
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Willie International Holdings Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is not an offer of, nor is it intended to invite offers for, securities of the Company.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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)

(1) PROPOSED CAPITAL REORGANISATION (2) PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES FOR EVERY TWO ADJUSTED SHARES HELD AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser



Underwriters of the Rights Issue



Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

VINCO 

Grand Vinco Capital Limited

A wholly owned subsidiary of Vinco Financial Group Limited

It should be noted that the Adjusted Shares will be dealt in on an ex-rights basis from Monday, 28 July 2008. Dealings in the Rights Shares in the nil-paid form will take place from Thursday, 7 August 2008 to Friday, 15 August 2008 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriters, the Rights Issue will not proceed. Any dealing in the nil-paid Rights Shares during the period from Thursday, 7 August 2008 to Friday, 15 August 2008 will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

The Underwriters may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued by Get Nice (on behalf of the Underwriters) to the Company at any time prior to 4:00 p.m. on the Settlement Date if there occurs: (a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or (b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; and in the reasonable opinion of the Get Nice (on behalf of the Underwriters), such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue. If, at or prior to 4:00 p.m. on the Settlement Date: (a) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or (b) the Underwriters shall receive notification pursuant to the relevant clauses of the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the relevant clauses of the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the relevant clauses of the Underwriting Agreement, and the Get Nice (on behalf of the Underwriters) shall, in their reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or (c) the Company shall, after any matter or event referred to in the relevant clauses of the Underwriting Agreement has occurred or come to the Underwriters' attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriters may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company, the Underwriters shall be entitled (but not bound) by notice in writing issued by Get Nice (on behalf of the Underwriters) to the Company to elect to treat such matter or event as releasing and discharging the Underwriters from their obligations under the Underwriting Agreement.

If the Underwriting Agreement is terminated by the Underwriters before 4:00 p.m. on the Settlement Date or does not become unconditional, the Underwriting Agreement will terminate forthwith (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriters shall have any claim against the other party (save for certain fees or expenses referred to therein) and the Rights Issue will not proceed.

A letter of advice from Grand Vinco Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 27 to 40 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 9:00 a.m. on Monday, 4 August 2008 is set out on pages 107 to 109 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it to Computershare Hong Kong Investor Services Limited, the Registrar at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

11 July 2008

CONTENTS

	<i>Page</i>
Expected Timetable	ii
Definitions	1
Letter from the Board	6
Letter from the Independent Board Committee	26
Letter from Vinco Capital	27
Appendix I: Financial Information of the Group	41
Appendix II: Pro Forma Financial Information of the Group	89
Appendix III: General Information	93
Notice of EGM	107

EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation and the Rights Issue is set out below:

2008

Last day of dealings in Shares on a cum-rights basis	Friday, 25 July
First day of dealings in Shares on an ex-rights basis	Monday, 28 July
Latest time for lodging transfers of Shares in order to qualify for Rights Issue	4:30 p.m., Tuesday, 29 July
Register of members to be closed	Wednesday, 30 July to Monday, 4 August (both dates inclusive)
Latest time for return of proxy form for the EGM (not less than 48 hours)	9:00 a.m., Saturday, 2 August
Date of EGM	9:00 a.m., Monday, 4 August
Record date	Monday, 4 August
Effective date of the Capital Reorganisation	(after close of business) Monday, 4 August
Register of members to be re-opened	Tuesday, 5 August
Prospectus Documents to be posted	Tuesday, 5 August
Commencement of dealings in Adjusted Shares	Tuesday, 5 August
Original counter for trading in Shares (in board lots of 10,000 Shares) to be closed	9:30 a.m., Tuesday, 5 August
Temporary counter for trading in Adjusted Shares in board lots of 2,000 Adjusted Shares (in form of existing share certificates in purple colour) to be opened	9:30 a.m., Tuesday, 5 August

EXPECTED TIMETABLE

Free exchange of existing share certificates for new share certificates for the Adjusted Shares commences	Tuesday, 5 August
First day of dealings in nil-paid Rights Shares	Thursday, 7 August
Latest time for splitting of nil-paid Rights Shares	4:30 p.m., Tuesday, 12 August
Last day of dealings in nil-paid Rights Shares	Friday, 15 August
Original counter for trading in Adjusted Shares (in board lots of 10,000 Adjusted Shares) to be re-opened	9:30 a.m., Tuesday, 19 August
Parallel trading in Adjusted Shares (in form of new certificate in green colour and existing certificate in purple colour) begins	9:30 a.m., Tuesday, 19 August
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of Adjusted Shares	9:30 a.m., Tuesday, 19 August
Latest time for payment for and acceptance of Rights Shares	4:00 p.m., Wednesday, 20 August
Rights Issue expected to become unconditional	after 4:00 p.m., Friday, 22 August
Announcement of results of acceptance and excess application of the Rights Issue	Tuesday, 26 August
Despatch of refund cheques for wholly and partially unsuccessful excess applications	Wednesday, 27 August
Despatch of certificates for fully-paid Rights Shares	Wednesday, 27 August
First day of dealings in the fully-paid Rights Shares	Friday, 29 August

EXPECTED TIMETABLE

Temporary counter for trading in
Adjusted Shares in board lots
of 2,000 Adjusted Shares
in form of existing share
certificates in purple colour)
to be closed 4:10 p.m., Monday,
8 September

Parallel trading in Adjusted Shares
(in form of new certificate in green
colour and existing certificate
in purple colour) ends 4:10 p.m., Monday,
8 September

Designated broker ceases to stand in
the market to provide matching
services for the sale and purchase
of odd lots of Adjusted Shares 4:10 p.m., Monday,
8 September

Free exchange of existing share certificates
for new share certificates in green colour ends 4:30 p.m., Tuesday,
16 September

All times and dates in this circular refer to Hong Kong local times and dates.

Dates or deadlines specified above for events in the timetable for (or otherwise in relation to) the Capital Reorganisation and the Rights Issue are indicative only and may be extended or varied by the Company. Any change to the anticipated timetable will be announced as and when appropriate.

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

“Acceptance Date”	20 August 2008 (or such other date as the Underwriters may agree in writing with the Company as the latest date for acceptance of, and payment of, Rights Shares)
“Announcement”	the announcement of the Company dated 19 June 2008 relating to, inter alia, the Capital Reorganisation and the Rights Issue
“Adjusted Share(s)”	new ordinary shares of HK\$0.10 each in the capital of the Company to be created upon the Capital Reorganisation becoming effective
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a full day (other than a Saturday and Sunday) on which banks are generally open for business in Hong Kong
“Capital Reduction”	the proposed reduction of the capital of the Company including the cancellation of the paid up capital to the extent of HK\$0.08 of each Share in issue from HK\$0.10 to HK\$0.02 and the reduction of the nominal value of all the issued and unissued Shares
“Capital Reorganisation”	the Capital Reduction and the Share Consolidation
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Willie International Holdings Limited 威利國際控股有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Convertible Note(s)”	the zero coupon convertible notes due 2011 in the aggregate amount of HK\$86,882,392.88 issued by the Company on 7 July 2008 in satisfaction of the consideration for the acquisitions as set out in the Company’s announcements dated 21 May 2008 and 27 June 2008 respectively and the circular dated 6 June 2008

DEFINITIONS

“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) to be issued in connection with the Rights Issue
“EGM”	the extraordinary general meeting of the Company to be held on Monday, 4 August 2008 at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 9:00 a.m. for the purpose of approving the Capital Reorganisation and the Rights Issue
“Excluded Overseas Shareholder(s)”	the Overseas Shareholder(s) whom the Directors, consider it necessary or expedient to exclude for the purpose of the Rights Issue, on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Get Nice”	Get Nice Securities Limited, a corporation deemed licensed to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of independent non-executive Directors (excluding Mr. Liu Jian) formed for the purpose of advising the Independent Shareholders in relation to the Rights Issue
“Independent Shareholder(s)”	Shareholder(s) other than the controlling Shareholders and their associates or, where there are no controlling Shareholders, executive Directors and the chief executive of the Company and their respective associates
“Issue Mandate”	the general mandate granted to the Directors to permit the allot, issue and deal with the Shares of the Company up to a maximum of 20% of the aggregate amount of the share capital of the Company in issue as at the date of the Shareholders’ meeting held on 30 May 2008

DEFINITIONS

“Last Trading Day”	18 June 2008, being the last trading day before the suspension of the trading of Shares and Warrants on the Stock Exchange, pending the release of the Announcement
“Latest Practicable Date”	7 July 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Orient”	Orient Securities Limited, a corporation licensed to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Overseas Shareholder(s)”	the Shareholder(s) whose registered addresses as shown in register of members of the Company on the Record Date are situated outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued in connection with the Rights Issue
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL and EAF
“Qualifying Shareholders”	Shareholders, other than the Excluded Overseas Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	4 August 2008, being the date by reference to which entitlements to the Rights Issue are expected to be determined
“Reduced Share(s)”	share(s) of HK\$0.02 each in the capital of the Company immediately after the Capital Reduction
“Registrar”	Computershare Hong Kong Investor Services Limited, the Company’s share registrar in Hong Kong at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

DEFINITIONS

“Rights Issue”	the issue by way of rights of not less than 1,749,721,295 Rights Shares and not more than 2,294,641,260 Rights Shares in the proportion of five Rights Shares for every two Adjusted Shares held on the Record Date at the Subscription Price payable in full on acceptance
“Rights Share(s)”	new Adjusted Share(s) of HK\$0.10 each to be allotted and issued under the Rights Issue
“Scheme Mandate Limit”	the maximum number of shares of the Company which may be issued upon exercise of options granted or to be granted under the Share Option Scheme and any other scheme(s) of the Company as approved by the Shareholders at the Shareholders’ meeting held on 30 May 2008
“Settlement Date”	second Business Day following the Acceptance Date
“SFO”	The Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	existing ordinary share(s) of HK\$0.10 each in the capital of the Company before the Capital Reorganisation becoming effective
“Share Consolidation”	the proposed consolidation of every five Reduced Shares into one Adjusted Share
“Shareholder(s)”	registered holder(s) of the Share(s), Reduced Shares(s) or Adjusted Share(s) (as the case may be)
“Share Option Scheme”	the share option scheme of the Company adopted on 20 November 2002
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.15 per Rights Share
“Underwriters”	Get Nice and Orient
“Underwriting Agreement”	the underwriting agreement dated 18 June 2008 entered into between the Company and the Underwriters in relation to the Rights Issue

DEFINITIONS

“Vinco Capital”	Grand Vinco Capital Limited, a corporation licensed to carry out business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and Independent Shareholders in relation to the Rights Issue
“Warrantholder(s)”	holder(s) of the Warrants
“Warrants”	the warrants listed on the Stock Exchange conferring rights on the holders to subscribe for the Shares of the Company at the subscription price of HK\$0.67 per Share, subject to adjustments
“%” or “per cent.”	percentage or per centum

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Chuang Yueheng, Henry
Mr. King Phillip
Mr. Wong Ying Seung, Asiong
Mr. Wang Lin

Registered office and Head office:

32/F, China United Centre
28 Marble Road
North Point
Hong Kong

Independent Non-executive Directors:

Ms. Lin Wai Yi
Mr. Liu Jian
Mr. Shum Ming Choy
Mr. Yau Yan Ming, Raymond

11 July 2008

To the Shareholders and, for information only, the Warrantholders

Dear Sir or Madam,

(1) PROPOSED CAPITAL REORGANISATION
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES
FOR EVERY TWO ADJUSTED SHARES HELD
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

On 19 June 2008, the Board announced that the Company proposed (i) to effect the Capital Reorganisation comprising the Capital Reduction and the Share Consolidation; and (ii) subject to the Capital Reorganisation becoming effective, to implement the Rights Issue to raise approximately HK\$262 million before expenses (assuming no further issue of Shares from the Latest Practicable Date to the Record Date) to approximately HK\$344 million before expenses (assuming exercise in full of the subscription rights attached to the Warrants and exercise in full of the conversion rights under the Convertible Notes on or before Record Date) by way of the Rights Issue of issuing not less than 1,749,721,295 Rights Shares and not more than 2,293,296,445 Rights Shares at a price of HK\$0.15 per Rights Share payable in full on acceptance.

LETTER FROM THE BOARD

Pursuant to rule 7.19(8) of the Listing Rules, any parties who were controlling Shareholders of the Company, or, where there were no such controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company at the time the decision or arrangement involving the Rights Issue was made or approved by the Board and their associates, may be required to abstain from voting in favour of the resolution proposed for the approval of the Rights Issue. To the best of the knowledge of the Directors, having made all reasonable enquiry and based on the register kept under section 352 of the SFO as at the Latest Practicable Date, there are no controlling Shareholders. Save that Mr. Chuang Yueheng, Henry, the chairman and an executive director of the Company, holds 16,990,000 Shares, none of the Directors, the Underwriters and their respective associates are interested in the share capital of the Company as at the Latest Practicable Date. Accordingly, Mr. Chuang Yueheng, Henry and his associates are required to abstain from voting in favour of the Rights Issue at the EGM. Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders at the EGM to approve the Rights Issue must be taken on a poll.

Upon the approval of the Rights Issue by the Independent Shareholders at the EGM and the Capital Reorganisation becoming effective, the Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders as soon as practicable and the Prospectus will be despatched to the Excluded Overseas Shareholders for information only.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Rights Issue and Vinco Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to provide you, among others, (i) further details about the Capital Reorganisation and the Rights Issue; (ii) the advice of Vinco Capital to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue; and (iv) a notice of the EGM at which resolutions will be proposed to consider and, if though fit, to approve the Capital Reorganisation and the Rights Issue.

CAPITAL REORGANISATION

Proposal

The Directors propose to put forward a proposal to the Shareholders to effect the Capital Reorganisation pursuant to the Companies Ordinance which if it proceeds will involve:

- (a) the Capital Reduction under which the authorised capital of the Company being reduced from HK\$5,000,000,000 divided into 50,000,000,000 Shares of HK\$0.10 each to HK\$1,000,000,000 divided into 50,000,000,000 Reduced Shares of HK\$0.02 each and that such reduction be effected by way of the cancellation of HK\$0.08 of the paid up capital on each issued Share of HK\$0.10 and reducing the nominal value of each issued or unissued Share from HK\$0.10 to HK\$0.02 per Reduced Share; and

LETTER FROM THE BOARD

- (b) the Share Consolidation for the consolidation of every 5 Reduced Shares of HK\$0.02 each into one Adjusted Share of HK\$0.10 each.

As at 19 June 2008 (being the date of the Announcement), the issued share capital of the Company was HK\$349,944,259.6 divided into 3,499,442,596 Shares. On 27 June 2008, the Company repurchased 1 Share through the Stock Exchange. The title document of the repurchased Share was cancelled and destroyed on 3 July 2008. As at the Latest Practicable Date, the authorised share capital of the Company is HK\$5,000,000,000 divided into 50,000,000,000 Shares and the issued share capital of the Company was HK\$349,944,259.50 divided into 3,499,442,595 Shares.

Immediately after completion of the Capital Reorganisation, the authorised capital of the Company will be reduced from HK\$5,000,000,000 to HK\$1,000,000,000 divided into 10,000,000,000 Adjusted Shares of HK\$0.10 each and the issued share capital of the Company will be reduced from HK\$349,944,259.50 to HK\$69,988,851.90 divided into 699,888,519 Adjusted Shares. On the basis of 3,499,442,595 Shares in issue as at the Latest Practicable Date, a total credit of approximately HK\$279,955,407.60 will arise as a result of the Capital Reduction, which will in its entirety, be credited to the share premium account of the Company.

