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Willie International Holdings Limited

威利國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 273)

**MAJOR TRANSACTION
AND
PROPOSED AMENDMENTS TO THE ARTICLES OF
ASSOCIATION
OF THE COMPANY
AND
RESUMPTION OF TRADING**

On 3rd August, 2005, the Company and HMIL entered into the Agreement whereby the Company agreed, inter alia, to (i) procure that Top Ultimate transfers the Sale Shares and assigns the Shareholders Loan to HMIL or its nominees for a consideration of HK\$7.8 and HK\$41 million respectively. The HK\$7.8 for the Sale Shares is to be satisfied by cash and the assignment of the Shareholders Loan is to be satisfied by the issue of the First New Note to the Company or its nominee and (ii) procure that CUIF surrenders the Existing Note to HMIL for a consideration of HK\$105 million to be satisfied by the issue of the Second New Note by HMIL to the Company or its nominees on Completion.

The Transactions constitute a major transaction for the Company under Rule 14.06 of the Listing Rules and are subject to approval of Shareholders at the EGM. A circular containing details of the Transactions together with a notice convening the EGM to approve the Transactions will be despatched to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 29th July, 2005 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 4th August, 2005.

TERMS OF THE AGREEMENT

Date : 3rd August, 2005

Parties : (i) The Company

(ii) HMIL. To the best of the directors' knowledge, information and belief having made all reasonable enquiries, HMIL and the ultimate beneficial owners of HMIL are third parties independent of the Company and Connected Persons of the Company. HMIL is held as to 44.5% by the Company.

- Terms : Subject to satisfaction of the condition described below:–
- (i) the Company agreed to procure that Top Ultimate transfers the Sale Shares and assigns the Shareholders Loan to HMIL or its nominees in consideration of HK\$7.8 and HK\$41 million respectively. The HK\$7.8 for the Sales Shares is to be satisfied by cash and the assignment of the Shareholders Loan is to be satisfied by the issue of the First New Note by HMIL to the Company or its nominees; and
 - (ii) the Company agrees to procure that CUIF surrenders the Existing Note to HMIL in consideration of HK\$105 million to be satisfied by the issue of the Second New Note to the Company or its nominees.

- Condition : Completion of the Agreement is conditional upon:–
- (i) the Agreement and the transactions contemplated thereunder being approved by shareholders of the Company at an extraordinary general meeting in compliance with the Listing Rules;
 - (ii) HMIL procuring that an unsecured standby credit facility in the amount of HK\$50 million is made available to the Company by HMIL, its subsidiaries or independent parties at an interest rate per annum equal to the prime rate quoted by the Hongkong and Shanghai Banking Corporation on the date the facility is made available to the Company which facility is repayable on demand.

If the conditions are not satisfied (or in the case of (ii) above waived by the Company) on or before 5:00 p.m. on 30th September, 2005 (or such later date as the Company and HMIL may agree) then the Agreement shall terminate and the parties shall have no further claims against each other save for claims in respect of antecedent breaches.

- Completion : Completion shall take place on the second business day after the satisfaction of the Condition (or such other date as the parties may agree).

TERMS OF THE NEW NOTES

Save for the principal amount, the terms of the First New Note and the Second New Note are identical.

Principal amount of First New Note

HK\$41 million

Principal amount of the Second New Note

HK\$105 million

Maturity

The New Notes will mature on the day immediately preceding the tenth anniversary from the date of issue. On maturity, to the extent that the New Notes are not redeemed or converted, HMIL will repay the New Notes.

Interest

The New Notes will bear interest at 8% per annum, payable monthly.

Conversion

The outstanding principal amount of the New Notes may be converted into HMIL Shares by the holder of the New Notes in amounts or integral multiples of HK\$500,000 at any time from the date of issue up to 7 days before (and excluding) the maturity date of the New Notes. There is no automatic conversion on maturity of the New Notes.

Conversion Price

The Conversion Price will be HK\$0.25 per HMIL Share. The Conversion Price is based on the unaudited net asset value per HMIL Share of approximately HK\$0.19 which is based on the unaudited management accounts of HMIL as at 30th June, 2005. Accordingly, the Conversion Price of HK\$0.25 per HMIL Share represents approximately 31.58% premium to the unaudited net asset value per HMIL Share of approximately HK\$0.19.

Early Redemption

The New Notes will be redeemable at 100% of their outstanding principal amounts together with accrued interest at any time from the date of issue up to seven days before (and excluding) the maturity date of the New Notes at the option of HMIL. The Company does not have any right to require redemption. To the extent that the New Notes are not redeemed or converted on maturity, HMIL will repay the New Notes.

