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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)

(Warrant Code: 614)

**TERMINATION OF NOTES INVOLVING ISSUE OF SETTLEMENT SHARES TO
DOLLAR GROUP
AND
RESUMPTION OF TRADING**

On 11 September 2008, Dollar Group and the Company entered into the Termination Deed pursuant to which, inter alia, Dollar Group and the Company agreed to terminate the Notes in the aggregate principal amount of HK\$86,882,392.88, in consideration of an issue of 650,000,000 Settlement Shares by the Company to Dollar Group at the Issue Price of HK\$0.14 per Share, as full and final settlement of the Company's obligations under the Notes.

The Termination Deed constitutes a redemption of the Notes involving issue of Settlement Shares and is subject to, inter alia, the approval of Shareholders at the EGM. A circular containing, among others things, further information on the Termination Deed and a notice of the EGM will be despatched to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares and the warrants of the Company on the Stock Exchange was suspended from 9:30 a.m. on Friday, 12 September 2008 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares and the warrants of the Company with effect from 9:30 a.m. on 18 September 2008.

Reference is made to the Company's circular dated 6 June 2008 and announcements dated 21 May 2008, 27 June 2008 and 4 August 2008 respectively.

On 19 May 2008, the Group entered into three conditional sale and purchase agreements with respective wholly owned subsidiaries of Heritage for the followings:-

- (1) the acquisition of the entire issued share capital of Glamourous Investments Limited and the shareholder loan extended to Glamourous Investments Limited and its subsidiary;
- (2) the acquisition of the entire issued share capital of Best Inspire Limited and the shareholder loan extended to Best Inspire Limited and its subsidiary; and
- (3) the acquisition of the entire issued share capital of Bright Majestic Limited and the shareholder loan extended to Bright Majestic Limited and its subsidiary.

The total consideration for the aforesaid was adjusted to HK\$86,882,392.88 as announced by the Company on 27 June 2008 and which was wholly satisfied by issue of the Notes by the Company.

TERMINATION DEED

Parties

- (1) Dollar Group
- (2) the Company

Dollar Group is a wholly-owned subsidiary of Heritage and principally engaged in investments in securities. Heritage is an investment holding company and its subsidiaries are principally engaged in property related investments, investment in securities, investment in advertising and lottery related businesses and money-lending businesses.

To the best of the Directors knowledge, information and belief having made all reasonable enquiries, Dollar Group and its ultimate beneficial owner are third parties independent of the Company and Connected Persons of the Company.

On 11 September 2008, Dollar Group and the Company entered into the Termination Deed pursuant to which, inter alia, Dollar Group and the Company agreed to terminate the Notes in the aggregate principal amount of HK\$86,882,392.88, in consideration of an issue of 650,000,000 Settlement Shares by the Company to Dollar Group at the Issue Price of HK\$0.14 per Share, as full and final settlement of the Company's obligations under the Notes.

The Consideration of HK\$91 million was determined after arm's length negotiations with reference to the average closing prices of the Shares as quoted on the Stock Exchange for the last ten trading days immediately preceding the Last Trading Day.

Conditions precedent

Completion of the Termination Deed is subject to the satisfaction of the following conditions:-

- (i) approval of the Termination Deed and transactions contemplated thereunder (including the issue of the Settlement Shares) by shareholders of the Company in accordance with the Listing Rules;
- (ii) if required, approval of the Termination Deed and transactions contemplated thereunder by shareholders of Heritage in accordance with the Listing Rules; and
- (iii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Settlement Shares.

If the conditions have not been fulfilled before 5 p.m. on 31 December 2008, the Termination Deed shall cease to have effect and no party shall have any rights or obligations thereunder save for antecedent breaches.

Completion of the transactions contemplated under the Termination Deed shall take place on the fifth Business Day after the fulfillment or waiver of the conditions precedent at 11:00 a.m. (or such other time or date as the Company and Dollar Group may agree in writing).