The Capital Reduction is proposed to be implemented under section 58(3) of the Companies Ordinance pursuant to which no court confirmation will be required.

Conditions of the Capital Reorganisation

The Capital Reorganisation will be conditional upon, inter alia, the following:

- (a) the passing of a special resolution by the Shareholders at the EGM to approve the Capital Reorganisation;
- (b) the registration by the Registrar of Companies in Hong Kong of a copy of resolution passed by the Shareholders, a copy of a minute containing the particulars required under section 61A of the Companies Ordinance and a statement in the prescribed form signed by an officer of the Company certifying that the relevant conditions under the Companies Ordinance have been satisfied; and
- (c) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares in issue upon the Capital Reorganisation becoming effective.

Assuming that all the conditions are fulfilled, the Capital Reorganisation will become effective on the registration of the minute required under section 61A of the Companies Ordinance, which is expected to take place on 4 August 2008.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Adjusted Shares on implementation of the Capital Reorganisation.

LETTER FROM THE BOARD

Effect of the Capital Reorganisation

Implementation of the Capital Reorganisation would not, of itself, alter the underlying assets, liabilities, businesses, management or financial position of the Group and the Company or the rights of the Shareholders, except for payment of the related expenses. The proportionate interests and the voting rights of the Shareholders in the Company will not be affected by the Capital Reorganisation.

The Adjusted Shares will rank *pari passu* in all respects with each other and the Capital Reorganisation will not result in any change in the rights of the Shareholders. Fractional Adjusted Shares will not be issued to the Shareholders but will be aggregated and sold for the benefit of the Company.

Trading Arrangement

The Shares are currently traded in board lots of 10,000 Shares each and the market value per board lot of the Shares is HK\$830, based on the closing price of HK\$0.083 per Share as quoted on the Stock Exchange on the Last Trading Day. Assuming the Capital Reorganisation becomes effective, the Adjusted Shares will be traded in board lots of 10,000 Adjusted Shares and the estimated market value per board lot of the Adjusted Shares will be HK\$4,150, based on the closing price of HK\$0.083 per Share as quoted on the Stock Exchange on the Last Trading Day.

Subject to the Capital Reorganisation becoming effective, the Shareholders may, during a period to be specified in the section headed “Expected timetable” in this circular, submit certificates for the Shares to the Registrar for exchange, at the expense of the Company, for certificates for the Adjusted Shares. Thereafter, certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be allowed by the Stock Exchange) for each certificate issued or cancelled, whichever is higher. Certificates for the Shares will continue to be good evidence of legal title and may be exchanged for certificates for Adjusted Shares at any time at the expense of the Shareholders.

In order to alleviate the difficulties arising from the existence of odd lots of Adjusted Shares, the Company has appointed Get Nice to stand in the market to provide matching services for the odd lots of Adjusted Shares on the best effort basis for the period from Tuesday, 19 August 2008 to Monday, 8 September 2008 (both dates inclusive). Holders of odd lots of the Adjusted Shares who wish to take advantage of this facility either to dispose of their odd lots of the Adjusted Shares or to top up to board lot of 10,000 Adjusted Shares may contact Mr. Lau Shek Ki of Get Nice at telephone number 2526 7738 during this period. **Shareholders should note the above matching services is on a best effort basis only and successful matching of the sale and purchase of odd lots of Adjusted Shares is not guaranteed. Shareholders who are in any doubt about such matching services are recommended to consult their own professional advisers.**

LETTER FROM THE BOARD

Reasons

Based on the closing price of HK\$0.083 per Share as quoted on the Stock Exchange on the Last Trading Day, the value per board lot of 10,000 Shares and 10,000 Adjusted Shares would be HK\$830 and HK\$4,150 respectively. After the Share Consolidation, the transaction costs per dollar value of each Adjusted Share will be significantly lower. The Directors therefore consider that the Share Consolidation is in the interests of the Company and the Shareholders as a whole.

Since 10 June 2008, the Shares have been trading at prices below their nominal value of HK\$0.10 each. As mentioned above, the closing price of the Shares on the Stock Exchange on the Last Trading Day was HK\$0.083 per Share. Under the Companies Ordinance, it is not permissible for a company to issue shares at a discount to the nominal value of its share unless, amongst other things, it is authorised by its shareholders and sanctioned by the court. This would involve considerable expense and time to go through the procedures for each capital raising exercise. With a view to facilitating any capital raising exercise when circumstances arise in the future, the Board proposes the Capital Reorganisation, which has the effect of consolidating 5 Shares of HK\$0.10 each to an Adjusted Share of HK\$0.10 each by way of the Capital Reorganisation. Therefore, the Directors consider that the Capital Reorganisation to be in the interests of the Company and the Shareholders.

RIGHTS ISSUE

The Rights Issue is proposed to take place after the Capital Reorganisation becoming effective.

Issue statistics

Basis of the Rights Issue	:	Five Rights Shares for every two Adjusted Shares held on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	3,499,442,595 Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective (assuming no further issue of Shares from the Latest Practicable Date to the Record Date)	:	699,888,519 Adjusted Shares
Number of the Shares/Adjusted Shares which may be issued upon full exercise of the subscription rights attaching to the Warrants (<i>Note 1</i>)	:	Up to 300,000,000 Shares (before the Capital Reorganisation) or up to 60,000,000 Adjusted Shares (after the Capital Reorganisation)

LETTER FROM THE BOARD

Number of the Shares/Adjusted Shares which may be issued upon full exercise of the subscription rights attaching to the Convertible Notes (<i>Note 2</i>)	:	Up to 789,839,936 Shares (before the Capital Reorganisation) or up to 157,967,987 Adjusted Shares (after the Capital Reorganisation)
Number of Rights Shares	:	Not less than 1,749,721,295 Rights Shares (assuming no further issue of Shares from the Latest Practicable Date to the Record Date) and not more than 2,294,641,260 Rights Shares (assuming exercise in full of the subscription rights attached to the Warrants and exercise in full of the conversion rights under the Convertible Notes)
Subscription price	:	HK\$0.15 per Rights Share

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represent 250% of the Company's issued share capital as at the Latest Practicable Date and approximately 71.43% of the Company's enlarged issued share capital of the Company immediately following the completion of the Rights Shares, assuming no exercise of the subscription rights attached to the Warrants and no exercise of the conversion rights under the Convertible Notes on or before the completion of the Rights Issue.

Notes:

1. The number of the Rights Shares which may be issued pursuant to the Rights Issue will be increased in proportion to any additional Shares which may be issued and allotted on or before the Record Date for the Shares which may be issued and allotted to the Warranholders. As at the Latest Practicable Date, the Warrants to subscribe for 300,000,000 Shares are outstanding. In the event of the exercise in full of the subscription rights attached to the Warrants at the subscription price of HK\$0.67 per Share on or before the Record Date, 300,000,000 Shares (before the Capital Reorganisation) or 60,000,000 Adjusted Shares (after the Capital Reorganisation) will be issued which will result in the issue of additional 150,000,000 Rights Shares.
2. The number of the Rights Shares which may be issued pursuant to the Rights Issue will be increased in proportion to any additional Shares which may be issued and allotted on or before the Record Date for the Shares which may be issued and allotted to the holders of the Convertible Notes. As set out in the announcement and the circular of the Company dated 21 May 2008 and 6 June 2008 respectively, subject to the satisfaction of certain conditions, Convertible Notes in the principal amount of HK\$86,586,533 will be issued to Senstar Limited and Power Global Limited (both wholly-owned subsidiaries of Heritage International Holdings Limited) or their respective nominees by the Company in satisfaction of the consideration for certain acquisitions. This consideration was adjusted to HK\$86,882,392.88 as announced by the Company on 27 June 2008. On 7 July 2008, Convertible Notes in the aggregate principal amount of HK\$86,882,392.88 were issued to Dollar Group Limited, a wholly-owned subsidiary of Heritage International Holdings Limited and as at the Latest Practicable Date, Convertible Notes in the principal amount of HK\$86,882,392.88 (this amount had been increased by HK\$295,859.88 from HK\$86,586,533 as stated in the Announcement) were outstanding. Accordingly, in the event of the exercise in full of the conversion rights attached to the Convertible Notes at the initial conversion price of HK\$0.11 on or before the Record Date, 789,839,936 Shares (this number had been increased by 2,689,633 from 787,150,303 as stated in the Announcement) will be issued before the Capital Reorganisation or 157,967,987 Adjusted Shares (this number had been increased by 537,927 from 157,430,060 as stated in the Announcement) will be issued after the Capital Reorganisation. As a result, an additional 394,919,965 Rights Shares (this number had been increased by 1,344,815 from 393,575,150 as stated in the Announcement) will be issued.

LETTER FROM THE BOARD

Each of Senstar Limited, Power Global Limited (both wholly-owned subsidiaries of Heritage International Holdings Limited) and Heritage International Holdings Limited has given an irrevocable undertaking to the Company, subject to the exercise of the conversion rights under the Convertible Notes by holder(s) of the Convertible Notes (the “Exercising Noteholder(s)”) on or prior to the Record Date to procure the Exercising Noteholder(s) (i) to subscribe the Rights Shares which will constitute the provisional allotment of Rights Shares in respect of the Shares then held by the Exercising Noteholder(s) pursuant to the terms of the Rights Issue; (ii) not to dispose of the Shares held by the Exercising Noteholder(s) from the relevant conversion date of the Convertible Notes to the close of business on the Record Date; and (iii) to lodge acceptances in respect of the aforesaid Rights Shares with the registrar or the Company, with payment in full therefor in cash (whether by cheque, bank cashier’s order or such other form as the Company may approve), by no later than 4:00 p.m. on the latest date for acceptance of the Rights Shares as specified by the Company or such later date as the Company may agree.

As at the Latest Practicable Date, (i) the Company has authority to grant options to subscribe for up to 349,944,259 Shares under the existing Scheme Mandate Limit but no options are outstanding under the Share Option Scheme; and (ii) the Directors have authority to issue up to 699,888,519 Shares under the Issue Mandate.

Save for the Warrants and the Convertible Notes, there are no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

Qualifying Shareholders

The Company will send the Prospectus Documents to Qualifying Shareholders only.

To qualify for the Rights Issue, a Shareholder must on the Record Date:

- (a) be registered as a member of the Company; and
- (b) not be an Excluded Overseas Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, owners of Shares must lodge any transfers of Shares (together with the relevant share certificates) with the Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 29 July 2008.

In order to be the Qualifying Shareholder(s), the Warrantholder(s) and the holder(s) of the Convertible Notes must exercise their respective subscription rights and conversion rights no later than 4:30 p.m. on 29 July 2008 in accordance with the relevant procedures specified in the instrument of the Warrants and the conditions of the Convertible Notes, and be registered as members of the Company on the register of members of the Company on the Record Date and not be Excluded Overseas Shareholder(s).

Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee as a single shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the arrangement in relation to the top-up of odd lots for

LETTER FROM THE BOARD

allocation of excess Rights Shares as referred to hereinbelow will not be extended to beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Shareholders whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company, must lodge all necessary document with the Registrar for completion of the relevant registration by 4:30 p.m. on Tuesday, 29 July 2008.

Closure of Register of members

The register of members of the Company will be closed from 30 July 2008, to 4 August 2008, both dates inclusive. No transfers of the Shares will be registered during this period.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

Based on the register of members of the Company as at the Latest Practicable Date, there are 24 Overseas Shareholders holding a total of 608 Shares which have registered addresses located in Australia, Canada, the PRC, United Kingdom, Macau, Malaysia, New Zealand and the states of Hawaii and California of the United States of America. Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Directors have made enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges relevant to such Overseas Shareholders.

The Company has been advised by its legal advisers on the laws of Australia, Canada, New Zealand and the United States of America that either (as the case may be) (i) the Prospectus had to be registered or filed with the relevant authorities in the relevant jurisdictions; or (ii) the Company would need to take additional steps to comply with the regulatory requirements. Having considered the circumstances, the Directors are of the view that it is inexpedient for the Rights Issue to be offered to such Overseas Shareholders whose addresses are located in Australia, Canada, New Zealand and the states of Hawaii and California in the United States of America taking into consideration that the time and costs involved in complying with the legal requirements will outweigh the possible benefits to the relevant Overseas Shareholders and the Company. The Directors have decided not to extend the Rights Issue to the Overseas Shareholders with registered addresses in Australia, Canada, New Zealand and the states of Hawaii and California in the United States of America. Such Overseas Shareholders are Excluded Overseas Shareholders. The Company will send the Prospectus (but not the PAL and the EAF), for information only, to such Excluded Overseas Shareholders.

The Company has also been advised by its legal advisers on the laws of the PRC, United Kingdom, Macau and Malaysia that either (i) there is no legal restriction under the applicable legislation of the relevant jurisdictions or requirement of any relevant regulatory body or stock exchange with respect to the offer of the Rights Issue to the Overseas Shareholders in the relevant jurisdictions; or (ii) the Company would be exempt from obtaining approval from, and/or registration

LETTER FROM THE BOARD

of the Prospectus Documents with, the relevant regulatory authorities under the applicable laws and regulations of the relevant jurisdictions since the Company would meet the relevant requirements for exemption under the relevant jurisdictions. Based on the advice of the Company's legal advisers on the laws of the PRC, United Kingdom, Macau and Malaysia, the Directors believe that the Prospectus Documents would not be required to be registered under the relevant laws and regulations of these four jurisdictions and may be despatched to the Overseas Shareholders with registered addresses in these four jurisdictions without any restrictions except that the Company has been advised by its legal advisers on the laws of Malaysia that the Prospectus Documents to be sent to the Overseas Shareholder in Malaysia will be subject to filing requirements in Malaysia and accordingly the Prospectus Documents will be filed with the Securities Commission of Malaysia. In view of this, the Directors have decided to extend the Rights Issue to the Overseas Shareholders with registered addresses in of the PRC, United Kingdom, Macau and Malaysia. Such Overseas Shareholders, together with the Shareholders with registered addresses in Hong Kong, are Qualifying Shareholders. The Company will send the Prospectus Documents to such Qualifying Shareholders.

The Company will make arrangements for the Rights Shares, which would otherwise have been provisionally allotted to any Excluded Overseas Shareholders there may be, to be sold in the market in their nil-paid form as soon as practicable after dealing in the nil-paid Rights Shares commences, if a premium (net of expenses) can be obtained. The proceeds of each sale, less expenses, of HK\$100 or more will be paid to the Excluded Overseas Shareholders in Hong Kong dollars pro rata to their respective shareholding as soon as possible. The Company will retain individual amounts of less than HK\$100. Any unsold entitlement of Excluded Overseas Shareholders, will be made available for excess application on EAFs by Qualifying Shareholders.

Subscription price

The subscription price for the Rights Shares is HK\$0.15 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The subscription price represents:

- (i) a discount of approximately 63.86% to the closing price of HK\$0.415 per Adjusted Share, based on the closing price of HK\$0.083 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (ii) a discount of approximately 33.63% to the theoretical ex-rights price of approximately HK\$0.226 per Adjusted Share, based on the closing price of HK\$0.083 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 64.71% to the average closing price of approximately HK\$0.425 per Adjusted Share, based on the average closing price of HK\$0.085 per Share as quoted on the Stock Exchange from 11 June 2008 to 17 June 2008, both days inclusive, being the last five trading days immediately before the date of the Underwriting Agreement and adjusted for the effect of the Capital Reorganisation; and

LETTER FROM THE BOARD

- (iv) a discount of 40.00% to the closing price of HK\$0.25 per Adjusted Share, based on the closing price of HK\$0.05 per Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriters. The Board considers the Subscription Price to be fair and reasonable and to be in the interests of the Company and the Shareholders as a whole on the basis that it is a general market practice to issue rights shares at a discount to the market price of the corresponding shares. The Board also considers that the discount will encourage the existing Shareholders to take up their entitlements, so as to share the potential growth of the Company.