Shares to be issued upon conversion

The HMIL Shares to be issued upon conversion of the New Notes will when issued rank equally in all respects among themselves and with the HMIL Shares in issue on the relevant date of conversion.

If the New Notes are converted in full at the Conversion Price of HK\$0.25 per HMIL Share, a total of 584,000,000 HMIL Shares will be issued. These HMIL Shares represent approximately 104.11% of the existing issued share capital of HMIL, and approximately 51.01% of the issued share capital of HMIL as enlarged by the new HMIL Shares to be issued upon conversion of the New Notes (assuming no further shares are issued by HMIL from the date of this announcement till the date of conversion).

HMIL is currently indirectly held as to 44.5% by the Company and the balance by nine companies, the shares of each of which are listed on the main board of the Stock Exchange and one independent financial institution.

Assuming the New Notes are converted in full at the Conversion Price of HK\$0.25 per HMIL Share, and no further shares are issued by HMIL from the date of this announcement till the date of conversion, the indirect shareholding of the Company in HMIL will increase to approximately 72.81% of the issued share capital of HMIL as enlarged by the new HMIL Shares to be issued upon conversion of the New Notes. On exercise of conversion rights under the Convertible Note, the Company will comply with the Listing Rules then applicable.

Voting rights of holders of the New Notes

The holder of the New Notes will not have any right to attend or vote at any meetings of HMIL by virtue of it being the holder of the New Notes.

Transferability

The New Notes will be transferable in authorised denominations of HK\$500,000.

SUPERCAPITAL

Supercapital is a company incorporated on 15th June, 2005 in the British Virgin Islands and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement. It is a newly incorporated sole purpose vehicle. Its business is holding and managing debt obligations (including certain short term and unsecured loans made to independent third parties).

The net losses of Supercapital as set out in its unaudited financial statements for the period from incorporation to 31st July, 2005 was HK\$5,460. The debt portfolio was acquired on 31st July, 2005 from indirect wholly owned subsidiaries of the Company and was acquired for approximately HK\$41.41 million.

The net deficit of Supercapital as set out in its unaudited financial statements as at 31st July, 2005 was approximately HK\$5,450.

Supercapital's assets consists of receivables from independent third parties. Such receivables including accrued interest amount to approximately HK\$41.41 million as at 31st July, 2005 in aggregate. The Consideration for the sale of the Sale Shares and the Shareholders Loan of HK\$7.8 and HK\$41 million respectively were determined based on this amount. The Consideration for the surrender of the Existing Note of HK\$105 million was determined based on the principal amount of the Existing Note plus accrued interest outstanding of approximately HK\$105.62 million as at 31st July, 2005.

GENERAL INFORMATION

HMIL through its subsidiaries is engaged in investment holding, provision of financial services including brokerage, commodity trading, money lending, margin financing and corporate finance advisory as well as proprietary trading and direct investment. The audited net loss of HMIL for the two financial years ended 31st December, 2003 and 31st December, 2004 were approximately HK\$205.61 million and HK\$421.20 million respectively. The net asset value of HMIL is based on the unaudited management account for the period ended 30th June, 2005 is approximately HK\$108.42 million. The audited net asset value of HMIL as at 31st December, 2004 is approximately HK\$303.23 million.

The Company, through various subsidiaries, is engaged in business of providing financial services, trading and principal investments, formation of real estate investment projects and investments in gaming and entertainment partnerships.

REASONS OF AND BENEFITS FOR THE TRANSACTION

The Transactions enable the Group to restructure and dispose of receivables and the associated administrative costs and multiple credit risks and replace them with a single receivable from one single company, with the option to convert the receivable into its securities. In addition, the Transactions allow the Group to rationalize and downsize its money lending business so as to avoid overlapping the money lending business conducted by HMIL so that the Group can concentrate its resources and focus on other core businesses of the Group. The Transactions also potentially provide the Group with additional working capital of up to HK\$50 million on terms which the Group considers to be favourable in the current economic conditions.

The Existing Note will mature in January, 2007. Although the New Notes have a tenor of ten years (and therefore will mature later than the Existing Note), the New Notes offer more favourable terms than the Existing Note as it bears interest at 8% per annum payable monthly whereas the Existing Note bears interest at a lower rate of 6% per annum payable annually. Moreover, the conversion price per HMIL Share is much lower at HK\$0.25 per HMIL share under the New Notes compared to HK\$1 per HMIL Share under the Existing Note. With a tenor of ten years, the New Notes provide substantial time and flexibility for the Group to consider the conversion of the New Notes to increase its stake in HMIL. The Board considers that the New Notes with an interest rate of 8% per annum payable monthly provides a higher interest income and better payment terms to the Group compared to its previous interest income.

