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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)**

### **PLACING OF CONVERTIBLE NOTES**

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The Board is pleased to announce that the Company has entered into the Placing Agreement with the Placing Agent on 12 March 2007.

Pursuant to the Placing Agreement, the Placing Agent agreed to procure Placees for the Convertible Notes with principal amount of HK\$200,000,000 which will be placed on a fully underwritten basis. To the best of the Directors' knowledge, information and belief, and after having made all reasonable enquiry, all the Placees and their respective ultimate beneficial owners will be the Independent Third Parties and will not become the substantial Shareholders.

Upon full conversion of the Convertible Notes at the Initial Conversion Price, a total of 2,000,000,000 Conversion Shares will be issued, representing approximately 33.63% of the existing issued share capital of the Company and approximately 25.17% of the issued share capital of the Company as enlarged by the issue of such Conversion Shares assuming such conversion on the date of this announcement.

The completion of the Placing is conditional upon certain conditions mentioned under the section "Conditions of the Placing". A circular containing details regarding the Placing and a notice of convening the EGM will be despatched to the Shareholders as soon as practicable.

**The Placing Agreement may be terminated under certain circumstances. Please refer to the paragraph headed "PLACING AGREEMENT" below for further information. As the Placing Agreement may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **INTRODUCTION**

The Board is pleased to announce that the Company has entered into the Placing Agreement with the Placing Agent on 12 March 2007.

## **PLACING AGREEMENT**

Date: 12 March 2007  
Parties: The Company as the issuer and the Placing Agent

### **Placing Agent:**

The Placing Agent is not connected person of the Company and its subsidiaries, their directors, chief executives and substantial shareholders or their respective associates (as that term is defined in the Listing Rules). The Company indirectly holds approximately 16.18% equity interest in the Placing Agent.

The Placing Agent will receive a placing commission of 2.5% on the gross proceeds from the Placing. The abovementioned commission will be payable by the Company upon completion of the Placing. The placing commission was arrived at after arm's length negotiation between the Company and Placing Agent.

### **Placees:**

It is expected that the Placing Agent will procure no less than six Placees to subscribe by cash for the Convertible Notes with principal amount of HK\$200,000,000.

To the best of the Directors' knowledge, information and belief, and after having made all reasonable enquiries, all the Placees and their respective ultimate beneficial owners will be the Independent Third Parties and will not become the substantial Shareholders.

### **Conditions of the Placing:**

Completion of the Placing is conditional upon:

- the Listing Committee having granted approval for the (either unconditionally or subject only to conditions to which the Company and the Placing Agent do not reasonably object) listing of and permission to deal in the Conversion Shares;
- the Stock Exchange having approved (either unconditionally or subject only to conditions to which the Company and the Placing Agent do not reasonably object) the issue of the Convertible Notes, or the Company not having received any objection from the Stock Exchange to the issue of the Convertible Notes;
- the passing by Shareholders in the EGM of a resolution to approve the Placing Agreement and the issue of the Convertible Notes and the Conversion Shares thereunder in accordance with the Listing Rules; and

- the accuracy of the representations and warranties of the Company contained in the Placing Agreement, the accuracy of the statements of the Company made in the Placing Agreement, and customary force majeure termination rights.

If any of the above conditions have not been fulfilled by 11 May 2007 (or such later date as the Company and the Placing Agent may agree), the Placing Agreement shall lapse and become null and void and the parties will automatically be released from all obligations thereunder, save for any liability arising out of antecedent breaches.

Application will be made by the Company to the Listing Committee for the grant of the listing of and permission to deal in the Conversion Shares.

### **Completion:**

Completion of Convertible Notes to be placed on a fully underwritten basis shall take place within three Business Days upon the fulfillment of the conditions of the Placing (or such other date as the parties may agree). Assuming the conditions of the Placing Agreement are fulfilled on 11 May 2007, the completion date will be on 16 May 2007 (or such other date as the parties may agree).