Basis of provisional allotments

The basis of the provisional allotment shall be five Rights Shares for every two Adjusted Shares, being not less than 1,749,721,295 Rights Shares and not more than 2,294,641,260 Rights Shares at a price of HK\$0.15 per Rights Share. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

Status of the Rights Shares

When fully paid, issued and allotted, the fully-paid Rights Shares will rank pari passu in all respects with the existing Shares. Holders of fully-paid Rights Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of issue and allotment of the fully-paid Rights Shares.

Fractions of Rights Shares

The Company will not provisionally allot fractions of Rights Shares. All fractions of Rights Shares will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold in the market, if a premium (net of expenses) can be achieved, and the Company will retain the proceeds from such sale(s). Any unsold fractions of Rights Shares will be made available for excess application.

Application for excess Rights Shares

The Qualifying Shareholders may apply for any unsold entitlements of the Excluded Overseas Shareholders, any unsold Rights Shares created by aggregating fractions of Rights Shares and any Rights Shares provisionally allotted but not accepted.

Applications for excess Rights Shares may be made by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Board will allocate the excess Rights Shares at its discretion with reference to the level of acceptance of the Rights Shares and the number of excess Rights Shares available on a fair and reasonable basis on the following principles:

- (1) preference will be given to applications for topping-up odd-lot holdings to whole-lot holdings; and

LETTER FROM THE BOARD

- (2) subject to availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to Qualifying Shareholders who have applied for excess application based on a pro-rata basis to the excess Rights Shares applied by them, with board lots allocation to be made on best effort's basis.

Share certificates and refund cheques for Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before 27 August 2008. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before 27 August 2008 by ordinary post to the applicants at their own risk.

The first day of dealings in the Rights Shares in their fully-paid form is expected to commence on 29 August 2008.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted to CCASS. You should seek the advice of your licensed securities dealer or other professional adviser for details of those settlement arrangements and how such arrangements will affect your rights and interests.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, both in board lots of 10,000, which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

Taxation

Qualifying Shareholders are recommended to consult their professional advisors if they are in any doubt as to the tax implications of the holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms and, as regards the Excluded Overseas Shareholders, their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms.

LETTER FROM THE BOARD

Conditions of the Rights Issue

The Rights Issue is conditional upon, among other things, each of the following events being fulfilled:

1. the passing at an extraordinary general meeting of the Company of the relevant resolutions to approve the Capital Reorganisation and the Rights Issue in accordance with the Listing Rules;
2. the Capital Reorganisation becoming effective;
3. the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms, either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) and not having withdrawn or revoked such listings and permission;
4. the delivery to the Stock Exchange and registration by Registrar of Companies in Hong Kong of the Prospectus Documents and all other documents required by law to be filed or delivered for registration; and
5. the compliance by the Company with all of its obligations under the Underwriting Agreement and the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not having been terminated in accordance with its terms.

In the event that the conditions of the Rights Issue are not fulfilled on or before the various dates set out in the Underwriting Agreement (or such later dates as the Company and the Underwriters may agree), neither the Underwriters nor the Company shall have any right or be subject to any obligation arising from the Underwriting Agreement (save in relation to certain fees and expenses referred to therein) and the Rights Issue will not proceed accordingly.

Underwriting arrangements

Pursuant to the Underwriting Agreement, the Underwriters have agreed to fully underwrite not less than 1,749,721,295 Rights Shares and not more than 1,899,721,295 Rights Shares (being the maximum number of 2,294,641,260 Rights Shares less the 394,919,965 Rights Shares that Heritage International Holdings Limited, Senstar Limited and Power Global Limited have undertaken to procure the Exercising Noteholder(s) to subscribe for). To the best of Directors' knowledge, information and belief, having made all reasonable enquiry, the Underwriters and their ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules). The Underwriters will receive an underwriting commission of 2.5% on the total amount equal to the Subscription Price multiplied by the total number of the Rights Shares to be underwritten by the Underwriters under the Underwriting Agreement.

LETTER FROM THE BOARD

The Underwriting Agreement is conditional upon fulfillment of, among other things the following conditions:

- (a) the passing at an extraordinary general meeting of the Company of the relevant resolutions to approve the Capital Reorganisation and the Rights Issue in accordance with the Listing Rules;
- (b) the delivery to the Stock Exchange and registration by Registrar of Companies in Hong Kong of the Prospectus Documents and all other documents required by law to be filed or delivered for registration;
- (c) the posting of copies of the Prospectus Documents to the Qualifying Shareholders;
- (d) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) and not having withdrawn or revoked such listings and permission; and
- (e) the Capital Reorganisation becoming effective.

In the event that the conditions under the Underwriting Agreement have not been satisfied and/or waived (other than conditions (a), (b) and (d) set out above) in whole or in part by the Underwriters by the relevant dates and times specified in the Underwriting Agreement (or, in each case, such later date as the Underwriters and the Company may agree), all liabilities of the parties to the Underwriting Agreement shall cease and determine and none of the parties to the Underwriting Agreement shall have any claim against the other save that all such reasonable costs, fees and other out-of-pocket expenses (excluding sub-underwriting fees and related expenses) as have been properly incurred by the Underwriters in connection with the underwriting of the underwritten Rights Shares by the Underwriters shall to the extent agreed by the Company be borne by the Company.

The Underwriters may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued by Get Nice (on behalf of the Underwriters) to the Company at any time prior to 4:00 p.m. on the Settlement Date if there occurs:-

- (a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or

LETTER FROM THE BOARD

- (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the reasonable opinion of the Get Nice (on behalf of the Underwriters), such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

If, at or prior to 4:00 p.m. on the Settlement Date:

- (a) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
- (b) the Underwriters shall receive notification pursuant to the relevant clauses of the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the relevant clauses of the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the relevant clauses of the Underwriting Agreement, and Get Nice (on behalf of the Underwriters) shall, in their reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- (c) the Company shall, after any matter or event referred to in the relevant clauses of the Underwriting Agreement has occurred or come to the Underwriters' attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriters may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

the Underwriters shall be entitled (but not bound) by notice in writing issued by Get Nice (on behalf of the Underwriters) to the Company to elect to treat such matter or event as releasing and discharging the Underwriters from their obligations under the Underwriting Agreement.

If the Underwriting Agreement is terminated by the Underwriters before 4:00 p.m. on the Settlement Date or does not become unconditional, the Underwriting Agreement will terminate forthwith (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriters shall have any claim against the other party (save for certain fees or expenses referred to therein) or otherwise and the Rights Issue will not proceed.

Warning of the risks of dealing in the Shares, Adjusted Shares and nil-paid Rights Shares

The Rights Issue is conditional upon, amongst other things, the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms referred to under the section headed "Underwriting Arrangements" above. If the Underwriting Agreement does not become unconditional or is terminated before 4:00 pm on the Settlement Date, the Rights Issue will not proceed.

LETTER FROM THE BOARD

The Shareholders should note that Shares will be dealt in on an ex-entitlement basis commencing from 28 July 2008 and that dealings in the Shares/Adjusted Shares and Rights Shares in nil-paid form will take place while the conditions to which the Rights Issue is subject remain unfulfilled. Any Shareholder or other person dealing in the Shares/Adjusted Shares and Rights Shares in nil-paid form up to the date on which all conditions to which the Rights Issue is subject remain unfulfilled will accordingly bear the risk that the Rights Issue does not become unconditional and may not proceed. If, any Shareholder or other person who is contemplating selling or purchasing the Shares/Adjusted Shares and the Rights Shares in nil-paid form is in any doubt about his position, he is recommended to consult his own professional adviser.

Adjustment

The Right Issue is expected to give rise to adjustments to the terms of the Warrants and the Convertible Notes. The Company will inform holders of such instruments the details of the adjustments, if any, according to the terms of the instruments.

Reasons for Rights Issue and use of proceeds of Rights Issue

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

The Board considers that the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position. Since the Rights Issue will allow the Qualifying Shareholders to maintain their proportional shareholdings in the Company, the Board considers that raising capital through the Rights Issue is in the interest of the Company and the Shareholders as a whole.

The estimated net proceeds of the Rights Issue will be approximately HK\$253 million (assuming no further Shares are issued on or prior to the Record Date) or HK\$334 million (assuming the subscription rights attached to the Warrants and conversion rights under the Convertible Notes are exercised in full on or before the Record Date) taking into account the commission to be paid to the Underwriters, professional fees and administration expenses relating to the completion of the Rights Issue. The Company intends to apply such net proceeds as to (i) approximately HK\$48 million for the settlement of the balance of the payment for the acquisition of the properties which is expected to be completed by the end of 2008; and (ii) the balance of approximately HK\$205 million or HK\$286 million for the general working capital of the Group and any future potential investments in the business of property investment, investment in securities trading, money lending and acquiring, exploring and developing natural resources. As at the Latest Practicable Date, the Company has not identified any investment opportunities.

Given the volatility in the recent Hong Kong stock market, the Directors consider that the capability of the Company to raise additional equity funding in the second half of 2008 is very uncertain. Regarding the debt market, the borrowing costs will be substantial. The Directors believe that Rights Issue can minimize these uncertainties and enhance the Company's flexibility to make further investments as and when opportunities arise. Accordingly, despite that the proceeds amounted to approximately HK\$94 million from the previous rights issue announced in November 2007 and the placing announced in February 2008 are not yet utilized, the Directors are of the view that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save for disclosed below, the Company has not conducted any fund raising activities in the past twelve months before the date of Announcement:

Date of announcement	Date of mandates granted	Nature of transaction	Places/ subscriber/ allottee	Net proceeds raised (approximately)	Number of shares of the Company issued	Approximate % of the total issued share capital of the Company as at the date of the respective announcement	Intended use of proceeds	Use of proceeds according to the intended use	Use of proceeds other than the intended use
5 July 2007	4 July 2007	Placing of 2,335,000,000 new shares of the Company	Independent third parties	HK\$252 million	2,335,000,000	20%	To be used for general working capital and/or possible investment in the future	HK\$179 million — general working capital HK\$73 million — other investments in artworks	Nil
3 August 2007	N/A	Placing of 3,000,000,000 Warrants at an issue price of HK\$0.025	Independent third parties	HK\$71 million	N/A	N/A	To be used for general working capital and/or other investments in the future	HK\$71 million — general working capital	Nil
15 November 2007	N/A	Rights issue of 1,517,931,298 rights shares at the subscription price of HK\$0.22	Then existing Shareholders	HK\$323 million	1,517,931,298	100%	To be used for general working capital and/or other investments in the future	HK\$258 million — general working capital HK\$21 million — other investments in artworks HK\$44 million — not yet utilized as at the Latest Practicable Date and to be utilized as per the intended use of proceeds	Nil
15 February 2008	10 September 2007	Placing of 303,580,000 new shares of the Company	Independent third parties	HK\$50 million	303,580,000	10.00%	To be used for general working capital and any future potential investments	HK\$50 million — not yet utilized as at the Latest Practicable Date and to be utilized as per the intended use of proceeds	Nil

The funds raised above that have not yet utilized as at the Latest Practicable Date are maintained in certain banks and financial institutions to generate interest income.

LETTER FROM THE BOARD

SHAREHOLDING OF THE COMPANY

Set out below is the shareholding structure of the Company assuming that (i) there is no change in the shareholding structure of the Company from the Latest Practicable Date to immediately before completion of the Rights Issue save pursuant to the exercise of the subscription rights attached to the Warrants, the exercise of the conversion rights under the Convertible Notes and the transactions contemplated under the Underwriting Agreement; and (ii) no Rights Shares are taken up by the Qualifying Shareholders (other than the Rights Shares which Heritage International Holdings Limited, Senstar Limited and Power Global Limited have undertaken to procure the Exercising Noteholder(s) to subscribe for) and the Underwriters take up the Rights Shares to the maximum extent:

Scenario 1:

Assuming there is no exercise of the subscription rights attached to the Warrants and no exercises of the conversion rights attached to the Convertible Notes on or before the Record Date

	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before completion of the Rights Issue		Immediately after completion of the Rights Issue	
	No. of Shares	Approximate %	No. of Adjusted Shares	Approximate %	No. of Adjusted Shares	Approximate %
Director (<i>Note 5</i>)	16,990,000	0.49	3,398,000	0.49	3,398,000	0.14
Radford Capital Investment Limited and its associate(s) (<i>Note 4</i>)	346,416,800	9.90	69,283,360	9.90	69,283,360	2.83
Underwriters (<i>Notes 3 and 4</i>)						
— Get Nice	—	—	—	—	1,027,081,295	41.93
— Orient	—	—	—	—	722,640,000	29.50
Public (<i>Note 4</i>)	<u>3,136,035,795</u>	<u>89.61</u>	<u>627,207,159</u>	<u>89.61</u>	<u>627,207,159</u>	<u>25.60</u>
Total	<u>3,499,442,595</u>	<u>100.00</u>	<u>699,888,519</u>	<u>100.00</u>	<u>2,449,609,814</u>	<u>100.00</u>

LETTER FROM THE BOARD

Scenario 2:

Assuming exercise in full of the subscription rights attached to the Warrants and exercise in full of the conversion rights under the Convertible Notes on or before the Record Date

	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before completion of the Rights Issue		Immediately after completion of the Rights Issue	
	No. of Shares	Approximate %	No. of Adjusted Shares	Approximate %	No. of Adjusted Shares	Approximate %
Director (Note 5)	16,990,000	0.49	3,398,000	0.37	3,398,000	0.11
Radford Capital Investment Limited and its associate(s) (Note 4)	346,416,800	9.90	69,283,360	7.55	69,283,360	2.16
Warrantholders (Notes 1 and 4)	—	—	60,000,000	6.54	60,000,000	1.87
Heritage International Holdings Limited or its associate(s) (Note 2)	—	—	157,967,987	17.21	552,887,952	17.21
Underwriters (Notes 3 and 4)						
— Get Nice	—	—	—	—	1,115,141,295	34.71
— Orient	—	—	—	—	784,580,000	24.42
Public (Note 4)	<u>3,136,035,795</u>	<u>89.61</u>	<u>627,207,159</u>	<u>68.33</u>	<u>627,207,159</u>	<u>19.52</u>
Total	<u><u>3,499,442,595</u></u>	<u><u>100.00</u></u>	<u><u>917,856,506</u></u>	<u><u>100.00</u></u>	<u><u>3,212,497,766</u></u>	<u><u>100.00</u></u>

Notes:

1. Refer to Note 1 to the sub-section headed “Issue statistics” of this circular.
2. Refer to Note 2 to the sub-section headed “Issue statistics” of this circular.
3. Rights Shares to be underwritten by the Underwriters under the Underwriting Agreement are to be underwritten as to 58.7% by Get Nice and as to 41.3% by Orient respectively.

LETTER FROM THE BOARD

The Underwriters have entered into sub-underwriting agreements with the sub-underwriters to sub-underwrite their underwriting obligations under the Rights Issue to sub-underwriters such that (i) at least one of the sub-underwriters will individually own more than 2% but less than 10% of the issued share capital of the Company after completion of the Rights Issue; and (ii) each of the Underwriters and their sub-underwriters together with their respective parties acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers) will not own 30% or more of the issued share capital of the Company after completion of the Rights Issue. As at the Latest Practicable Date, each of the Underwriters and the sub-underwriters and their respective ultimate beneficial owners do not have any shareholding in the Company and are not connected persons (as defined in the Listing Rules) of the Company.