The 650,000,000 Settlement Shares represent (i) approximately 26.53% of the existing issued share capital of the Company, (ii) approximately 20.97% of the issued share capital of the Company as enlarged by the issue of the Settlement Shares and (iii) approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the Settlement Shares and the Consideration Shares.

Upon Completion, the Company will allot and issue the Settlement Shares to Dollar Group. The Agreement does not contain any restrictions on the sale of the Settlement Shares after Completion. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Settlement Shares.

An EGM will be convened by the Company at which resolution(s) will be proposed to the Shareholder for the approval of the specific mandate for the issue of the Settlement Shares. Shareholders with a material interest in the Notes and their respective associates shall abstain from voting but to the best of the Director's knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting at the EGM.

The Issue Price represents:-

- (i) a premium of approximately 6.87% over the closing price of HK\$0.131 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 6.06% over the average closing prices of HK\$0.132 per Share as quoted on the Stock Exchange for the last five trading days immediately preceding the Last Trading Day;
- (iii) a discount of approximately 2.10% to the average closing prices of HK\$0.143 per Share as quoted on the Stock Exchange for the last ten trading days immediately preceding the Last Trading Day; and
- (iv) a discount of approximately 78.79% to the proforma net asset value of HK\$0.66 per Share as published in the prospectus of the Company dated 5 August 2008.

Based on the average closing prices of the Share as quoted on the Stock Exchange for the last five trading days immediately preceding the Last Trading Day at HK\$0.132, the value of the Settlement Shares represents a sum of HK\$85.8 million.

The Issue Price was arrived at after arms' length negotiations with reference to the prevailing market conditions including but not limited to the market price and the daily turnover of the Shares. For the last six months, the share price of the Shares has been traded below HK\$0.40 (adjusted) per Share. For the last one month, the share price of the Shares has been traded the highest at HK\$0.25 and the lowest at HK\$0.123. In respect of the trading volume, the average daily turnover of the Shares is less than 30 million for the last three months. The Issue Price of HK\$0.14 represents a premium over the current market price of the Shares at HK\$0.131 per Share on the Last Trading Day so that the Issue Price was arrived at a fair and reasonable basis. The Directors are of the view that to determine the Issue Price by reference to the real market condition is in the interest of the Company and its Shareholders.

PRINCIPAL TERMS OF THE NOTES

Aggregate principal amount of the Notes	HK\$86,882,392.88
Maturity Date	The Business Day falling on the day being the third anniversary from 7 July 2008
Conversion Period	The holder of the Notes can convert the outstanding principal amount of each Notes in whole or in part into Shares at any time from the relevant date of issue until a date falling seven days prior to (and excluding) the relevant maturity date
Conversion Price	The initial conversion price was HK\$0.110. Due to the share consolidation and rights issue of the Company approved at an extraordinary general meeting of the Company held in August 2008, the conversation price was adjusted to HK\$0.298 with effect from 5 August 2008
Interest Rate	Non interest bearing
Voting	A holder of the Notes will not be entitled to receive notice of, attend or vote at any meeting of the Company by reason only of it being a holder of Notes
Ranking	The conversion shares to be issued upon exercise of the conversion rights attaching to the Notes will rank pari passu in all respects with all other Shares outstanding on the date the name of the noteholder is entered on the register of the members of the Company as a holder of the conversion shares
Early Redemption	The Company will be entitled, by giving prior written notice of not less than 10 Business Days, to redeem the whole or part (in the authorised denominations) of the outstanding principal amount of the Notes prior to the maturity date at any time after the first anniversary of issuance of the Convertible Notes subject to the redemption premium at 10% on the aggregate principal redemption amount to be paid by the Company

REASONS FOR ENTERING INTO THE TERMINATION DEED

Based on the closing price of HK\$0.131 per Shares as quoted on the Stock Exchange on the Last Trading Day, the Directors considered that the value of the Settlement Shares at HK\$85,150,000 represents a discount of approximately 1.7 million to the Group comparing with the outstanding principal amount of HK\$86,882,392.88. In addition, the Directors also considered the saving of the 10% redemption premium for early redemption of the outstanding principal amount of the Notes in whole which amounts to approximately HK\$8.7 million. Compared the amount payable by the Company for early redemption of the Notes in whole at approximately HK\$95.6 million with the Consideration and the aforesaid value of the Settlement Shares at HK\$85,150,000, the Company may save approximately HK\$4.6 million and approximately HK\$10.4 million respectively by entering into the Termination Deed.