### **Termination of the Placing Agreement**

Notwithstanding anything contained in the Placing Agreement, if, at any time prior to 9:00 a.m. on the date of the completion of the Placing, in the reasonable opinion of the Placing Agent the success of the Placing or the business or financial prospects of the Group would or might be adversely affected by:

- (i) any material breach of any of the representations and warranties set out in the Placing Agreement; or
- (ii) any of the following events:
  - (a) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof; or
  - (b) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date hereof and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not *eiusdem generis* with any of the foregoing, resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or
  - (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally or the Company's securities on the Stock Exchange for a period of more than 40 consecutive Business Days, save for any suspension for clearance of this announcement or circular in relation to the Convertibles Notes; or

- (d) a change or development involving a prospective change in taxation in Hong Kong or the PRC or the implementation of exchange controls which shall or might materially and adversely affect the Company or its present or prospective Shareholders in their capacity as such; or
- (e) any change or deterioration in the conditions of local, national or international securities market occurs,

then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 9:00 p.m. on the date of the completion of Placing.

In the event that the Placing Agent terminates the Placing Agreement pursuant to the abovementioned clause, all obligations of each of the parties under the Placing Agreement shall cease and determine and neither party to the Placing Agreement shall have any claim against the other party in respect of any matter arising out of or in connection with the Placing Agreement except for any breach arising prior to such termination.

#### **TERMS OF THE CONVERTIBLE NOTES**

The principal terms of the Convertible Notes are arrived after arm's length negotiation between the Company and the Placing Agent and are summarized as follows:

##### **Principal Terms:**

|                           |   |
|---------------------------|---|
| Principal amount:         | HK\$200,000,000   |
| Initial Conversion Price: | HK\$0.1 per Share, subject to adjustments in certain events including, among other things, share consolidation, share subdivision, capitalization issue, capital distribution and rights issue.   |
| Interest rate:            | 0% per annum  |
| Maturity:                 | the second anniversary of the Issue Date  |
| Yield to maturity:        | Approximately 9% per annum  |
| Redemption:               | Unless previously converted in accordance with the terms and conditions of the Convertible Notes, the Company will redeem each Convertible Note on the Maturity Date at the redemption amount which is 118% of the principal amount of Convertible Notes outstanding. |

- Transferability:** The Convertible Notes are not transferable without the prior written consent of the Company, except by a transfer to subsidiaries or the holding company of the holders of the Convertible Notes. The Convertible Notes may not be transferred by the holder of the Convertible Notes, without the prior written consent of the Company, to any connected person (as defined under the Listing Rules) of the Company.
- Conversion period:** The holders of the Convertible Notes shall have the right to convert on any business day at any time following the date of issue of the Convertible Notes until the date 7 days before (and excluding) the Maturing Date, the whole or any part (in an amount or integral multiple of HK\$1,000,000) of the outstanding principal amount of the Convertible Notes into Shares at the then prevailing conversion price.
- Mandatory conversion:** If the closing price for each trading day during a consecutive 30 trading days period is equal to or in excess of 150% of the Initial Conversion Price (subject to adjustments), all the then outstanding Convertible Notes will be deemed to be converted at the then prevailing conversion price.
- Voting:** The holders of the Convertible Notes will not be entitled to receive notice of, attend or vote at any meeting of the Company by reason only of it being the holders of the Convertible Notes.
- Listing:** No application will be made for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange. An application will be made by the Company for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes.
- Ranking:** The Conversion Shares to be issued as a result of the exercise of the conversion rights attached to the Convertible Notes will rank pari passu in all respects with all other existing Shares outstanding at the date of conversion of the Convertible Notes.

**Conversion Shares:**

Upon the full conversion of the HK\$200,000,000 Convertible Notes at the Initial Conversion Price, a total of 2,000,000,000 Conversion Shares will be issued, representing approximately 33.63% of the existing issued share capital of the Company and approximately 25.17% of the issued share capital of the Company as enlarged by the issue of such Conversion Shares assuming such conversion on the date of this announcement.

**Conversion Price:**

The Initial Conversion Price of HK\$0.1 per Share was arrived at after arm's length negotiation between the Placing Agent and the Company and:

- represents a discount of approximately 14.53% to the closing price of HK\$0.117 per Share as quoted on the Stock Exchange on 12 March 2007, being the last trading day immediately before the release of this announcement; and
- represents a discount of approximately 13.49% to the average closing price of HK\$0.1156 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 12 March 2007.