Each of the Underwriters (i) shall use all reasonable endeavours to provide that each of the subscribers or purchasers of Rights Shares procured by it under the Underwriting Agreement shall be third party independent of, not acting in concert with and shall not be connected with the Directors, chief executive or substantial shareholders of the Company or their respective associates (as defined in the Listing Rules); (ii) shall take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with by the Company; and (iii) shall not, together with party(ies) acting in concert with each of them, hold 30% or more of the voting rights of the Company upon completion of the Rights Issue.

4. Each of the Underwriters, Radford Capital Investment Limited and the Warranholders are public Shareholders.
5. Mr. Chuang Yueheng, Henry, being the chairman and an executive director of the Company, has personal interest in 16,990,000 Shares as at the Latest Practicable Date.

EGM

The notice convening the EGM is set out on pages 107 to 109 of this circular. The EGM will be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong at 9:00 a.m. on Monday, 4 August 2008 for the purpose of, considering and, if thought fit, to approve the Capital Reorganisation and the Rights Issue.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to Computershare Hong Kong Investor Services Limited, the Registrar, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of a form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to the article 81 of the articles of association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:—

1. by the chairman of such meeting; or
2. by at least three members present in person or by proxy and entitled to vote at the meeting; or
3. by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
4. by a member or members present in person or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

RECOMMENDATION

In relation to the Rights Issue, your attention is drawn to the letter from the Independent Board Committee on page 26 and the letter from Vinco Capital set out on pages 27 to 40 of this circular. The Directors believe that the proposed resolutions in relation to the Capital Reorganisation and the Rights Issue are in the interest of the Shareholders as a whole and, accordingly, the Directors recommend the Shareholders to vote in favour of the aforesaid resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendix I to III to this circular.

Yours faithfully,
For and on behalf of
Willie International Holdings Limited
Chuang Yueheng, Henry
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue:



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)

11 July 2008

To the Independent Shareholders

Dear Sirs or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES FOR EVERY TWO ADJUSTED SHARES HELD

We refer to the circular of the Company dated 11 July 2008 (the “Circular”) of which this letter forms part. Unless the context specifies otherwise, capitalized terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Rights Issue is fair and reasonable insofar as the Independent Shareholders are concerned. Vinco Capital has been appointed as the independent financial adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, Vinco Capital as set out in its letter of advice to you and us on pages 27 to 40 of the Circular, we are of the opinion that the Rights Issue is in the interests of the Company and the Independent Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,

For and on behalf of

Independent Board Committee

Ms. Lin Wai Yi,

Mr. Shum Ming Choy and

Mr. Yau Yan Ming, Raymond

Independent non-executive Directors

LETTER FROM VINCO CAPITAL

The following is the text of a letter of advice from Grand Vinco Capital Limited to the Independent Board Committee and the Independent Shareholders in connection with the proposed Rights Issue which has been prepared for the purpose of incorporation in this circular:



Grand Vinco Capital Limited

Unit 4909-4910, 49/F., The Center
99 Queen's Road Central, Hong Kong

11 July 2008

*To the Independent Board Committee and the Independent Shareholders of
Willie International Holdings Limited*

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARE FOR EVERY TWO ADJUSTED SHARES HELD

A. INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the proposed Rights Issue, details of which are set out in the "Letter from the Board" in the circular (the "Circular") issued by the Company to the Shareholders dated 11 July 2008 of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

As set out under the "Letter from the Board" of the Circular, the Company proposes to conduct the Rights Issue of not less than 1,749,721,295 Rights Shares and not more than 2,294,641,260 Rights Shares in the proportion of five Rights Share for every two Adjusted Shares held by Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.15 per Rights Share payable in full on acceptance, in order to raise, after expenses, not less than approximately HK\$253 million (assuming no further Shares are issued on or prior to the Record Date) but not more than approximately HK\$334 million (assuming the subscription rights attached to the Warrants and conversion rights under the Convertible Notes are exercised in full on or before the Record Date).

The Company intends to apply the net proceeds of the Rights Issue as to (i) approximately HK\$48 million for the settlement of the balance of the payment for the acquisition of the properties which is expected to be completed by the end of 2008; and (ii) the remaining balance of approximately HK\$205 million or HK\$286 million (as the case may be) general working capital of the Group and any future potential investments in the business of property investment, investment in securities trading, money lending and acquiring, exploring and developing natural resources.

LETTER FROM VINCO CAPITAL

In accordance with Rule 7.19(6) & (8) of the Listing Rules, the Rights Issue is conditional upon, among other things, approvals by the Independent Shareholders at the EGM by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue. As stated in the Circular, there are no controlling Shareholders and save that Mr. Chuang Yueheng, Henry, the chairman and an executive Director of the Company, holds 16,990,000 Shares, none of the Directors, the Underwriters and their respective associates are interested in the share capital of the Company as at the Latest Practicable Date. Accordingly, Mr. Chuang Yueheng, Henry and his associates are required to abstain from voting in favour of the Rights Issue at the EGM. Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders at the EGM to approve the Rights Issue must be taken on a poll.

The Independent Board Committee, comprising Ms. Lin Wai Yi, Mr. Shum Ming Choy and Mr. Yau Yan Ming, Raymond, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders on the terms of the Rights Issue. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the Listing Rules, our role is to give you an independent opinion as to whether the terms of the Rights Issue is on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and whether the Independent Shareholders should vote in favour of the resolution to be proposed at the EGM to approve the Rights Issue.

B. BASIS OF OUR OPINION AND RECOMMENDATION

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

LETTER FROM VINCO CAPITAL

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

In formulating our opinion, we have not considered the taxation implications on Independent Shareholders in relation to the subscription for, holding or disposal of the Rights Shares or otherwise, since these are particular to their individual circumstances. It is emphasized that we will not accept responsibility for any tax effects on, or liabilities of any person resulting from the subscription for, holding or disposal of the Rights Shares or otherwise. In particular, Independent Shareholders subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Rights Issue, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the proposed Rights Issue and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, we have considered the principal factors and reasons set out below:

1. Background information of the Company

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

Set out below is a summary of the financial performance of the Group for the two years ended 31 December 2006 and 2007:

	Year ended 31 December	
	2006	2007
	HK\$'000	HK\$'000
Turnover	295,508	1,448,876
Loss for the year	(114,761)	(197,582)

We noted that the turnover of the Group experienced a growth of approximately 390.3% in 2007, however the net loss of the Group experienced an increase of approximately 72.2% in 2007. With reference to the annual report 2007 of the Company, loss attributable to equity holders for year 2007

LETTER FROM VINCO CAPITAL

was mainly resulted from the net unrealised holding loss recognised on listed investments and derivative financial instruments amounted to approximately HK\$307.7 million (2006: net unrealised holding gain of approximately HK\$10.0 million) which was attributable to the adverse impact of the unprecedented turbulence in the financial markets and especially the Hong Kong and China stock markets in 2007.

During the past twelve months prior to the publication of the Announcement, the Company conducted four fund-raising activities for approximately HK\$696 million, which the Company raised (i) approximately HK\$252 million by a placing of 2,335,000,000 new Shares to Independent Third Parties; (ii) approximately HK\$71 million by a placing of 3,000,000,000 Warrants to Independent Third Parties; (iii) approximately HK\$323 million by a rights issue of 1,517,931,298 rights Shares to the then existing Shareholders; and (iv) approximately HK\$50 million by a placing of 303,580,000 new Shares to Independent Third Parties. As confirmed by the Directors, there was approximately HK\$94 million, representing approximately 13.51% of the aforesaid total fund raised, had yet to be utilized as at the Latest Practicable Date. Details of which are listed in the Letter from the Board in the Circular.

We noted that there are still approximately HK\$94 million of funds remained unutilized as at the Latest Practicable Date. However, Independent Shareholders should note that there is no certainty that such cash resources will be adequate for possible investments that may be finalized or identified by the Company in the future. In the event that the Group finalized a suitable investment opportunity and does not have sufficient cash resources on hand, or it cannot find other alternatives to finance the acquisition of such investment opportunity in a timely manner, the Group may lose its bid in an otherwise favourable investment.

Having taken into account (i) the unfavourable operating performance of the Group and (ii) the higher flexibility to make future possible investments if opportunities arise, we are of the view that the implementation of the Rights Issue is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

2. Reasons for the Rights Issue and proposed use of proceeds

As set out in the Letter from the Board, the Company intends to apply the net proceeds of the Rights Issue as to (i) approximately HK\$48 million for the settlement of the balance of the payment for the acquisition of the properties which is expected to be completed by the end of 2008; and (ii) the remaining balance of approximately HK\$205 million or HK\$286 million (as the case may be) for the general working capital of the Group and any future potential investments in the business of property investment, investment in securities trading, money lending and acquiring, exploring and developing natural resources. We are of the view that the proposed use of proceeds from the Rights Issue is in line with the business development of the Group and in the interests of the Company and Independent Shareholders as a whole.

The Rights Issue, which is on an underwritten basis, will provide additional degree of certainty as compared to best-efforts placing. In addition, the Rights Issue will not incur burden on interest expenses to the Group as compared to bank borrowing. As such, we are of the view that the Rights Issue is a preferred source of financing over bank financing.

LETTER FROM VINCO CAPITAL

We have also considered that the Rights Issue will (i) strengthen the Group's capital base and enhance its financial position, so as to allow the Group to seize potential business opportunities with immediately available fund when identified; (ii) allow the Qualifying Shareholders to maintain their respective pro rata shareholding interest and an equal opportunity to participate in the enlargement of the capital base of the Company; and (iii) the Rights Issue is a preferred source of financing over bank financing, we are of the view that raising funds by means of a rights issue is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

3. Pricing for the Rights Issue

The Subscription Price is HK\$0.15 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her/its relevant provisional allotments of the Rights Issue or applies for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for Right Shares. The Subscription Price represents:

- (i) a discount of 40.00% to the closing price of HK\$0.25 per Adjusted Share, based on the closing price of HK\$0.05 per Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Capital Reorganisation;
- (ii) a discount of approximately 63.86% to the closing price of HK\$0.415 per Adjusted Share, based on the closing price of HK\$0.083 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation;
- (iii) a discount of approximately 33.63% to the theoretical ex-rights price of approximately HK\$0.226 per Adjusted Share, based on the closing price of HK\$0.083 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Capital Reorganisation; and
- (iv) a discount of approximately 64.71% to the average closing price of approximately HK\$0.425 per Adjusted Share, based on the average closing price of HK\$0.085 per Share as quoted on the Stock Exchange from 11 June 2008 to 17 June 2008, both days inclusive, being the last five trading days immediately before the date of the Underwriting Agreement and adjusted for the effect of the Capital Reorganisation.

As stated in the Letter from the Board, the Subscription Price has been determined based on arm's length negotiation between the Company and the Underwriters.

LETTER FROM VINCO CAPITAL

To assess as to the fairness and reasonableness of the Rights Issue, we have reviewed and included below all the companies (the “Comparables”) listed on the main board of The Stock Exchange which have announced rights issue during the last six months preceding the date of the Announcement (the “Review Period”) as follows:

Company name	Stock code	Date of announcement	Basis of entitlement	Underwriting commission	Discount/ (premium) of the subscription price to the closing price of last trading day prior to the date of announcement	Discount/ (premium) of the subscription price to the theoretical ex-right price of last trading day prior to the date of announcement
Asia Standard International Group Limited	129	9-Jan-08	1-for-2	2.00%	35.70%	27.10%
Cheuk Nang (Holdings) Limited	131	11-Jan-08	1-for-7	2.50%	17.28%	15.41%
Harbour Centre Development Limited	51	5-Feb-08	1-for-2	1.25%	21.00%	15.00%
eSun Holdings Limited	571	7-Mar-08	1-for-2	N/A	29.18%	21.63%
Shun Cheong Holdings Limited	650	8-Apr-08	3-for-2	2.00%	64.03%	41.59%
Midas International Holdings Limited	1172	29-Apr-08	1-for-2	2.50%	37.50%	28.57%
Hong Kong Chinese Limited	655	17-May-08	7-for-20	2.50%	32.00%	22.00%
Lippo Limited	226	17-May-08	1-for-4	1.50%	28.00%	21.00%
Wing On Travel (Holdings) Limited	1189	20-May-08	4-for-1	2.50%	71.80%	33.80%
Citic Resources Holdings Limited	1205	30-May-08	3-for-20	Nil	27.77%	25.06%
Sino Katalytics Investment Corporation	2324	3-Jun-08	1-for-2	2.50%	27.54%	20.21%
ITC Properties Group Limited	199	6-Jun-08	3-for-1	2.50%	62.80%	29.60%
Mascotte Holdings Limited	136	13-Jun-08	1-for-2	2.50%	52.38%	42.31%
Green Global Resources Limited	61	17-Jun-08	1-for-1	2.50%	30.30%	18.20%
			Max.	2.50%	71.80%	42.31%
			Min.	Nil	17.28%	15.00%
			Mean	2.06%	38.38%	25.82%
The Company	273	19-Jun-08	5-for-2	2.50%	63.86%	33.63%

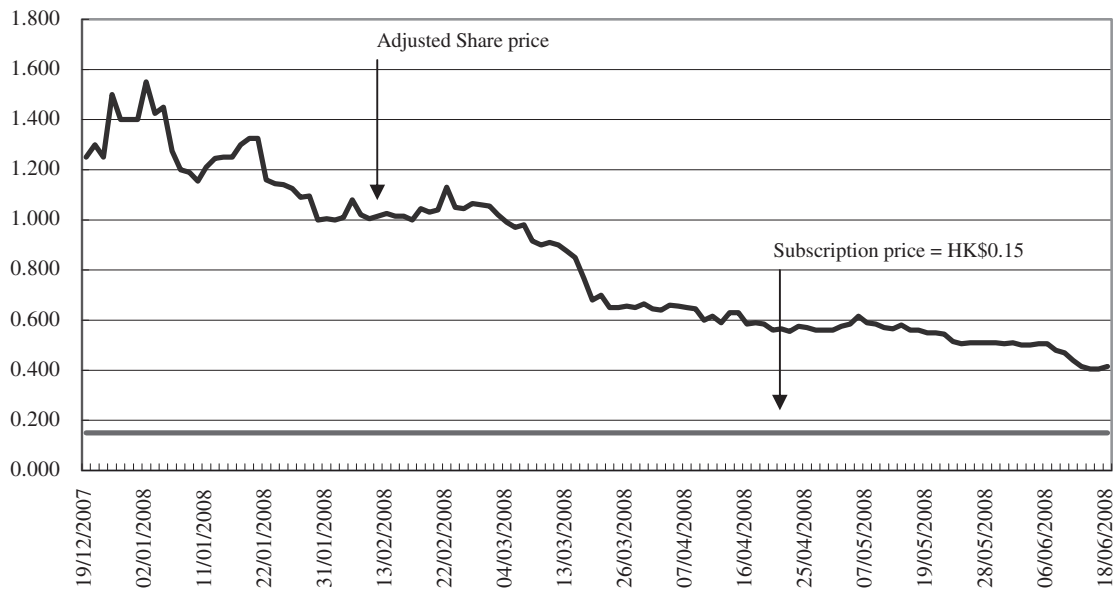
Source: Stock Exchange

Based on the above table, we noted that (i) the subscription prices to the closing price on the last trading day prior to the dates of announcement of the Comparables ranged from a discount of approximately 17.28% to 71.80%, with the mean at discount of approximately 38.38%. The discount of the Subscription Price of the Rights Issue to the closing price of the Shares on the Last Trading Day is approximately 63.86%, which is deeper than the mean but falls within the range of the Comparables; and (ii) the subscription prices to the theoretical ex-rights prices per share based on the last trading

