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NH新澤控股有限公司

New Heritage Holdings Ltd.

(incorporated in the Cayman Islands with limited liability)

(Stock code: 95)

DISCLOSEABLE TRANSACTION

AND

CONNECTED TRANSACTION

On 28 May 2007, Healthy Castle entered into the CN Subscription Agreement with Key Apex. Pursuant to the CN Subscription Agreement, Key Apex agreed to issue to Healthy Castle the Convertible Note.
Since any of the percentage ratios under Chapter 14 of the Listing Rules for the CN Subscription Agreement exceeds 5% or more but less than 25%, the CN Subscription Agreement constitutes a discloseable transaction of the Company under the Listing Rules. As Key Apex is a connected person of the Company and the consideration under the Convertible Note is more than HK\$10,000,000, the CN Subscription Agreement (including the shareholder’s loan contemplated thereunder) also constitutes a connected transaction and financial assistance of the Company under the Listing Rules. In light of all of the above, the CN Subscription Agreement is subject to the reporting, announcement and Independent Shareholders’ approval requirements, by way of poll at the EGM, as set out in the relevant provisions of Chapters 14 and 14A of the Listing Rules.
The Independent Board Committee has been established to advise the Independent Shareholders on the Convertible Note. An independent financial adviser will be appointed to advise the Independent Shareholders and the Independent Board Committee who will make recommendation to the Independent Shareholders as to how to vote on the ordinary resolution in respect of the Convertible Note and the transactions contemplated thereunder.
A circular containing, among other things, (i) details of the Convertible Note; (ii) a letter from an independent financial adviser containing its advice to the Independent Board Committee on the Convertible Note and the transactions contemplated thereunder; (iii) the recommendation of the Independent Board Committee regarding the Convertible Note and the transactions contemplated thereunder to the Independent Shareholders; (iv) a valuation report of the Land; and (v) a notice of the EGM will be despatched to the Shareholders as soon as practicable.
Shareholders and potential investors should note that the CN Subscription Agreement, which is subject to a number of conditions precedent, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE CN SUBSCRIPTION AGREEMENT

Convertible Note

The principal terms of the CN Subscription Agreement are as follows:

Date:	28 May 2007
Issuer:	Key Apex, a company incorporated in the BVI and is held as to 75% by Ultra Plan Limited and 25% by Asia Investment Services Limited. Both Asia Investment Services Limited and Ultra Plan Limited are deemed to be controlled by associates of Mr. Bernard C. Chan pursuant to the Listing Rules
Noteholder:	Healthy Castle, an indirect wholly-owned subsidiary of the Company
Principal amount:	US\$5,500,000 (equivalent to approximately HK\$42,900,000)
Coupon:	Zero
Transferability:	The Convertible Note is non-transferrable
Maturity date:	First anniversary of the issue date of the Convertible Note, which date can be extended subject to prior written consent of the holder of the Convertible Note
Repayment:	Should no Conversion Shares have been issued to the holder of the Convertible Note, the Convertible Note shall be repaid on the day of the first anniversary of the issue date of the Convertible Note
Automatic conversion:	Up to the amount of the total conversion price of the Convertible Note represented by the Convertible Note certificate will, without any action required on the part of Healthy Castle or Key Apex, on the Conversion Date be mandatorily and automatically converted into the Conversion Shares, which represents 10% of the enlarged issued share capital of Key Apex. The total conversion price is a sum equals to the Conversion Price multiplied by the total number of Conversion Shares, which equals US\$100 (equivalent to approximately HK\$780)
	Conversion will automatically take place on the Conversion Date before the maturity of the Convertible Note and conversion cannot be stopped nor Healthy Castle can choose to convert at any time
Conversion price:	The price at which Conversion Shares will be issued upon conversion of the Convertible Note will be the current par value of each share of Key Apex (i.e. US\$1.00)
Conversion date:	The date which falls three (3) days after the date when the PRC Company has obtained the land use right certificate to the Land and if such date is not a Business Day, it shall be postponed to the immediately following Business Day, or such other date as it may from time to time be mutually agreed between the Company and the holder of the Convertible Note
Shareholder’s loan:	The balance of the principal amount of the Convertible Note after deduction of the total conversion price of US\$5,499,900 (equivalent to approximately HK\$42,899,220) shall without further action on the part of Healthy Castle or Key Apex be from the Conversion Date treated as an interest-free shareholder’s loan advanced by Healthy Castle to Key Apex, which is of the same term as other existing shareholder’s loan of Key Apex