Based on the comparison of the Initial Conversion Price with the recent closing price per Share as illustrated above, the Directors consider the terms of the Convertible Notes, including the Initial Conversion Price, are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

**EFFECT ON SHAREHOLDING OF THE COMPANY FOLLOWING COMPLETION OF THE PLACING**

Set out below is the table of the shareholding in the Company before and after completion of the Placing (assuming that there are no other changes in the issued share capital of the Company and assuming that all the Convertible Notes are converted):

|  | <b>Shareholding as at the date of this announcement</b> |                          | <b>Shareholding after full conversion of the Convertible Notes (assuming no adjustment to the Initial Conversion Price and no further issue of Shares as at the date of this announcement)</b> |                          |
|--|---|--------------------------|--|--------------------------|
|  | <i>Shares</i>   | <i>% of shareholding</i> | <i>Shares</i>  | <i>% of shareholding</i> |
| <b>Shareholders</b>                          |   |                          |  |                          |
| Chuang Eugene Yue-chien<br>( <i>Note 1</i> ) | 725,990,141   | 12.21                    | 725,990,141  | 9.13                     |
| <b>Public Shareholders</b>                   |   |                          |  |                          |
| The Placees                                  | —   | —                        | 2,000,000,000  | 25.17                    |
| Other public Shareholders                    | <u>5,221,504,847</u>                                    | <u>87.79</u>             | <u>5,221,504,847</u>   | <u>65.70</u>             |
| Total  | <u>5,947,494,988</u>                                    | <u>100</u>               | <u>7,947,494,988</u>   | <u>100</u>               |

*Note 1:* Mr. Chuang Eugene Yue-chien is the elder brother of the chairman of the Company, Mr. Chuang Yueheng, Henry.

As at the date of this announcement, the Company has no derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares.

## CAPITAL RAISING ACTIVITIES IN THE PAST 12 MONTHS

| Date of announcement | Transaction   | Net proceeds raised (approximately) | Completed   | Intended use of proceeds  | Actual use of proceeds   |
|----------------------|---|-------------------------------------|---|---|--|
| 5 December 2006      | Placing of convertible notes with principal amount of up to HK\$150 million under placing agreement dated 5 December 2006 | HK\$146 million                     | Yes (the convertible notes were fully converted on 21 and 22 February 2007) | To be used for general working capital purposes, possible investments in the PRC in the natural resources sectors and other sectors | HK\$31 million — general working capital<br><br>HK\$115 million — not yet utilized as at the date of this announcement |
| 26 February 2007     | Placing of 684,000,000 new Shares under the placing agreement dated 26 February 2007                                      | HK\$80 million                      | Yes   | To be used for general working capital and/or possible investment in future   | As at the date of this announcement, the whole amount has not been utilized  |

Save as mentioned above, the Company has not raised any funds in the past 12 months.

## REASONS FOR THE PLACING AND USE OF PROCEEDS

In 2006, the Company started an investment in coke and gas chemical business in the Yunnan Province of the PRC which also embarked the Company's intention to diversify its business into energy and natural resources. Throughout the year, the Company has reviewed certain projects including, but not limited to the oil recovery projects as announced by the Company dated 8 February 2007, environmental projects that are related to oil fields and forestry projects in the PRC. The Board believes that there are great potentials in energy and natural resources business and that they could provide long-term stable income to the Group after the consolidation and modification of the shareholding and management of such business. However, the Board realizes that any one of the above mentioned projects would require heavy capital investment in order to obtain a reasonable stake of interest and even more capital for the further development of such projects.

In order to clearly identify the Group's focus into energy and natural resources business and position, the Company's financial and bargaining strength when negotiating projects with potential partners or to facilities the Company in making investments whenever opportunities arises, the Company is in the due course to incorporate a wholly owned subsidiary with no less than HK\$200 million equity and HK\$100 million shareholder's loan in the Cayman Islands with the name being reserved as "Willie Resources Incorporated" (威利資源企業公司) as the holding company for the development of the energy and natural resources business. The Company will transfer its investment in coke and gas chemical business in the Yunnan Province to "Willie Resources Incorporated" (威利資源企業公司) as soon as practicable. The Board will inject HK\$100 million cash as equity and provide HK\$100 million cash as



shareholder's loan into "Willie Resources Incorporated" (威利資源企業公司) to ensure its working capital enough for the investment in energy and natural resources business whenever opportunities arises. As at the date of this announcement, the Company does not have any concrete investment commitments and will make appropriate announcements pursuant to the Listing Rule requirements as when investments become crystallize.