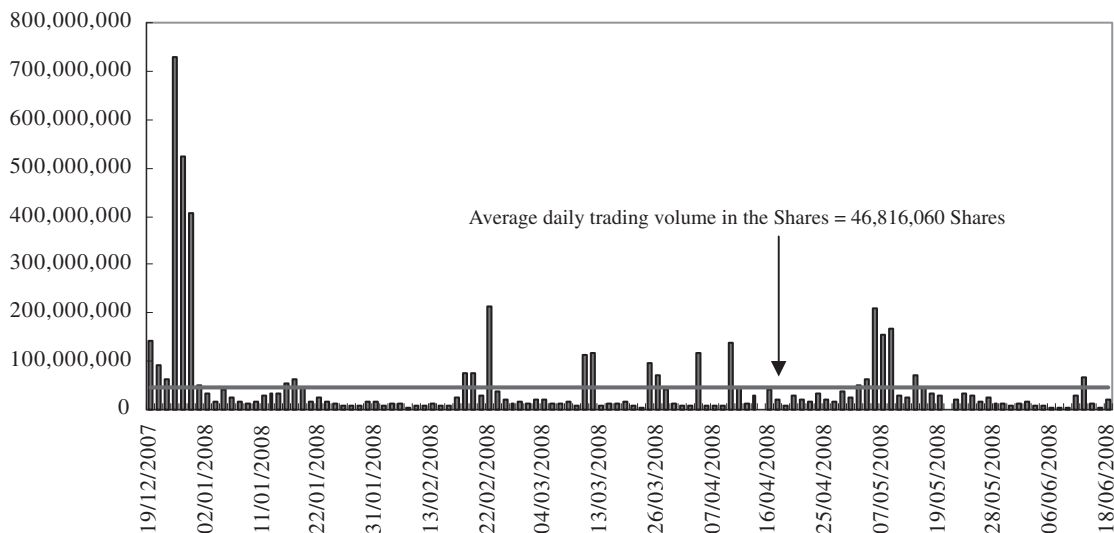
LETTER FROM VINCO CAPITAL

day prior to the dates of announcement in relation to the Comparables ranged from a discount of 15.00% to a discount of 42.31%, with the mean at discount of approximately 25.82%. The discount of the subscription price of the Rights Issue to the theoretical ex-rights price per Share of approximately 33.63%, based on the closing price of the Shares on the Last Trading Day, is deeper than the mean but falls within the range of the Comparables.

Set out below are the graphs of daily closing price (adjusted for the proposed Capital Reorganisation) and the daily trading volume of the Shares under the Review Period:



Source: Stock Exchange



Source: Stock Exchange

LETTER FROM VINCO CAPITAL

We noted that the daily closing price of the Adjusted Shares has experienced a downward trend since the beginning of the Review Period and the Subscription Price represents a discount over the closing price of the Adjusted Shares at all times during the Review Period. In addition, the average daily trading volume in the Shares during the Review Period was 46,816,060 Shares, which represents approximately 1.34% of the entire issued share capital of the Company as at the Latest Practicable Date. We are of the view that the liquidity in trading of the Shares under the Review Period is thin.

Based on the aforesaid, although the subscription price of the Rights Issue represents a relatively deeper discount to the relevant means of the closing prices on the Last Trading Day and the theoretical ex-rights prices per share, they are still within the range of the Comparables. We also consider (i) the weak performance in the price of the Shares; (ii) the thin liquidity in the trading of the Shares under the Review Period; and (iii) the common practice by the Comparables to set their subscription prices of their rights issues at a discount rate to the prevailing market prices of the relevant shares before the relevant announcements. As such, we are of the view that the Subscription Price of the Rights Issue is in line with market practice and is fair and reasonable, and thus is in the interests of the Company and the Independent Shareholders as a whole.

4. Application for excess Rights Shares

As stated in the Letter from the Board, Qualifying Shareholders will be given the right to apply for any unsold entitlements of the Excluded Shareholders; or any Rights Shares provisionally allotted but not accepted by Qualifying Shareholders; or any unsold Rights Shares arising from the aggregation of fractional entitlements.

After reviewing the circulars of the Comparables, we noted that the application for excess Rights Shares is in line with market practice. Therefore, we are of the view that such arrangement is fair and reasonable to the Company and the Independent Shareholders as a whole.

5. Underwriting Agreement

The Rights Issue is subject to the Underwriting Agreement, the Underwriters have agreed to underwrite not less than 1,749,721,295 Rights Shares and not more than 1,899,721,295 Rights Shares (being the maximum number of 2,294,641,260 Rights Shares less the 394,919,965 Rights Shares that Heritage International Holdings Limited, Senstar Limited and Power Global Limited have undertaken to subscribe or procure the Exercising Noteholder(s) to subscribe for).

In addition, based on the Underwriting Agreement, the Company will pay the Underwriters an underwriting commission of 2.5% of the Subscription Price times the total number of Rights Shares to be underwritten by the Underwriters under the Underwriting Agreement. The Comparables showed a range of nil to 2.50% of underwriting commission with a mean of 2.06%. On this basis, we noted the underwriting commission charged by the Underwriters to the Company is, albeit higher than the mean of the Comparables, still within the relevant range of the Comparables. As such, we are of the view that the underwriting commission charged by the Underwriters is under normal commercial terms and is fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

LETTER FROM VINCO CAPITAL

6. Termination of the Underwriting Agreement

It also should be noted that the Rights Issue would not proceed if the Underwriters exercise their termination rights under the Underwriting Agreement. Details of the provisions granting the Underwriters such termination rights are included in the Letter from the Board. After reviewing the circulars of the Comparables, we consider such provisions are on normal commercial terms and in line with the market practice.

7. Dilution effect of the Rights Issue on shareholding interests

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue.

For those Qualifying Shareholders who do not exercise their rights to subscribe for the Rights Shares in full, depending on the extent that they accept their entitlements, their shareholding interests will be diluted up to a maximum of approximately 64.01% (assuming there is no conversion of the Warrants and Convertible Notes on or before the Record Date) or approximately 70.09% (assuming exercise in full of the subscription rights attached to the Warrants and exercise in full of the conversion rights under the Convertible Notes on or before the Record Date).

However, it should be noted that such Shareholders will have the opportunity to realize their nil-paid rights to subscribe for the Rights Shares (the “Nil-Paid Rights”) on the market during the dealing of Nil-Paid Rights on the Stock Exchange, subject to the then prevailing market conditions.

Meanwhile, Qualifying Shareholders who wish to increase their shareholdings in the Company through the Rights Issue may, subject to availability, acquire additional Nil-Paid Rights in the market. The Qualifying Shareholders may also apply for excess Rights Shares.

We are of the view that the arrangement for the Rights Issue is in line with recent market practice for rights issue and are able to cater for different objective for the Qualifying Shareholders.

LETTER FROM VINCO CAPITAL

The shareholding structure before and after the Rights Issue is illustrated as below:

Scenario 1:

Assuming there is no exercise of the subscription rights attached to the Warrants and no exercise of the conversion rights attached to the Convertible Notes on or before the Record Date

	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before completion of the Rights Issue		Immediately after completion of the Rights Issue	
	No. of Shares	Approximate %	No. of Adjusted Shares	Approximate %	No. of Adjusted Shares	Approximate %
Director (<i>Note 5</i>)	16,990,000	0.49	3,398,000	0.49	3,398,000	0.14
Radford Capital Investment Limited and its associate(s) (<i>Note 4</i>)	346,416,800	9.90	69,283,360	9.90	69,283,360	2.83
Underwriters (<i>Notes 3 and 4</i>)						
— Get Nice	—	—	—	—	1,027,081,295	41.93
— Orient	—	—	—	—	722,640,000	29.50
Public (<i>Note 4</i>)	<u>3,136,035,795</u>	<u>89.61</u>	<u>627,207,159</u>	<u>89.61</u>	<u>627,207,159</u>	<u>25.60</u>
Total	<u><u>3,499,442,595</u></u>	<u><u>100.00</u></u>	<u><u>699,888,519</u></u>	<u><u>100.00</u></u>	<u><u>2,449,609,814</u></u>	<u><u>100.00</u></u>

LETTER FROM VINCO CAPITAL

Scenario 2:

Assuming exercise in full of the subscription rights attached to the Warrants and exercise in full of the conversion rights under the Convertible Notes on or before the Record Date

	As at the Latest Practicable Date		Immediately after the Capital Reorganisation but before completion of the Rights Issue		Immediately after completion of the Rights Issue	
	No. of Shares	Approximate %	No. of Adjusted Shares	Approximate %	No. of Adjusted Shares	Approximate %
Director (Note 5)	16,990,000	0.49	3,398,000	0.37	3,398,000	0.11
Radford Capital Investment Limited and its associate(s) (Note 4)	346,416,800	9.90	69,283,360	7.55	69,283,360	2.16
Warrantholders (Notes 1 and 4)	—	—	60,000,000	6.54	60,000,000	1.87
Heritage International Holdings Limited or its associate(s) (Note 2)	—	—	157,967,987	17.21	552,887,952	17.21
Underwriters (Notes 3 and 4)						
— Get Nice	—	—	—	—	1,115,141,295	34.71
— Orient	—	—	—	—	784,580,000	24.42
Public (Note 4)	<u>3,136,035,795</u>	<u>89.61</u>	<u>627,207,159</u>	<u>68.33</u>	<u>627,207,159</u>	<u>19.52</u>
Total	<u>3,499,442,595</u>	<u>100.00</u>	<u>917,856,506</u>	<u>100.00</u>	<u>3,212,497,766</u>	<u>100.00</u>

Notes:

1. Refer to Note 1 to the sub-section headed “Issue statistics” of the Circular.
2. Refer to Note 2 to the sub-section headed “Issue statistics” of the Circular.
3. Rights Shares to be underwritten by the Underwriters under the Underwriting Agreement are to be underwritten as to 58.7% by Get Nice and as to 41.3% by Orient respectively.

LETTER FROM VINCO CAPITAL

The Underwriters have entered into sub-underwriting agreements with the sub-underwriters to sub-underwrite their underwriting obligations under the Rights Issue to sub-underwriters such that (i) at least one of the sub-underwriters will individually own more than 2% but less than 10% of the issued share capital of the Company after completion of the Rights Issue; and (ii) each of the Underwriters and their sub-underwriters together with their respective parties acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers) will not own 30% or more of the issued share capital of the Company after completion of the Rights Issue. As at the Latest Practicable Date, each of the Underwriters and the sub-underwriters and their respective ultimate beneficial owners do not have any shareholding in the Company and are not connected persons (as defined in the Listing Rules) of the Company.

Each of the Underwriters (i) shall use all reasonable endeavours to provide that each of the subscribers or purchasers of Rights Shares procured by it under the Underwriting Agreement shall be third party independent of, not acting in concert with and shall not be connected with the Directors, chief executive or substantial shareholders of the Company or their respective associates (as defined in the Listing Rules); (ii) shall take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with by the Company; and (iii) shall not, together with party(ies) acting in concert with each of them, hold 30% or more of the voting rights of the Company upon completion of the Rights Issue.

4. Each of the Underwriters, Radford Capital Investment Limited and the Warrantholders are public Shareholders.
5. Mr. Chuang Yueheng, Henry, being the chairman and an executive director of the Company, has personal interest in 16,990,000 Shares as at the Latest Practicable Date.

The Independent Shareholders who are Qualifying Shareholders should note that, should they decide to subscribe for their full provisional allotment entitlements of the Rights Shares, there would not be any dilution effect on their interests in the Company as a result of the proposed Rights Issue (assuming there is no conversion of the Warrants and Convertible Notes on or before the Record Date). However, we would like to draw the Independent Shareholders' attention to the fact that, for those Independent Shareholders who do not wish to take up all or part of their provisional allotment entitlements to the Rights Shares, their corresponding interest in the Company will be diluted. In case all the Qualifying Shareholders (other than the Underwriters) decide not to take up the provisional allotments of the Rights Issue and the Underwriters have taken up all the provisional allotments in their capacity as the Underwriters, the percentage of shareholding of the public Shareholders will be reduced.

We are of the view that the dilution effect is not prejudicial to the Independent Shareholders' interests in the Company if they choose to subscribe for their full entitlement of the Rights Shares under the Rights Issue.

8. Arrangement of the Excluded Overseas Shareholders

We have reviewed the arrangements of the Excluded Overseas Shareholders regarding the Rights Issue. We noted that the Directors are of the opinion that it would be necessary or expedient, on account of either the legal restrictions under the laws of the relevant place of residence or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the allotment of fully-paid Rights Shares to an Overseas Shareholder, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. As such, the Company will send the Prospectus to the Excluded Overseas Shareholders only for information only.

LETTER FROM VINCO CAPITAL

We also noted that the Company has been advised by its legal advisers on the rights of the Overseas Shareholders with registered addresses in Australia, Canada, New Zealand, the United States of America, the PRC, United Kingdom, Macau and Malaysia. The Directors have decided to extend the Rights Issue only to the Overseas Shareholders with registered addresses in of the PRC, United Kingdom, Macau and Malaysia. Details of which are listed in the Letter from the Board in the Circular. Such Overseas Shareholders, together with the Shareholders with registered addresses in Hong Kong, are Qualifying Shareholders. The Company will send the Prospectus Documents to such Qualifying Shareholders. The Company will make arrangements for the Rights Shares, which would otherwise have been provisionally allotted to any Excluded Overseas Shareholders there may be, to be sold in the market in their nil-paid form as soon as practicable after dealing in the nil-paid Rights Shares commences, if a premium (net of expenses) can be obtained. The proceeds of each sale, less expenses, of HK\$100 or more will be paid to the Excluded Overseas Shareholders in Hong Kong dollars pro rata to their respective shareholding as soon as possible. The Company will retain individual amounts of less than HK\$100. Any unsold entitlement of Excluded Overseas Shareholders, will be made available for excess application on EAFs by Qualifying Shareholders. We have reviewed the recent similar rights issue in the market and are of the view that the arrangement is in line with the market practice.

9. Financial effects of the Rights Issue

a) *Net assets value*

As at 31 December 2007, the audited consolidated net asset value of the Group was approximately HK\$1,486 million. After taking the net proceeds from the Rights Issue into account, the net asset value of the Group will increase by not less than HK\$253 million or not more than HK\$334 million. We noted that the proposed Rights Issue should enhance the net asset value of the Group.

b) *Gearing ratio (net borrowings/total equity)*

According to the annual report 2007 of the Company, the gearing ratio of the Group was approximately 2.50%. Immediately after completion of the Rights Issue, the net borrowings of the Group would decrease whereas the shareholders' equity of the Group would increase by not less than HK\$253 million and not more than HK\$334 million. Hence, the gearing ratio of the Group would be improved as a result of the Rights Issue.

c) *Working capital*

According to the annual report 2007 of the Company, the working capital of the Group was approximately HK\$1,048 million as at 31 December 2007. Immediately after completion of the Rights Issue, the working capital of the Group would increase by not less than HK\$253 million and not more than HK\$334 million. In this regard, we are of the view that the Rights Issue will improve the liquidity position of the Group.

Based on the foregoing, the Rights Issue will enhance the net assets value of the Group, reduce the indebtedness and improve the liquidity position of the Group. Hence, we are of the view that the Rights Issue is in the interest of the Company and the Independent Shareholders as a whole.