Conditions precedent

Completion of the issue and subscription of the Convertible Note shall be conditional upon all consents or approvals, including but not limited to consents or approvals from the Shareholders, any relevant governmental authorities, regulatory bodies, banks or creditors, which are required and necessary in respect of Healthy Castle’s entry into the CN Subscription Agreement.

Should the conditions not be fulfilled within six months from the date of the CN Subscription Agreement (or such other date as agreed by the parties in writing), the CN Subscription Agreement shall lapse and become null and void and the parties shall be released from all obligations under the CN Subscription Agreement.

Completion

Completion of the issue and subscription of the Convertible Note shall take place within three Business Days after the date on which Healthy Castle informed Key Apex that all conditions precedent have been fulfilled.

REASONS FOR SUBSCRIBING FOR THE CONVERTIBLE NOTE

Upon conversion of the Convertible Note, the Group will become a shareholder of Key Apex holding 10% of its enlarged issued share capital. The Directors considered that the shareholding interests in Key Apex, which in turn will hold 99% interests in the PRC Company, will enable the Group to be indirectly interested in the Land and the project located thereon, and diversify the Group’s investment in property development projects geographically.

INFORMATION ON THE PARTIES

The Group is principally engaged in property development and property investment businesses in Suzhou, the PRC. Healthy Castle is a company incorporated in the BVI and is indirectly wholly-owned by the Company.

Key Apex is a company incorporated in the BVI and is held as to 75% by Ultra Plan Limited (“Ultra Plan”). Ultra Plan is deemed to be controlled by associates of Mr. Bernard C. Chan pursuant to the Listing Rules. The principal business of Key Apex is investment holding and will be interested in 99% of the equity interest in the PRC Company, which is the project company for the residential and commercial property development project located on the Land. The remaining 1% equity interest in the PRC Company will be held by an independent third party (the “Independent Third Party”). Key Apex and the Independent Third Party have won the bid to acquire the land use right to the Land in a public auction and the price for the Land was RMB315,000,000 (equivalent to approximately HK\$315,000,000). To the knowledge of the Directors, Key Apex has only commenced its business recently and no accounts have been prepared. As at the date of this announcement, the PRC Company has not been established, no land grant contract has been entered into with respect to the Land and no valuation has been prepared with respect to the Land. The total investment amount of development of the Land is expected to be approximately US\$55,000,000 (equivalent to approximately HK\$429,000,000). To the knowledge of the Directors, there is no development plan for the Land nor any capital commitment has been made to the project to be located on the Land at this stage.

GENERAL

The terms of the CN Subscription Agreement were negotiated on an arm’s length basis. Given that the CN Subscription Agreement is able to provide the Group a way of exit if PRC Company is unable to obtain the land use right certificate for the Land and this way of exit is not available to other investors of Key Apex, the Directors, including the independent non-executive Directors, are of the view that the terms are fair and reasonable so far as the Company is concerned and in the interests of the Company and the Shareholders taken as a whole.

LISTING RULES REQUIREMENTS

Since any of the percentage ratios under Chapter 14 of the Listing Rules for the CN Subscription Agreement exceeds 5% or more but less than 25%, the CN Subscription Agreement constitutes a discloseable transaction of the Company under the Listing Rules. As Key Apex is a connected person of the Company and the consideration under the Convertible Note is more than HK\$10,000,000, the CN Subscription Agreement (including the shareholder’s loan contemplated thereunder) also constitutes a connected transaction and financial assistance of the Company under the Listing Rules. In light of all of the above, the CN Subscription Agreement is subject to the reporting, announcement and Independent Shareholders’ approval requirements, by way of poll at the EGM, as set out in the relevant provisions of Chapters 14 and 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders on the Convertible Note. An independent financial adviser will be appointed to advise the Independent Shareholders and the Independent Board Committee who will make recommendation to the Independent Shareholders as to how to vote on the ordinary resolution in respect of the Convertible Note and the transactions contemplated thereunder.