The Directors have considered the liabilities of the Company under the Notes which amount to approximately HK\$86.9 million as at the date of the Termination Deed. They are of the opinion that the entering into the Termination Deed will reduce the liabilities of the Company and in turn to improve the financial position of the Company without any effect on its cashflow.

The Directors have also considered other alternatives such as redemption by cash or through placing of new Shares to redeem the Notes. However, if the Company redeems the Notes by cash, the Company has to pay 10% redemption premium pursuant to the terms and conditions of the Notes and it will have adverse impact on the cashflow of the Group. In view of the current market condition, the Board considers that if the Company redeems the Notes through placing of new Shares and applies the proceeds to redeem the Notes, it is very difficult to get the placing of 650,000,000 shares on underwritten basis and at a premium over the prevailing market price of HK\$0.131.

In the recent few months, the subprime mortgage problem in the United States has adversely affected the global stock market. Hong Kong Hang Seng Index recorded a significant decrease of approximately 31.5% from approximately 25,700 on the date of entering into respective sale and purchase agreements with Heritage Group to approximately 17,600 as at the date of this announcement. The global economy is now under the challenge of the liquidity crisis as a result of the subprime mortgage problem. Whereas the global liquidity becomes tightened, the interest rate maintains at high level and the financial institutions reluctant to grant banking facilities. Given the fact that the Notes amount to approximately 24% of the Group's total borrowing, to reduce such liability of the Group by converting such liability into equity of the Company may improve the financial position and the balance sheet of the Group and

in turn the Group will be in a better position to borrow money from the financial institutions in the foreseeable future. Hence, the Directors are of the opinion that it will be in better interest of the Company and the shareholders to replace the Notes by issuance of the Settlement Shares to reduce liabilities.

The Directors consider the terms of the Termination Deed as a whole but not stand alone the dilution effect resulting thereof and the Directors consider that the terms of the Termination Deed are fair and reasonable and the entering into the Termination Deed is in the interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company, (i) as at the date of this announcement; (ii) assume full conversion of the Notes at the adjusted conversion price; (iii) upon issue of the Settlement Shares and (iv) upon issue of the Settlement Shares and Consideration Shares.

	As at the date of this announcement		Assume full conversion of the Notes at the adjusted conversion price		Upon issue of the Settlement Shares		Upon issue of the Settlement Shares and Consideration Shares	
	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage
Director (Note 1) Radford Capital Investment Limited and its associates (Note 2)	230,474,400	9.41%	230,474,400	8.41%	230,474,400	7.44%	230,474,400	5.91%
Unity Investments Holdings Limited and its associates (Note 2)	203,430,144	8.30%	203,430,144	7.42%	203,430,144	6.56%	203,430,144	5.22%
Heritage and its associates (Note 3)	—	—	291,551,654	10.64%	650,000,000	20.97%	650,000,000	16.67%
Mascotte Group Limited and its associates (Note 4)	34,529,000	1.41%	34,529,000	1.26%	34,529,000	1.11%	834,529,000	21.40%
Other public shareholders (Note 2)	<u>1,852,682,270</u>	<u>75.63%</u>	<u>1,852,682,270</u>	<u>67.58%</u>	<u>1,852,682,270</u>	<u>59.77%</u>	<u>1,852,682,270</u>	<u>47.50%</u>
Total	<u>2,449,609,814</u>	<u>100.00%</u>	<u>2,741,161,468</u>	<u>100.00%</u>	<u>3,099,609,814</u>	<u>100.00%</u>	<u>3,899,609,814</u>	<u>100.00%</u>

Notes:

1. Mr. Chuang Yueheng, Henry, being the chairman and executive director of the Company.
2. These are all “public” shareholders.
3. Becoming substantial shareholder of the Company upon issue of the Settlement Shares.
4. Becoming substantial shareholder of the Company upon issue of the Consideration Shares.