LETTER FROM VINCO CAPITAL

D. CONCLUSION

Having taken into consideration of the following principal factors and reasons regarding the major terms of the Rights Issue including:

- a) the net proceeds from the Rights Issue will strengthen the capital base and to enhance the financial position of the Company for future development of the Group;
- b) the Rights Issue is favourable as it will allow all the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in the future growth and development of the Company without imposing interest expenses on the Group;
- c) the Subscription Price and the theoretical ex-right price fall within the Comparables and are in line with the market practice;
- d) the major terms of the Underwriting Agreement is in line with the market practice;
- e) the dilution effect is not prejudicial to the Independent Shareholders' interests in the Company if they choose to subscribe for their full entitlement of the Rights Shares under the Rights Issue; and
- f) the Rights Issue will enhance the net assets value of the Group, reduce the indebtedness and improve the liquidity position of the Group;

we are of the view that the terms of Rights Issue are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,
For and on behalf of
Grand Vinco Capital Limited
Alister Chung
Managing Director

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated results and financial position of the Group for the three years ended 31 December 2007, 2006 and 2005 as extracted from the 2007, 2006 and 2005 annual reports of the Company, except that the basic losses per share have been restated to reflect the effect of share consolidation and rights issue effective during December 2007 and January 2008 respectively. The Company's auditors have not issued any qualified opinion on the Group's financial statements for the three years ended 31 December 2007.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i> <i>(restated)</i>	2005 <i>HK\$'000</i> <i>(restated)</i>
Turnover	1,448,876	295,508	124,477
Other income	49,377	2,677	8,605
Cost of investments held for trading sold	(1,343,948)	(293,316)	(133,475)
Depreciation and amortisation expense	(4,373)	(1,155)	(1,307)
Employee benefits expense	(13,353)	(13,304)	(9,565)
Other operating expenses	(32,193)	(11,084)	(10,806)
Reversal of impairment loss on interest in an associate	—	—	75,036
Impairment loss on amount due from an associate	—	—	(75,000)
(Loss) Profit on disposal of interests in subsidiaries	—	(143)	5,925
Loss on disposal of interests in associates	(20,853)	—	—
Loss on disposal of convertible note issued by an associate	—	(31,000)	—
Profit on disposal of an unlisted investment	—	—	20,528
Net unrealised holding (loss) gain on investments held for trading	(300,817)	10,017	(16,694)
Fair value loss on derivative financial instruments	(6,915)	—	—
Profit on deemed disposal of interest in an associate	21,087	8,429	1,406
Loss on deemed acquisition of interest in an associate	—	—	(13,331)
Share of profit (loss) of associates	10,347	(79,010)	(99,351)
Finance costs	(4,817)	(2,380)	(8,163)
Loss before taxation	(197,582)	(114,761)	(131,715)
Taxation	—	—	—
Loss for the year	<u>(197,582)</u>	<u>(114,761)</u>	<u>(131,715)</u>
Loss attributable to equity holders	<u>(197,582)</u>	<u>(114,761)</u>	<u>(131,715)</u>
Loss per share — Basic	<u>(17.6 cents)</u>	<u>(33.1 cents)</u>	<u>(62.3 cents)</u>

CONSOLIDATED BALANCE SHEET

At 31 December

	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	326,500	7,200	9,650
Property, plant and equipment	35,049	22,977	22,391
Intangible assets	134,626	—	—
Interests in associates	—	98,118	238,549
Other financial asset	—	—	7,143
Other investments	113,965	—	—
Prepayments for acquisition of investment properties	8,656	—	—
	<u>618,796</u>	<u>128,295</u>	<u>277,733</u>
Current assets			
Investments held for trading	537,370	118,818	13,626
Loans receivable	335,637	103,529	40,280
Other receivables	52,160	1,631	1,138
Cash and cash equivalents	304,355	8,878	11,420
	<u>1,229,522</u>	<u>232,856</u>	<u>66,464</u>
Current liabilities			
Other payables	13,290	8,242	14,231
Financial liabilities at fair value through profit or loss	6,915	—	—
Current portion of interest-bearing borrowings	160,992	7,507	4,629
	<u>181,197</u>	<u>15,749</u>	<u>18,860</u>
Net current assets	<u>1,048,325</u>	<u>217,107</u>	<u>47,604</u>
Total assets less current liabilities	<u>1,667,121</u>	<u>345,402</u>	<u>325,337</u>
Non-current liabilities			
Long-term interest-bearing borrowings	180,656	15,788	13,770
NET ASSETS	<u>1,486,465</u>	<u>329,614</u>	<u>311,567</u>
CAPITAL AND RESERVES			
Share capital	151,793	350,649	303,209
Reserves	1,334,672	(21,035)	8,358
TOTAL EQUITY	<u>1,486,465</u>	<u>329,614</u>	<u>311,567</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

	2007	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening balance — Total equity at 1 January	329,614	311,567	91,451
Issue of new shares, net of expenses	699,315	66,150	122,464
Issue of shares on exercise of warrants	—	—	1,867
Issue of warrants, net of expenses	72,278	—	—
Issue of shares on conversion of convertible notes, net of expenses	341,250	—	201,690
Issue of shares under share option scheme	246,888	60,759	25,810
Equity-settled share-based payment	5,656	5,899	—
Capital reserve realised upon disposal of an associate	(8,198)	—	—
Capital reorganisation expenses	(2,756)	—	—
Loss for the year	<u>(197,582)</u>	<u>(114,761)</u>	<u>(131,715)</u>
Closing balance — Total equity at 31 December	<u><u>1,486,465</u></u>	<u><u>329,614</u></u>	<u><u>311,567</u></u>

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2007

Set out below is the audited consolidation financial statements of the Group for the year ended 31 December 2007, which is the reproduction of pages 28 to 84 of the 2007 annual report of the Company.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i> <i>(restated)</i>
Turnover	5	1,448,876	295,508
Other income	6	49,377	2,677
Cost of investments held for trading sold		(1,343,948)	(293,316)
Depreciation and amortisation expense		(4,373)	(1,155)
Employee benefits expense		(13,353)	(13,304)
Other operating expenses		(32,193)	(11,084)
Loss on disposal of interest in a subsidiary		—	(143)
Loss on disposal of interests in associates	18(a)(i)&(ii)	(20,853)	—
Loss on disposal of convertible note issued by an associate		—	(31,000)
Net unrealised holding (loss) gain on investments held for trading		(300,817)	10,017
Fair value loss on derivative financial instruments		(6,915)	—
Profit on deemed disposal of interest in an associate	18(a)(i)	21,087	8,429
Share of profit (loss) of associates		10,347	(79,010)
Finance costs	8	<u>(4,817)</u>	<u>(2,380)</u>
Loss before taxation	9	(197,582)	(114,761)
Taxation	11	<u>—</u>	<u>—</u>
Loss for the year	12	<u>(197,582)</u>	<u>(114,761)</u>
Loss attributable to equity holders		<u>(197,582)</u>	<u>(114,761)</u>
Loss per share — Basic	13	<u>(17.6 cents)</u>	<u>(33.1 cents)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening balance — Total equity at 1 January	329,614	311,567
Issue of new shares, net of expenses	699,315	66,150
Issue of warrants, net of expenses	72,278	—
Issue of shares on conversion of convertible notes, net of expenses	341,250	—
Issue of shares under share option scheme	246,888	60,759
Equity-settled share-based payment	5,656	5,899
Capital reserve realised upon disposal of an associate	(8,198)	—
Capital reorganisation expenses	(2,756)	—
Loss for the year	<u>(197,582)</u>	<u>(114,761)</u>
Closing balance — Total equity at 31 December	<u><u>1,486,465</u></u>	<u><u>329,614</u></u>

CONSOLIDATED BALANCE SHEET

At 31 December 2007

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	14	326,500	7,200
Property, plant and equipment	15	35,049	22,977
Intangible assets	17	134,626	—
Interests in associates	18	—	98,118
Other investments	19	113,965	—
Prepayments for acquisition of investment properties		<u>8,656</u>	<u>—</u>
		<u>618,796</u>	<u>128,295</u>
Current assets			
Investments held for trading	20	537,370	118,818
Loans receivable	21	335,637	103,529
Other receivables		52,160	1,631
Cash and cash equivalents		<u>304,355</u>	<u>8,878</u>
		<u>1,229,522</u>	<u>232,856</u>
Current liabilities			
Other payables	22	13,290	8,242
Financial liabilities at fair value through profit or loss	20	6,915	—
Current portion of interest-bearing borrowings	23	<u>160,992</u>	<u>7,507</u>
		<u>181,197</u>	<u>15,749</u>
Net current assets		<u>1,048,325</u>	<u>217,107</u>
Total assets less current liabilities		<u>1,667,121</u>	<u>345,402</u>
Non-current liabilities			
Long-term interest-bearing borrowings	23	<u>180,656</u>	<u>15,788</u>
NET ASSETS		<u>1,486,465</u>	<u>329,614</u>
CAPITAL AND RESERVES			
Share capital	25	151,793	350,649
Reserves	26	<u>1,334,672</u>	<u>(21,035)</u>
TOTAL EQUITY		<u>1,486,465</u>	<u>329,614</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****BALANCE SHEET***At 31 December 2007*

	Note	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	16	<u>1,255,428</u>	<u>234,227</u>
Current assets			
Loans receivable	21	—	19,330
Other receivables		25	579
Cash and cash equivalents		<u>286,355</u>	<u>8,425</u>
		<u>286,380</u>	<u>28,334</u>
Current liabilities			
Other payables		2,626	1,495
Due to subsidiaries	16	9,518	16,775
Interest-bearing borrowings	23	<u>—</u>	<u>5,000</u>
		<u>12,144</u>	<u>23,270</u>
Net current assets		<u>274,236</u>	<u>5,064</u>
NET ASSETS		<u>1,529,664</u>	<u>239,291</u>
CAPITAL AND RESERVES			
Share capital	25	151,793	350,649
Reserves	26	<u>1,377,871</u>	<u>(111,358)</u>
TOTAL EQUITY		<u>1,529,664</u>	<u>239,291</u>

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
OPERATING ACTIVITIES		
Loss before taxation	(197,582)	(114,761)
Depreciation and amortisation expense	4,373	1,155
Increase in fair value of investment properties	(40,695)	(570)
Interest expenses on bank and other borrowings	4,817	2,380
Interest income on convertible note issued by an associate	—	(4,680)
Interest income on bank and other balances	(7,452)	(27)
Gain on disposal of property, plant and equipment	—	(291)
Loss on disposal of investment properties	—	490
Profit on deemed disposal of interest in an associate	(21,087)	(8,429)
Loss on disposal of interests in subsidiaries	—	143
Loss on disposal of interests in associates	20,853	—
Loss on disposal of convertible note issued by an associate	—	31,000
Fair value loss on derivative financial instruments	6,915	—
Equity-settled share-based payment	5,656	5,899
Share of (profit) loss of associates	(10,347)	79,010
Discount on acquisition of subsidiaries	(74)	—
Allowance for doubtful debts	14,000	—
Changes in working capital:		
Loans receivable	(246,108)	(63,249)
Other receivables	(38,328)	(493)
Investments held for trading	(418,552)	(105,192)
Other payables	<u>5,111</u>	<u>(6,163)</u>
Cash used in operations	(918,500)	(183,778)
Interest income received on convertible note issued by an associate	—	4,680
Interest income received from bank and other institutions	<u>7,452</u>	<u>27</u>
Net cash used in operating activities	<u><u>(911,048)</u></u>	<u><u>(179,071)</u></u>

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

	<i>Note</i>	2007 HK\$'000	2006 HK\$'000
INVESTING ACTIVITIES			
Purchase of interest in an associate		—	(69,900)
Purchase of property, plant and equipment		(13,586)	(2,025)
Purchase of investment properties		(143,705)	—
Prepayment for acquisition of investment properties		(8,656)	—
Purchase of other investments		(113,965)	—
Acquisition of subsidiaries, net of cash acquired	28	(266,009)	—
Proceeds from disposal of property, plant and equipment		—	575
Proceeds from disposal of investment properties		2,700	2,530
Proceeds from disposal of subsidiaries		—	7,000
Proceeds from disposal of convertible note issued by an associate		—	100,000
Proceeds from disposal of interests in associates		<u>100,501</u>	<u>75,000</u>
Net cash (used in) generated from investing activities		<u>(442,720)</u>	<u>113,180</u>
FINANCING ACTIVITIES			
Issue cost of shares for acquisition of interest in an associate		—	(100)
Issue of shares, net of expenses		699,315	—
Issue of shares under share option scheme		246,888	60,759
Issue of shares on conversion of convertible notes, net of expenses		341,250	—
New bank loans raised		173,048	5,600
New other loans raised		150,000	45,000
Repayment of bank loans		(20,870)	(5,704)
Repayment of other loans		(5,000)	(40,000)
Interest paid on bank and other borrowings		(4,908)	(2,206)
Capital reorganisation expenses		(2,756)	—
Issue of warrants, net of expenses		<u>72,278</u>	<u>—</u>
Net cash generated from financing activities		<u>1,649,245</u>	<u>63,349</u>
Net increase (decrease) in cash and cash equivalents		295,477	(2,542)
Cash and cash equivalents at beginning of year		<u>8,878</u>	<u>11,420</u>
Cash and cash equivalents at end of year		<u><u>304,355</u></u>	<u><u>8,878</u></u>

NOTES TO THE FINANCIAL STATEMENTS*Year ended 31 December 2007***1. GENERAL INFORMATION**

Willie International Holdings Limited (the “Company”) is a public company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the financial statements of the current year are consistent with those of the previous year except for the adoption of Hong Kong Accounting Standard (“HKAS”) 1 (Amendment): Capital disclosures and Hong Kong Financial Reporting Standard (“HKFRS”) 7: Financial instruments: Disclosures, which have become effective for the current year and management considers being most relevant to the Group’s current operations:

HKAS 1 (Amendment): Capital disclosures

The amendment requires financial statements to provide additional disclosures in relation to the Group’s objectives, policies and processes for managing capital. These new disclosures are shown in note 33 to the financial statements.

HKFRS 7: Financial instruments: Disclosures

HKFRS 7 superseded HKAS 30: Disclosures in the financial statements of banks and similar financial institutions and incorporated all the disclosure requirements previously in HKAS 32, while the presentation requirements in HKAS 32 remain unchanged. HKFRS 7 requires financial statements to disclose information for the purpose of evaluating the significance of the Group’s financial instruments, the nature and risks arising from those financial instruments to which the Group is exposed to and how the Group manages them. The new disclosures are included throughout the financial statements.

Both HKAS 1 (Amendment) and HKFRS 7 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

At the date of authorisation of these financial statements, the Group has not early adopted the new/revised standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are not yet effective for the current year. The Group has already commenced an assessment of impact of these new/revised standards and interpretations but is not yet in a position to state whether they would significantly impact on its results of operations and financial position.

3. PRINCIPAL ACCOUNTING POLICIES**Basis of preparation**

These consolidated financial statements have been prepared in accordance with HKFRS, which collective term includes all applicable individual HKFRS, HKAS and Interpretations issued by HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

Basis of measurement

The measurement basis used in the preparation of these financial statements is historical cost, except for investment properties, investments held for trading and financial liabilities at fair value through profit or loss, which are measured at fair value as explained in the principal accounting policies set out below.

Business combination

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. The acquirer is the entity that obtains control of the other entities participating in the combination at the acquisition date, and the other entities participating in the combination are the acquirees. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The cost of acquisition is measured as the aggregate of the fair values of the assets given, liabilities incurred or assumed, equity instruments issued by the acquirer at the acquisition date, and all the costs incurred directly attributable to the acquisition, in exchange for control of the acquiree.