For the reasons mentioned above and after taking into consideration of the loss, the Directors (including the independent non-executive directors) are of the view that the terms of the Transactions are fair and reasonable and in the interests of shareholders as a whole.

The loss on disposal of Supercapital is approximately HK\$0.41 million. The loss on disposal of the Existing Note is approximately HK\$0.62 million. Total losses which will accrue to the Group is approximately HK\$1.03 million.

After completion of the Agreement, Supercapital will cease to be a subsidiary of the Company and the investment in the New Notes will be accounted as an investment of the Company. Supercapital will be an indirect non-wholly owned subsidiary of the Company if the New Notes are fully converted (assuming there are no other changes to the share capital of Supercapital and HMIL).

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Due to the recent introduction of the Code on Corporate Governance Practices to Appendix 14 of the Listing Rules, the Directors propose to amend the Articles at the EGM to ensure compliance with the Code on Corporate Governance Practices.

Proposed amendments to the Articles include:–

- (i) a requirement that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; and
- (ii) a requirement that all directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after their appointment.

A circular containing details of the Transactions and proposed amendments to the Articles, including notice of the EGM will be despatched to Shareholders as soon as practicable.

UPDATE IN RELATION TO THE PROPOSAL TO THE PROVISIONAL LIQUIDATORS OF MOULIN GLOBAL EYECARE HOLDINGS LIMITED

Further to the announcement of the Company dated 12th July, 2005, the Company confirms that a formal proposal has been submitted to the provisional liquidators of Moulin Global Eyecare Holdings Limited on 28th July, 2005.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 29th July, 2005 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 4th August, 2005.

DEFINITIONS

The following terms are used in this announcement with the meanings set opposite them:–

“Agreement”	the conditional agreement dated 3rd August, 2005 entered into between the Company and HMIL relating to the Transactions;
“Articles”	the existing articles of association of the Company;
“Associates”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the board of directors of the Company;
“CUIF”	CU International Finance Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company;
“Company”	Willie International Holdings Limited, a company incorporated in Hong Kong the shares of which are listed on the Stock Exchange;
“Completion”	completion of the Transactions under the Agreement;
“Connected Person(s)”	the meaning ascribed thereto in the Listing Rules;
“Conversion Price”	the conversion price of the New Notes of HK\$0.25 per HMIL Share;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be held to approve the Transactions and proposed amendments to the Articles;
“Existing Note”	the 6% convertible note issued by HMIL to CUIF on January 2004 with the outstanding principal amount of HK\$95,000,000 due on 2007;
“First New Note”	a 8% convertible note to be issued by HMIL in the principal amount of HK\$41 million due on the tenth anniversary of the date of issue;
“Group”	the Company and its subsidiaries;
“HMIL”	Hennabun Management International Limited, a company incorporated in the British Virgin Islands;
“HMIL Shares”	shares of par value of US\$0.01 each in HMIL;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Notes”	the First New Note and the Second New Note;
“Sale Shares”	one share of par value of US\$1.00 in the capital of Supercapital, representing the entire issued share capital of Supercapital as at the date hereof;
“Second New Note”	a 8% convertible note to be issued by HMIL in the principal amount of HK105 million due on the tenth anniversary of the date of issue;

“Shares”	shares of par value HK\$0.10 each in the Company;
“Shareholders”	shareholders of the Company;
“Shareholders Loan”	a shareholders loan in the principal amount of approximately HK\$41.41 million as at 31st July, 2005 owed by the Supercapital to Top Ultimate which loan is interest free and repayable on demand;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supercapital”	Supercapital Investments Limited, an indirect wholly-owned subsidiary of the Company.
“Top Ultimate”	Top Ultimate Limited, a wholly-owned subsidiary of the Company and the holder of the Sale Share;
“Transactions”	the sale of the Sale Shares, the assignment of Shareholders Loan and surrender of the Existing Note.

As at the date of this announcement, the Board comprises six executive directors, namely, Mr. Chuang Yueheng, Henry, Mr. King Phillip, Mr. Lo Kan Sun, Mr. Wong Ying Seung, Asiong, Mr. Wong Wai Man, Raymond and Mr. Chung Wilson, one non-executive director, Mr. Lau Da Yip and five independent non-executive directors, namely Mr. Lam Ping Cheung, Mr. Miu Frank H, Mr. Nakajima Toshiharu, Ms. Lin Wai Yi and Mr. Pang Shuen Wai, Nichols.

By order of the Board
Willie International Holdings Limited
King Phillip
Executive Director

Hong Kong, 3rd August, 2005