A circular containing, among other things, (i) details of the Convertible Note; (ii) a letter from an independent financial adviser containing its advice to the Independent Board Committee on the Convertible Note and the transactions contemplated thereunder; (iii) the recommendation of the Independent Board Committee regarding the Convertible Note and the transactions contemplated thereunder to the Independent Shareholders; (iv) a valuation report of the Land; and (v) a notice of the EGM will be despatched to the Shareholders as soon as practicable.

Shareholders and potential investors should note that the CN Subscription Agreement, which are subject to a number of conditions precedent, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than Saturday, Sunday or a public holiday) on which banks in Hong Kong are generally open for business
“BVI”	British Virgin Islands
“CN Subscription Agreement”	the subscription agreement dated 28 May 2007 and entered into between Healthy Castle and Key Apex in respect of the Convertible Note
“Company”	New Heritage Holdings Ltd., a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Date”	the date upon which the Convertible Note is converted, being the conversion date referred to in the paragraph headed “Convertible Note” of this announcement
“Conversion Price”	the price at which the Convertible Note is converted, which is set out in the paragraph headed “Convertible Note” of this announcement
“Conversion Shares”	100 shares, being the shares to be allotted and issued to the holder of the Convertible Note upon conversion of the Convertible Note, which represents approximately 10% of the enlarged issued share capital of Key Apex
“Convertible Note”	the convertible note to be issued by Key Apex to Healthy Castle pursuant to the CN Subscription Agreement
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of approving the CN Subscription Agreement and all other related transactions, the notice of which will be contained in a circular to be despatched to Shareholders as soon as possible
“Group”	the Company and its subsidiaries
“Healthy Castle”	Healthy Castle Investments Limited, a company incorporated in the BVI and is an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the board of directors of the Company, comprising Mr. WONG Gary Ka Wai, Mr. SUN Leland Li Hsun and Mr. CHAN Norman Enrique, all being the independent non-executive directors of the Company
“Independent Shareholders”	the Shareholders who are not involved in or interested in the CN Subscription Agreement
“Key Apex”	Key Apex Limited, a company incorporated in the BVI and is held as to 75% by Ultra Plan Limited and 25% by Asia Investment Services Limited
“Land”	the piece of land in Shanghai at 嘉定新城 6-1, 6-2 號地塊 (Land no. 6-1, 6-2, Jiading New District) with a site area of approximately 130,982 square meters
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“PRC Company”	a company to be established in the PRC as a project company for the residential and commercial property development project located on the Land, and in which Key Apex will hold 99% interest
“RMB”	Reminbi, the lawful currency of the PRC
“Shareholders”	holders of the Shares
“Shares”	the ordinary shares of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited or, as the case maybe, the main board operated by the Stock Exchange
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

For the purpose of this announcement, unless otherwise indicated, the exchange rates at HK\$7.8 = US\$1.00 and HK\$1 = RMB1 have been used, where applicable, for the purpose of illustration only and do not constitute a representation that any amount has been, could have been or may be exchanged.

By order of the board
New Heritage Holdings Ltd.
TAO Richard
Vice Chairman

Hong Kong, 29 May 2007

As at the date of this announcement, the executive directors of the Company are Mr. TAOCHAIFU Choofuang (Chairman), Mr. TAO Richard (Vice Chairman), Mr. TAO Paul (Managing Director), Mr. KONG Mui Sum Lawrence and Mr. YIM Chun Leung; the non-executive director of the Company is Mr. CHAN Bernard Charnwut; and the independent non-executive directors of the Company are Mr. WONG Gary Ka Wai, Mr. SUN Leland Li Hsun and Mr. CHAN Norman Enrique.

Company’s website: www.nh-holdings.com. The contents of the Company’s website will not form part of this announcement.