options under the Share Option Scheme; and (iii) grant options to the executive Directors beyond the 1% limit as stated in Rule 17.03(4) of the Listing Rules. A circular containing, among other things, further particulars of the above proposals and a notice of the SGM, will be despatched to the Shareholders as soon as possible.

The Board also noted the recent increase in the trading volume of the Shares and wishes to state that the Board is not aware of any reason for such increase save as disclosed in this announcement.

Trading in the Shares was suspended with effect from 9:30 a.m. on 7 March 2006 at the request of the Company pending the issue of this announcement and application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 8 March 2006.

SUBSCRIPTION AGREEMENT DATED 6 MARCH 2006

- Subscriber:** Ms. Kwok Wai Ming, a qualified lawyer, who has over 15 years of experience in real estate and corporate laws. She is the legal consultant of China National Real Estate Development Group Corporation and is appointed as the Honorary Consul of Ukraine in Hong Kong. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Ms. Kwok is a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company.
- Subscription Shares:** 375,000,000 new Shares, representing approximately 5.71% of the existing issued share capital of the Company and approximately 5.40% of the issued share capital of the Company as enlarged by the Subscription.
- The Subscription Shares will be issued pursuant to the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 26 September 2005.
- Subscription Price:** HK\$0.025 per Subscription Share. Taking into account the relevant expenses, the net price to the Company of each Subscription Share is approximately HK\$0.024 per Share.
- The Subscription Price was agreed at after arm's length negotiations between the parties and is the same as the closing price of the Shares as quoted on the Stock Exchange on 6 March 2006, being the last trading day of the Shares immediately prior to the issue of this announcement, and represents (i) a premium of approximately 27.55% over the average closing price of approximately HK\$0.0196 per Share as quoted on the Stock Exchange from 27 February 2006 to 3 March 2006, both days inclusive, being the last five trading days of the Shares immediately before the date of the Subscription Agreement; and (ii) a discount of approximately 70.93% to the unaudited pro forma adjusted consolidated net asset value per Share after the rights issue of approximately HK\$0.086 as at 20 December 2005.
- Condition:** The Subscription is conditional upon listing of, and permission to deal in, the Subscription Shares being granted by the Listing Committee of the Stock Exchange.
- If the condition is not fulfilled on or prior to 31 March 2006 or such later date as may be agreed by the parties, the Subscription Agreement shall terminate and no party shall have any claim against the other in respect of any matters arising out of or in connection with the Subscription Agreement save for antecedent breaches.
- Application will be made to the Stock Exchange for the granting of the listing of, and permission to deal in, the Subscription Shares.

Expected completion date: The second business day after the date of fulfillment of the condition as set out above or such later date as the Company and the Subscriber may agree in writing.

Ranking: The Subscription Shares, when fully paid and issued, will rank *pari passu* in all respects with the other Shares for the time being in issue.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS

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 estimated expenses for the Subscription are approximately HK\$200,000. The net proceeds arising from the Subscription of approximately HK\$9,175,000 are intended to be used by the Group as general working capital. The Company has no pressing financial commitment and currently does not have any particular plan for investment or expansion but given that the Subscription can help the Company to broaden its shareholders' base and capital base, and strengthen the Company's financial position, the Directors consider the Subscription to be in the interest of the Company and its shareholders as a whole.

EFFECT ON SHAREHOLDING

The effect of the Subscription on the shareholding of the Company are as follows:

	Shareholding before the Subscription		Shareholding after the Subscription	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Directors				
Kwong Kai Sing, Benny	175,000,000	2.66%	175,000,000	2.52%
Ong Peter	22,880,000	0.35%	22,880,000	0.33%
Subscriber	–	–	375,000,000	5.40%
Public	6,375,201,943	96.99%	6,375,201,943	91.75%
Total	<u>6,573,081,943</u>	<u>100.00%</u>	<u>6,948,081,943</u>	<u>100.00%</u>

FUND-RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The following table summarises the fund-raising activities of the Company for the 12 months immediately before the date of this announcement:

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds (up to the date of this announcement)
7 October 2005	Rights issue	HK\$228 million	(i) Approximately HK\$50 million for advertising business in the PRC; (ii) approximately HK\$36 million for repayment of convertible notes; (iii) approximately HK\$10 million for repayment of financial institution loans; (iv) approximately HK\$70 million for property investment in Hong Kong; (v) approximately HK\$50 million for investment in internet-related and/or entertainment business; and (vi) approximately HK\$12 million for working capital purposes	(i) Approximately HK\$36 million for repayment of convertible notes; (ii) approximately HK\$5 million for repayment of financial institution loans; and (iii) approximately HK\$10 million for acquisition of interest in Universal Technology Systems Inc. The balance of the proceeds has not been applied as at the date of this announcement but will be applied by the Company in accordance with its intended use.
15 August 2005	Placing of new Shares under general mandate	HK\$23.1 million	(i) Approximately HK\$10 million for general working capital; and (ii) approximately HK\$13.1 million for investments in property related business in Hong Kong	(i) Approximately HK\$10 million for general working capital; (ii) approximately HK\$11.8 million for purchasing a residential property located in the Mid-Levels; and (iii) approximately HK\$1.3 million for future investments in property in Hong Kong
20 April 2005	Placing of new Shares	HK\$78 million	Repayment of bank and non-bank debts and for general working capital	Applied for property investment (<i>Note 1</i>)
4 March 2005	Placing of new Shares under general mandate	HK\$29.8 million	(i) Approximately HK\$20 million for investment in the residential property market in Hong Kong; and (ii) approximately HK\$9.8 million for general working capital	(i) Approximately HK\$22 million was used to acquire a residential property in Hong Kong; and (ii) approximately HK\$7.8 million was retained as general working capital
	Total:	<u>HK\$358.9 million</u>		