The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 December each year. The financial statements of its subsidiaries are prepared for the same reporting year and using consistent accounting policies as the Company.

All intra-group balances, transactions, incomes and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

For subsidiaries acquired through a business combination not involving entities under common control, the operating result and cash flow of the acquiree will be recognised in the consolidated financial statements from the date the Group effectively obtains the control until the date that control is terminated. When the consolidated financial statements are prepared, the subsidiaries' financial statements will be adjusted based on the fair values of the identifiable assets, liabilities and contingent liabilities at the acquisition date.

For subsidiaries acquired through a business combination involving entities under common control, the operating result and cash flow of the acquiree will be recognised in the consolidated financial statements from the beginning of the period during which the combination occurs.

Subsidiaries

A subsidiary is an entity in which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's balance sheet, investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investments is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the Group.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, less any impairment in the value of individual investments. When the Group's share of losses of an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or guaranteed obligations in respect of the associate.

Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill on acquisitions of subsidiaries is recognised as a separate asset. Goodwill on acquisitions of associates or jointly controlled entities is included in interests in associates or jointly controlled entities. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing and determination of gain or loss on disposal. An impairment loss on goodwill is not reversed.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in the consolidated income statement.

Intangible assets

Intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to the income statement on a straight-line basis over the assets' estimated useful lives which are determined by the period over which it is expected to bring economic benefits to the Group. The intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives of 49.5 years.

The Group reviews the estimated useful lives and amortisation method for these intangible assets annually and makes adjustment when necessary.

Investment properties

Investment properties are land and/or building which are held by owner or lessee under finance lease to earn rental income and/or for capital appreciation and are stated at their fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties are included in the income statement for the period in which they arise.

A property interest held under operating lease is classified and accounted for as investment property when the Group holds it to earn rental income and/or capital appreciation and applies the fair value model.

The fair value of investment properties is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued, or based on market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion.

Other investments

Other investments are stated at cost less accumulated impairment losses.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the year in which they are incurred.

The gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between the estimated net sales proceeds and the carrying amount of the assets and is recognised as income or expense in the income statement.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land	Over the unexpired term of lease
Buildings	4%
Leasehold improvements	10% — 20%
Furniture and fixtures	10% — 20%
Office equipment	33 $\frac{1}{3}$ %
Motor vehicles	25%

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis. A financial asset is derecognised when the Group's contractual rights to future cash flows from the financial asset expire or when the Group transfers the contractual rights to future cash flows to a third party. A financial liability is derecognised only when the liability is extinguished.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets or financial liabilities at fair value through profit or loss include financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss.

Financial assets and financial liabilities are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not designated and effective hedging instruments.

Financial assets and financial liabilities are designated at initial recognition as at fair value through profit or loss if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the year to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in the income statement.

Impairment of financial assets

At each balance sheet date, the Company assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through the income statement when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

The Group's financial liabilities include other payables, derivatives, bank loans and other borrowings. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definition of an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issuing costs, upon their issuance.

Convertible notes

On the issue of convertible notes, the proceeds are split into liability and equity components. The fair value of the liability component is determined using a market rate for an equivalent non-convertible notes; and this amount, net of transaction costs, is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option and is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within trade and other payable at fair value, where such information is available, otherwise, it is recognised at consideration received and receivable. Subsequently, it is measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that is required to settle the commitment at the balance sheet date.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases.

Proceeds from sale of investments held for trading are recognised on the transaction date when the relevant sale and purchase contract is entered into.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Rental income under operating leases is recognised when the properties are let out and on the straight-line basis over the lease terms.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Borrowing costs

Borrowing costs are recognised as expenses when incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Impairment of non-financial assets

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amounts of its property, plant and equipment, intangible assets, other investments and investments in subsidiaries have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately.

Employee benefits*Defined contribution plans*

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in the income statement as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

Taxation

The charge for current income tax is based on the results for the year as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities or assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

No deferred tax is provided for temporary differences arising from goodwill, the initial recognition of assets or liabilities in a transaction other than a business combination and that affecting neither accounting nor taxable profits, and investment in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

Foreign currencies

Transactions involving foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange ruling at that date. Translation differences are included in the income statement.

Share-based payment

The Company issues equity-settled share-based payments to eligible employees including directors of the Company and its subsidiaries, any other persons including consultants, advisors, agents, customers, suppliers etc. to subscribe for shares in the Company. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effort of non market-based vesting conditions.

Related parties

A party is related to the Group if

- (a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;
- (b) the party is an associate of the Group;
- (c) the party is a joint venture in which the Group is a venturer;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, net of bank overdrafts. For the balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment as the secondary reporting format for the purpose of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**Fair value estimation**

The Group uses the discounted cash flows valuation method to determine the carrying amount of loans receivable at the balance sheet date. This valuation requires the Group to make estimates about expected cash flows and discount rates, and hence they are subject to uncertainty.

Impairment of investments

The Company assesses annually if interests in subsidiaries have suffered any impairment in accordance with HKAS 36 and follow the guidance of HKAS 39 in determining whether amounts due from those entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

Allowance for bad and doubtful debts

The provision policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the loans receivable. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each borrower. If the financial conditions of these borrowers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

5. TURNOVER

Turnover recognised from the principal activities of the Group during the year including investment holding, trading of investments, property investment and provision of financial services are as follows:

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proceeds from sale of investments held for trading	1,426,764	283,735
Interest income	18,188	10,950
Dividend income from listed investments	3,399	801
Rental income	<u>525</u>	<u>22</u>
	<u>1,448,876</u>	<u>295,508</u>

6. OTHER INCOME

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(restated)</i>
Write back of other payables	—	1,900
Increase in fair value of investment properties	40,695	570
Bank interest income	6,920	27
Other interest income	532	—
Others	<u>1,230</u>	<u>180</u>
	<u>49,377</u>	<u>2,677</u>

7. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segment is its primary reporting format and no geographical segment has been presented as the Group's operations and assets are principally located in Hong Kong for the years ended 31 December 2007 and 2006.

Business segments

Business segments of the Group comprise the following:

Trading of investments:	Purchase and sale of securities
Provision of financial services:	Provision of securities brokerage, financial advisory and loan financing services
Property investment:	Holding properties for rental and capital appreciation
Investment holding:	Holding investments for dividend and investment income and capital appreciation

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

The following tables show segment information for the years ended 31 December 2007 and 2006.

Year ended 31 December 2007

Segment income	Trading of	Provision of	Property	Investment	Unallocated	Total
	investments	financial	investment	holding		
	HK\$'000	services	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover and revenue	1,430,314	17,867	525	170	—	1,448,876
Other income	532	840	40,699	7,296	10	49,377
Total income	<u>1,430,846</u>	<u>18,707</u>	<u>41,224</u>	<u>7,466</u>	<u>10</u>	<u>1,498,253</u>
Segment results	(221,307)	1,764	37,267	(6,848)	(14,222)	(203,346)
Loss on disposal of interests in associates	—	—	—	(20,853)	—	(20,853)
Profit on deemed disposal of interest in an associate	—	—	—	21,087	—	21,087
Share of profit of associates	9,165	1,110	—	72	—	10,347
Finance costs	—	—	—	—	(4,817)	<u>(4,817)</u>
Loss for the year						<u>(197,582)</u>

Year ended 31 December 2006

Segment income	Trading of	Provision of	Property	Investment	Unallocated	Total
	investments	financial	investment	holding		
	HK\$'000	services	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover and revenue	284,665	10,821	22	—	—	295,508
Other income	—	—	570	—	2,107	2,677
Total income	<u>284,665</u>	<u>10,821</u>	<u>592</u>	<u>—</u>	<u>2,107</u>	<u>298,185</u>
Segment results	1,359	10,655	(840)	(23,653)	1,822	(10,657)
Loss on disposal of interest in a subsidiary	—	—	—	(143)	—	(143)
Loss on disposal of convertible note issued by an associate	—	—	—	(31,000)	—	(31,000)
Profit on deemed disposal of interest in an associate	—	—	—	8,429	—	8,429
Share of loss of associates	656	(34,253)	—	(45,271)	(142)	(79,010)
Finance costs	—	—	—	—	(2,380)	<u>(2,380)</u>
Loss for the year						<u>(114,761)</u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****Assets and liabilities as at 31 December 2007**

	Trading of investments	Provision of financial services	Property investment	Investment holding	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets					
Segment assets	581,115	335,756	352,411	553,856	1,823,138
Unallocated assets	—	—	—	—	<u>25,180</u>
Total assets					<u><u>1,848,318</u></u>
Liabilities					
Segment liabilities	14,308	—	165,383	164,998	344,689
Unallocated liabilities	—	—	—	—	<u>17,164</u>
Total liabilities					<u><u>361,853</u></u>

Assets and liabilities as at 31 December 2006

	Trading of investments	Provision of financial services	Property investment	Investment holding	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets					
Segment assets	118,940	103,724	7,517	10,792	240,973
Interests in associates	—	—	—	98,118	98,118
Unallocated assets	—	—	—	—	<u>22,060</u>
Total assets					<u><u>361,151</u></u>
Liabilities					
Segment liabilities	6,071	—	270	11,062	17,403
Unallocated liabilities	—	—	—	—	<u>14,134</u>
Total liabilities					<u><u>31,537</u></u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP****Other segment information for the year ended 31 December 2007**

	Trading of investments	Provision of financial services	Property investment	Investment holding	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure	—	—	293,516	249,965	2,860	546,341
Amortisation expense	—	—	—	1,374	—	1,374
Depreciation expense	—	—	2,586	—	413	2,999
Increase in fair value of investment properties	—	—	(40,695)	—	—	(40,695)
Allowance for doubtful debts	—	14,000	—	—	—	14,000
	<u>—</u>	<u>14,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>14,000</u>

Other segment information for the year ended 31 December 2006

	Trading of investments	Provision of financial services	Property investment	Investment holding	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure	—	—	124	512	1,389	2,025
Depreciation expense	—	—	26	356	773	1,155
Impairment loss on goodwill arising from acquisition of interest in an associate (included in share of loss of associates)	—	—	—	34,742	—	34,742
Increase in fair value of investment properties	—	—	(570)	—	—	(570)
	<u>—</u>	<u>—</u>	<u>(570)</u>	<u>—</u>	<u>—</u>	<u>(570)</u>

8. FINANCE COSTS

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank and other borrowings wholly repayable within five years	279	975
Bank and other borrowings wholly repayable over five years	<u>4,538</u>	<u>1,405</u>
	<u>4,817</u>	<u>2,380</u>

9. LOSS BEFORE TAXATION

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
This is stated after charging:		
Auditors' remuneration	1,372	1,135
Contributions to MPF Scheme	236	214
Depreciation of property, plant and equipment	2,999	1,155
Amortisation of intangible assets	1,374	—
Operating lease charges:		
Equipment	93	72
Office premises	1,362	1,042
Equity-settled share-based payment	5,656	5,899
Allowance for doubtful debts	<u>14,000</u>	<u>—</u>

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The aggregate amount of emoluments received or receivable by the Company's directors are as follows:

2007

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive directors				
Chuang Yueheng, Henry	—	2,400	12	2,412
Lo Kan Sun	—	855	12	867
King Phillip	—	600	12	612
Wong Ying Seung, Asiong	—	618	12	630
Wang Lin	—	240	12	252
Independent non-executive directors				
Lin Wai Yi	120	—	—	120
Liu Jian	120	—	—	120
Miu Frank H. (resigned on 27 March 2007)	30	—	—	30
Nakajima, Toshiharu	24	—	—	24
Shum Ming Choy	120	—	—	120
Yau Yan Ming, Raymond	120	—	—	120
	<u>534</u>	<u>4,713</u>	<u>60</u>	<u>5,307</u>

2006

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors				
Chuang Yueheng, Henry	—	2,400	12	2,412
Lo Kan Sun	—	810	12	822
King Phillip	—	900	12	912
Wong Ying Seung, Asiong	—	336	12	348
Wang Lin	—	160	8	168
Non-executive director				
Lau Da Yip (resigned on 25 January 2006)	2	—	—	2
Independent non-executive directors				
Lam Ping Cheung (resigned on 26 June 2006)	60	—	—	60
Lin Wai Yi	120	—	—	120
Liu Jian	110	—	—	110
Miu Frank H.	120	—	—	120
Nakajima, Toshiharu	24	—	—	24
Shum Ming Choy	50	—	—	50
Yau Yan Ming, Raymond	25	—	—	25
	<u>511</u>	<u>4,606</u>	<u>56</u>	<u>5,173</u>

Employees' emoluments

The five highest paid employees of the Group during the year included four (2006: three) directors, details of whose emoluments are set out above. The emoluments of the remaining one (2006: two) highest paid employee is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	568	1,071
Retirement scheme contributions	<u>12</u>	<u>21</u>
	<u>580</u>	<u>1,092</u>
	2007	2006
Nil to HK\$1,000,000	<u>1</u>	<u>2</u>

11. TAXATION

Hong Kong Profits Tax has not been provided as the companies in the Group either incurred a loss for taxation purposes or their estimated assessable profits for the year ended 31 December 2007 were wholly absorbed by unutilised tax losses brought forward from previous years (2006: Nil).

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reconciliation of tax expense		
Loss before taxation	<u>(197,582)</u>	<u>(114,761)</u>
Income tax at applicable tax rate of 17.5% (2006: 17.5%)	(34,577)	(20,083)
Non-deductible expenses	276	7,022
Tax exempt revenue	(9,027)	(2,557)
Unrecognised tax losses	47,280	2,017
Unrecognised temporary differences	(1,997)	(226)
Utilisation of previously unrecognised tax losses	(39)	—
Effect on share of (profit) loss of associates	(1,852)	13,827
Others	<u>(64)</u>	<u>—</u>
Tax expense for the year	<u>—</u>	<u>—</u>

The applicable tax rate is the Hong Kong Profits Tax rate of 17.5% (2006: 17.5%).

12. LOSS FOR THE YEAR

Of the Group's loss for the year of HK\$197,582,000 (2006: HK\$114,761,000), a loss of HK\$72,258,000 (2006: HK\$243,345,000) has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE

The calculation of the basic loss per share for the year of 2007 is based on the loss for the year of HK\$197,582,000 (2006: HK\$114,761,000) and the weighted average number of 1,123,396,624 shares (2006 (restated): 345,873,000 shares) in issue during the year.

No diluted loss per share is presented for the year of 2007 as the potential ordinary shares under the convertible notes, warrants and share option scheme have anti-dilutive effect. No diluted loss per share was presented for the year of 2006 as the potential ordinary shares under the share option scheme had anti-dilutive effect.

The weighted average number of ordinary shares adopted in the calculation of the basic loss per share for the years of 2007 and 2006 has been adjusted to reflect the impact of the share consolidation effected during the year and the rights issue effected subsequent to the balance sheet date.