GENERAL

The Group is principally engaged in the business of property investment, investment in securities trading, money lending and the acquiring, exploring and developing of natural resources.

As at the date of this announcement, the Company holds (i) 178,884,400 shares of Heritage, representing approximately 7% of the total issued share capital of Heritage and (ii) 30,656,880 warrants of Heritage. The Termination Deed constitutes a redemption of the Notes involving issue of Settlement and is subject to, inter alia, the approval of Shareholders at the EGM. A circular containing, among others things, further information on and the Termination Deed and a notice of the EGM will be despatched to the Shareholders as soon as practicable.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares and the warrants of the Company on the Stock Exchange was suspended from 9:30 a.m. on Friday, 12 September, 2008 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares and the warrants of the Company with effect from 9:30 a.m. on Thursday, 18 September, 2008.

DEFINITIONS

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

“associate(s)”	the same meaning ascribed to it under the Listing Rules
“Business Day”	a day (other than a Saturday or Sunday) on which banks are open for business in Hong Kong
“Board”	the board of Directors
“Company”	Willie International Holdings Limited, a company incorporated in Hong Kong, whose shares are listed on the Stock Exchange

“Completion”	completion of the termination of the Notes in accordance with the terms and conditions of the Termination Deed
“Connected Person(s)”	the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of HK\$91 million payable by the Company to Dollar Group under the Termination Deed and which is to be satisfied by issue of the Settlement Shares by the Company to Dollar Group
“Consideration Shares”	means 800,000,000 new Shares of a par value of HK\$0.1 each in the Company to be issued to Mascotte Group Limited (or its nominees) in satisfaction of the consideration for the acquisition as set out in the Company’s announcement dated 9 September 2008
“Directors”	the director(s) of the Company
“Dollar Group”	Dollar Group Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Heritage
“EGM”	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Termination Deed and the transactions contemplated thereunder including the issue of the Settlement Shares
“Group”	the Company and its subsidiaries
“Heritage”	Heritage International Holdings Limited (Stock Code: 412), a company incorporated in Bermuda, whose shares are listed on the Stock Exchange
“Heritage Group”	Heritage and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Issue Price”	HK\$0.14 per Share, being the issue price for the Settlement Shares

“Last Trading Day”	11 September 2008, being the date of the Termination Deed and the last trading day prior to the date of suspension of dealings in Shares pending the release of this Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Notes”	non-interest bearing convertible notes in the aggregate principal amount of HK\$86,882,392.88 issued by the Company to Dollar Group on 7 July 2008 pursuant to the transactions described in the Company’s circular dated 6 June 2008 and announcements dated 21 May 2008 and 27 June 2008 respectively
“Settlement Shares”	650,000,000 new Shares of par value of HK\$0.1 each in the Company to be issued to Dollar Group pursuant to the Termination Deed
“Shareholder(s)”	holders of existing Shares
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Termination Deed”	the termination deed dated 11 September 2008 entered into between the Company and Dollar Group to terminate the parties’ obligation under the Notes
“%”	per cent

By order of the Board of
Willie International Holdings Limited
Chuang Yueheng, Henry
Chairman

Hong Kong, 17 September 2008

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Chuang Yueheng, Henry, Mr. King Phillip, Mr. Wong Ying Seung, Asiong and Mr. Wang Lin and four independent non-executive Directors, namely, Ms. Lin Wai Yi, Mr. Liu Jian, Mr. Shum Ming Choy and Mr. Yau Yan Ming, Raymond.