Note 1: Debt financing had become more and more costly as a result of the increase in the interest rates. If the bank and non-bank debts were repaid before their maturity, the Company might not be able to obtain loans on similar terms in the future should any need arise. Therefore, the intended use of proceeds had been changed, details of which had been disclosed in the announcement of the Company dated 2 August 2005.

Save as disclosed above, there were no equity fund-raising activities conducted by the Company in the past 12 months.

The Board considers that the terms of the Subscription Agreement, which were entered into after arm's length negotiations between the parties, to be on normal commercial terms and that such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

REFRESHMENT OF GENERAL MANDATES AND SCHEME MANDATE LIMIT AND GRANTING OF OPTIONS TO EXECUTIVE DIRECTORS

The Board also proposes to convene a special general meeting to seek the approval of the Shareholders to (i) refresh the general mandates to issue and repurchase Shares; (ii) refresh the 10% limit on the grant of options under the Share Option Scheme; and (iii) grant options to the executive Directors beyond the 1% limit as stated in Rule 17.03(4) of the Listing Rules.

The existing general mandate to issue Shares was granted by the Shareholders at the annual general meeting of the Company held on 26 September 2005. After completion of the Subscription, the Company will only be left with the balance of 604,682 Shares under the existing general mandate, representing approximately 0.009% of the existing issued share capital of the Company. In order to afford the Company with the maximum flexibility to issue new Shares in the future, the Board proposes to seek the approval of the Shareholders to refresh such general mandate.

In addition, the Board also proposes to seek the approval of the Shareholders to refresh the 10% limit on the grant of options under the Share Option Scheme. The 10% limit was refreshed at the special general meeting of the Company held on 30 November 2005 pursuant to which the Board is authorised to grant options entitling the holders thereof to subscribe for in aggregate 187,802,341 Shares. Since then, the Board has granted options entitling the grantees to subscribe for in aggregate 130,000,000 Shares, using up approximately 69.22% of the existing limit. The Board therefore proposes to refresh the 10% limit at the SGM.

The Board also proposes to grant options to the executive Directors beyond the 1% limit as stated in Rule 17.03(4) of the Listing Rules. Such grant is subject to the approval of the independent non-executive Directors pursuant to Rule 17.04(1) of the Listing Rules.

A circular containing, among other things, further particulars of the above proposals and a notice of the SGM, will be despatched to the Shareholders as soon as possible.

UNUSUAL VOLUME MOVEMENT

The Board also noted the recent increase in the trading volume of the Shares and wishes to state that the Board is not aware of any reason for such increase save as disclosed in this announcement.

The Directors also confirm that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

Made by the order of the Board, the directors of which individually and jointly accept responsibility for the accuracy of this statement.

GENERAL

The Directors notice that the market price of the Shares is approaching the extremity of HK\$0.01 as set out in the Listing Rules. The Directors are also aware that a listed issuer is required to either change the trading method or to proceed with a consolidation of its shares in such event. The Directors will consider conducting a consolidation exercise if the price of the Shares continues to trade near such extremity and further announcement will be made by the Company in this regard as and when necessary.

RESUMPTION OF TRADING

Trading in the Shares was suspended with effect from 9:30 a.m. on 7 March 2006 at the request of the Company pending the issue of this announcement and application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 8 March 2006.

DEFINITIONS

“Board”	the board of Directors of the Company
“Company”	Heritage International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the proposals involving the refreshment of the general mandates and the scheme mandate limit and the granting of options to the executive Directors
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted on 28 September 2004
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Ms. Kwok Wai Ming, who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, is a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company

“Subscription”	the subscription of 375,000,000 new Shares by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the conditional agreement dated 6 March 2006 between the Company and the Subscriber in respect of the Subscription
“Subscription Price”	HK\$0.025 per Subscription Share
“Subscription Shares”	375,000,000 new Shares to be issued by the Company pursuant to the Subscription

By order of Board
Kwong Kai Sing, Benny
Chairman

Hong Kong, 7 March 2006

As at the date of this announcement, the Company has four executive Directors, being Mr. Kwong Kai Sing, Benny, Ms. Lo Ki Yan, Karen, Mr. Ong Peter and Ms. Poon Chi Wan and five independent non-executive Directors, being Mr. Chan Sze Hung, Mr. To Shing Chuen, Mr. Frank H. Miu, Mr. Ha Kee Choy, Eugene and Mr. Chung Yuk Lun.

* *For identification purposes only*

Please also refer to the published version of this announcement in International Herald Tribune.