As at the date of this announcement, the Company has approximately HK\$195 million net proceeds raised in December 2006 and February 2007 that have not been utilized, together with the net proceeds to be raised in approximate amount of HK\$195 million from the Placing of the Convertible Notes, the Board intends to apply HK\$200 million cash as injection of HK\$100 million as equity and HK\$100 million as shareholder's loan to "Willie Resources Incorporated" (威利資源企業公司) whereas the balance of HK\$190 million will be applied for general working capital and/or other possible investments in the future.

The Directors consider that the Placing of Convertible Notes in underwritten basis is an appropriate means of raising additional capital for the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders of the Company and the interest payable under the Convertible Notes is more stable and predictable than bank borrowing.

The Directors consider the terms of the Placing Agreement (including the Initial Conversion Price) are fair and reasonable and in the best interest of Shareholders and the Company as a whole.

## **GENERAL**

The Group is principally engaged in the business of real estate holdings, investment in securities trading, investing in energy related businesses and acquiring, exploring and developing natural resources.

A circular containing details regarding the Placing and a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

**The Placing Agreement may be terminated under certain circumstances. Please refer to the paragraph headed "PLACING AGREEMENT" above for further information. As the Placing Agreement may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

|                   |   |
|-------------------|---|
| "Board"           | board of Directors  |
| "Business Day(s)" | any day (other than a Saturday and Sunday) on which licensed banks are open for business in Hong Kong |

|                                |  |
|--------------------------------|--|
| “Company”                      | Willie International Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Stock Exchange   |
| “Conversion Shares”            | new Shares which would fall to be issued by the Company upon the exercise of the conversion rights attached to the Convertible Notes, at the then effective conversion price   |
| “Convertible Notes”            | zero coupon convertible notes due in the year 2009 in an aggregate principal amount of HK\$200,000,000 proposed to be issued by the Company pursuant to the Placing Agreement  |
| “Director(s)”                  | director(s) of the Company   |
| “EGM”                          | an extraordinary general meeting of the Company to be convened for the purpose of considering and, if though fit, approving the Placing  |
| “Group”                        | the Company, its subsidiaries and its associated companies   |
| “HK\$”                         | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Hong Kong”                    | the Hong Kong Special Administrative Region of the PRC   |
| “Independent Third Party(ies)” | person who himself is, and (in case of corporate entity) its ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, third parties who are not connected persons of the Company and are independent of the Company and its subsidiaries, their directors, chief executives and substantial shareholders or their respective associates (as that term is defined in the Listing Rules) |
| “Initial Conversion Price”     | the initial conversion price of HK\$0.1 per Share (subject to adjustment)  |
| “Issue Date”                   | the date of the first issue of the Convertible Notes   |
| “Listing Committee”            | the listing committee of the Stock Exchange  |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Maturity Date”                | the second anniversary of the Issue Date   |
| “Placee(s)”                    | any individual, institutional or other professional investor(s) procured by the Placing Agent to subscribe for the Convertible Notes pursuant to the Placing Agent’s obligation under the Placing Agreement  |

|                     |   |
|---------------------|---|
| “Placing”           | the placing of the Convertible Notes by the Placing Agent pursuant to the Placing Agreement   |
| “Placing Agent”     | Chung Nam Securities Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out type 1 regulated activity (dealing in securities)           |
| “Placing Agreement” | the conditional convertible note placing agreement dated 12 March 2007 entered into between the Company and the Placing Agent in relation to the Placing, subject to the terms and conditions contained therein |
| “PRC”               | The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan  |
| “Share(s)”          | share(s) of a nominal value of HK\$0.10 each in the issued share capital of the Company   |
| “Shareholder(s)”    | holder(s) of the Shares   |
| “Stock Exchange”    | The Stock Exchange of Hong Kong Limited   |
| “%”                 | per cent.   |

By Order of the Board of  
**Willie International Holdings Limited**  
**Chuang Yueheng Henry**  
*Chairman*

Hong Kong, 12 March 2007

*As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Chuang Yueheng, Henry, Mr. King Phillip, Mr. Lo Kan Sun, Mr. Wong Ying Seung, Asiong, and Mr. Wang Lin and six independent non-executive Directors, namely, Mr. Miu Frank H., Mr. Nakajima Toshiharu, Ms. Lin Wai Yi, Mr. Liu Jian, Mr. Shum Ming Choy and Mr. Yau Yan Ming, Raymond.*

*Please also refer to the published version of this announcement in South China Morning Post, China Daily, Hong Kong Economic Times and Oreintal Daily.*