14. INVESTMENT PROPERTIES

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value		
At beginning of year	7,200	9,650
Addition — acquisition	143,705	—
Addition — acquisition of subsidiaries (<i>note 28</i>)	137,600	—
Disposals	(2,700)	(3,020)
Increase in fair value during the year	<u>40,695</u>	<u>570</u>
At balance sheet date	<u><u>326,500</u></u>	<u><u>7,200</u></u>

The carrying value of investment properties held by the Group at the balance sheet date comprised:

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land in Hong Kong:		
Long lease	140,500	4,500
Medium-term lease	<u>186,000</u>	<u>2,700</u>
	<u><u>326,500</u></u>	<u><u>7,200</u></u>

The Group's investment properties as at the balance sheet date have been revaluated by an independent qualified professional valuer, Asset Appraisal Limited, on the market value basis.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reconciliation of carrying amount — year ended 31 December 2006						
At beginning of year	21,190	755	226	220	—	22,391
Additions	—	1,005	831	189	—	2,025
Disposals	—	(247)	—	(37)	—	(284)
Depreciation	(659)	(199)	(163)	(134)	—	(1,155)
At balance sheet date	<u>20,531</u>	<u>1,314</u>	<u>894</u>	<u>238</u>	<u>—</u>	<u>22,977</u>
Reconciliation of carrying amount — year ended 31 December 2007						
At beginning of year	20,531	1,314	894	238	—	22,977
Addition — acquisition	—	3,455	1,730	220	8,181	13,586
Addition — acquisition of subsidiaries (note 28)	—	—	1,485	—	—	1,485
Depreciation	(659)	(412)	(718)	(189)	(1,021)	(2,999)
At balance sheet date	<u>19,872</u>	<u>4,357</u>	<u>3,391</u>	<u>269</u>	<u>7,160</u>	<u>35,049</u>
At 1 January 2007						
Cost	25,758	6,577	1,733	2,084	—	36,152
Accumulated depreciation and impairment losses	(5,227)	(5,263)	(839)	(1,846)	—	(13,175)
	<u>20,531</u>	<u>1,314</u>	<u>894</u>	<u>238</u>	<u>—</u>	<u>22,977</u>
At 31 December 2007						
Cost	25,758	10,032	4,948	2,304	8,181	51,223
Accumulated depreciation and impairment losses	(5,886)	(5,675)	(1,557)	(2,035)	(1,021)	(16,174)
	<u>19,872</u>	<u>4,357</u>	<u>3,391</u>	<u>269</u>	<u>7,160</u>	<u>35,049</u>

The leasehold land and buildings with a net book value of HK\$19,872,000 at the balance sheet date (2006: HK\$20,531,000) are held by the Group under medium-term lease in Hong Kong.

16. INTERESTS IN SUBSIDIARIES

	The Company	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(restated)</i>
Unlisted shares, at cost	776,612	51,055
Due from subsidiaries	<u>760,819</u>	<u>438,929</u>
	<u>1,537,431</u>	<u>489,984</u>
Impairment loss	<u>(282,003)</u>	<u>(255,757)</u>
	<u><u>1,255,428</u></u>	<u><u>234,227</u></u>

The amounts due from (to) subsidiaries are unsecured and have no fixed repayment term. At the balance sheet date, the amount due from a subsidiary of HK\$315,207,000 (2006: Nil) bears interest at effective interest rate of 1.5% per annum and the amounts due from (to) other subsidiaries are interest-free. The carrying amount of the amounts due approximates their fair value.

In the opinion of the directors, a complete list of the particulars of all subsidiaries will be of excessive length and therefore the table below lists the principal subsidiaries at the balance sheet date which materially affect the result or assets of the Group.

Name of subsidiary	Place of incorporation and operations	Particulars of issued ordinary and paid up capital <i>(Note)</i>	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly	Indirectly	
Allied Loyal International Investments Limited	British Virgin Islands	50,000 shares of no par value	—	100	Investment holding
Apex Novel Limited	British Virgin Islands	1 share of US\$1 each	—	100	Property investment
Bestford Properties Limited	Hong Kong	100 shares of HK\$1 each	—	100	Property investment
Clear Point Limited	British Virgin Islands	1 share of US\$1 each	—	100	Property investment
Cordoba Homes Limited	British Virgin Islands	10,001 shares of US\$1 each	100	—	Investment holding
China United International Administrative Services Limited	Hong Kong	53,000 shares of HK\$100 each	100	—	Provision of administrative services

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

Name of subsidiary	Place of incorporation and operations	Particulars of issued ordinary and paid up capital (Note)	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly	Indirectly	
Earn Best Investments Limited	British Virgin Islands	1 share of US\$1 each	—	100	Property investment
International Stamps & Coins Exchange Gallery Limited	Hong Kong	20,200 shares of HK\$1 each	—	100	Property investment
Longtop Enterprises Limited	Hong Kong	1 share of HK\$1 each	—	100	Property investment
Million Regal Investment Limited	Hong Kong	1,000 shares of HK\$1 each	—	100	Property investment
Pearl Decade Limited	British Virgin Islands	9,615,386 shares of US\$1 each	—	100	Trading of investments
Portstar Investments Limited	British Virgin Islands	1 share of US\$1 each	—	100	Property investment
Radford Portfolio Management Limited	Hong Kong	10,000 shares of HK\$1 each	—	100	Property holding
Startech Business Limited	British Virgin Islands	1 share of US\$1 each	—	100	Property investment
Trade Well Investments Limited	British Virgin Islands	1 share of US\$1 each	—	100	Property investment
United Goal Investments Limited	British Virgin Islands	1 share of US\$1 each	—	100	Investment holding
Wealth Elegant Investments Limited	British Virgin Islands	1 share of US\$1 each	—	100	Property investment
Willie Financing Limited	Hong Kong	1 share of HK\$1 each	100	—	Money lending
Willie Resources Incorporated	Cayman Islands	4,951,408,325 shares of HK\$0.10 each	100	—	Investment holding
Winsky Investments Limited	British Virgin Islands	1 share of US\$1 each	—	100	Property investment

All of the above subsidiaries operate principally in Hong Kong.

Note: No loan capital has been issued by any of the subsidiaries.

17. INTANGIBLE ASSETS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
At cost		
Addition — acquisition of a subsidiary (<i>note 28</i>)	136,000	—
Amortisation	<u>(1,374)</u>	<u>—</u>
At balance sheet date	<u>134,626</u>	<u>—</u>

During the year, the Group acquired the entire issued share capital of a company which owns the rights to (i) obtain 50% of forestry land use rights and forestry trees entitlement of three forestry sites in Simao District, Puer City, Yunnan Province, the People's Republic of China (the "PRC") and (ii) share 50% of distributable profits of these forests.

The carrying amount of these rights before the acquisition was HK\$33.9 million. At the date of acquisition, the fair value of these rights was assessed at HK\$136 million with reference to the valuation on the forestry land use rights and forestry trees entitlement of these forests conducted by an independent qualified professional valuer, LCH (Asia-Pacific) Surveyors Limited, on the market approach which considers prices recently paid for similar assets.

The forestry land use rights and forestry trees entitlement of these three forestry sites are 50 years from 24 January 2007 to 23 January 2057.

18. INTERESTS IN ASSOCIATES

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Share of net assets	(a)	—	14,904
Goodwill	(b)	<u>—</u>	<u>83,214</u>
		<u>—</u>	<u>98,118</u>

Notes:

(a) During the year, the Group disposed of all its interests in associates:

- (i) The Group's interest in Hennabun Management International Limited ("HMIL") (currently known as Hennabun Capital Group Limited) was firstly reduced from 35.55% to 29.74% as a result of HMIL's issue of new shares to third parties and then further reduced from 29.74% to 16.17% after a shareholder of HMIL had the convertible note converted into 873,333,333 ordinary shares of HMIL.

As a result of the above changes in the Group's shareholding in HMIL, a profit on deemed disposal of HK\$21 million was recognised in the income statement.

In April 2007, the Group entered into agreements with third parties to dispose of the Group's remaining 16.17% interest in HMIL, leading to a loss on disposal of HK\$12.5 million recognised in the income statement.

(ii) Pursuant to the sale and purchase agreement dated 3 September 2007, the Group disposed of its 50% interest in Amerinvest Coal Industry Holding Company Limited (“Amerinvest”) to a third party with a loss on disposal of HK\$8.3 million recognised in the income statement.

(b) Goodwill on acquisition was attributable to Amerinvest’s investment in coking and chemical projects in the PRC, which has been included in the determination of the loss on disposal of Amerinvest of HK\$8.3 million as mentioned above.

19. OTHER INVESTMENTS

	2007 HK\$'000	2006 HK\$'000
At cost		
Additions and at balance sheet date	<u>113,965</u>	<u>—</u>

Other investments represent rare precious stone and artwork acquired by the Group for long-term investment purposes.

20. INVESTMENTS HELD FOR TRADING/FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Note</i>	2007 HK\$'000	2006 HK\$'000
Analysis of investments held for trading			
Equity securities			
Listed in Hong Kong		520,530	110,118
Listed overseas		<u>16,840</u>	<u>—</u>
	(a)	<u>537,370</u>	<u>110,118</u>
Convertible note		<u>—</u>	<u>8,700</u>
		<u>537,370</u>	<u>118,818</u>
Analysis of financial liabilities at fair value through profit or loss:			
Derivative financial instruments	(b)	<u>6,915</u>	<u>—</u>

Notes:

(a) The fair value of listed equity securities is based on quoted market prices in active markets at the balance sheet date.

(b) The fair value of derivative financial instruments is measured by reference to open market value at the balance sheet date provided by a securities broker.

21. LOANS RECEIVABLE

Loans granted to borrowers are repayable according to repayment schedules. The balance comprises loans receivable from:

	<i>Note</i>	The Group		The Company	
		2007	2006	2007	2006
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Third parties		349,637	89,470	—	19,330
A related company		—	14,059	—	—
	(a)	349,637	103,529	—	19,330
Allowance for doubtful debts	(b)	(14,000)	—	—	—
Balances due within one year included in current assets		<u>335,637</u>	<u>103,529</u>	<u>—</u>	<u>19,330</u>
Short term loans, net of provision		335,637	19,330	—	19,330
Instalment loans		—	84,199	—	—
		<u>335,637</u>	<u>103,529</u>	<u>—</u>	<u>19,330</u>

Notes:

- (a) At the balance sheet date, loans receivable (1) carry effective interest rates ranging from prime rate to prime rate plus 5% (2006: from prime rate to prime rate plus 2%); (2) are within the respective maturity dates (2006: within maturity dates); and (3) are not secured by any collaterals (2006: None).
- (b) The directors assessed the collectability of loans receivable at the balance sheet date individually with reference to borrowers' past collection history and current creditworthiness. An amount of HK\$14,000,000 (2006: Nil) in respect of two loans was determined to be impaired as a result of the assessment. In the directors' opinion, there was no indication of deterioration in the collectability of the remaining amount of HK\$335,637,000 and thus no additional allowance was considered necessary.

22. OTHER PAYABLES

Included in other payables is an amount of HK\$7,393,000 (2006: HK\$6,072,000) payable to a securities broker of which the settlement term is two days after trade date.

23. INTEREST-BEARING BORROWINGS

	The Group		The Company	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Secured bank loans (<i>Note a</i>)	191,648	18,295	—	—
Unsecured other loan (<i>Note a & b</i>)	150,000	5,000	—	5,000
	<u>341,648</u>	<u>23,295</u>	<u>—</u>	<u>5,000</u>

Maturity of the above borrowings is as follows:

	The Group		The Company	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	160,992	7,507	—	5,000
In the second year	11,356	2,727	—	—
In the third year	11,735	2,966	—	—
In the fourth year	12,131	3,226	—	—
In the fifth year	12,545	1,374	—	—
Over five years	132,889	5,495	—	—
	<u>180,656</u>	<u>15,788</u>	<u>—</u>	<u>—</u>
	<u>341,648</u>	<u>23,295</u>	<u>—</u>	<u>5,000</u>

Notes:

- (a) Bank loans are variable rate borrowings which carry interest rates ranging from prime rate minus 3.15% to prime rate minus 0.5% for the year of 2007 (2006: prime rate plus 0.5% to prime rate plus 1%). Other loan has one-month loan period and interest rate at 5% for the year of 2007 (2006: repayable on demand and interest rates ranging from prime rate to prime rate plus 1%).

(b) Movements in other loan are as follows:

	The Group		The Company	
	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year	5,000	—	5,000	—
Addition	150,000	45,000	—	45,000
Repayment	<u>(5,000)</u>	<u>(40,000)</u>	<u>(5,000)</u>	<u>(40,000)</u>
At balance sheet date	<u>150,000</u>	<u>5,000</u>	<u>—</u>	<u>5,000</u>

24. DEFERRED TAXATION

Unrecognised deferred tax assets

	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deductible temporary differences	1,568	8,438
Tax losses	<u>467,804</u>	<u>194,730</u>
At balance sheet date	<u>469,372</u>	<u>203,168</u>

Both the tax losses and the deductible temporary differences have no expiry date under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

25. SHARE CAPITAL

		2007		2006	
	<i>Note</i>	Number of ordinary shares	Nominal value <i>HK\$'000</i>	Number of ordinary shares	Nominal value <i>HK\$'000</i>
Authorised ordinary shares of HK\$0.1 each:					
At beginning of year		20,000,000,000	2,000,000	20,000,000,000	2,000,000
Increase during the year	(a)	30,000,000,000	3,000,000	—	—
Capital Reorganisation	(e)	<u>(45,000,000,000)</u>	<u>(4,500,000)</u>	—	—
At balance sheet date		<u>5,000,000,000</u>	<u>500,000</u>	<u>20,000,000,000</u>	<u>2,000,000</u>
Issued and fully paid ordinary shares of HK\$0.1 each:					
At beginning of year		3,506,494,988	350,649	3,032,086,353	303,209
Issue of shares	(b)	6,154,218,000	615,422	250,000,000	25,000
Issue of shares under share option scheme	(c)	2,018,600,000	201,860	224,408,635	22,440
Issue of shares on conversion of convertible notes	(d)	3,500,000,000	350,000	—	—
Repurchase of share	(e)	(8)	—	—	—
Capital Reorganisation	(e)	<u>(13,661,381,682)</u>	<u>(1,366,138)</u>	—	—
At balance sheet date		<u>1,517,931,298</u>	<u>151,793</u>	<u>3,506,494,988</u>	<u>350,649</u>

Notes:

- (a) Pursuant to the ordinary resolution passed on 12 July 2007, the authorised share capital of the Company was increased to HK\$5,000,000,000 by the creation of an additional 30,000,000,000 ordinary shares of HK\$0.1 each.
- (b) Pursuant to the placing agreements signed during the year, an aggregate of 6,154,218,000 new shares of HK\$0.1 each of the Company were issued to certain individuals at the placing prices ranging from HK\$0.11 to HK\$0.126 each.
- (c) Pursuant to the ordinary resolutions passed during the year, an aggregate of 2,018,600,000 new shares of HK\$0.1 each of the Company were issued to certain individuals under the share option scheme at the exercise prices ranging from HK\$0.103 to HK\$0.134 each.
- (d) Pursuant to the ordinary resolutions passed during the year, the Company issued two 2-year new convertible notes (“CNs”) with an aggregate principal amount of HK\$350,000,000 to third parties. The CNs are non-interest bearing and could be converted into ordinary shares of the Company at HK\$0.1 per share in whole or any part. During the year, the CNs were fully converted into 3,500,000,000 shares of the Company of HK\$0.1 each.

- (e) At the extraordinary general meeting of the Company held on 28 December 2007, the resolution in respect of the share consolidation and the capital reduction of the Company (the “Capital Reorganisation”) were approved by the shareholders. The effects of the Capital Reorganisation were as follows:
- (i) Prior to the effective date of the Capital Reorganisation, the Company acquired 8 issued shares of HK\$0.1 each from the market pursuant to the powers granted to the directors under the repurchase mandate for the purpose of rounding down the then 15,179,312,988 issued shares to 15,179,312,980 issued shares so as to facilitate the Capital Reorganisation.
 - (ii) Under the share consolidation, every 10 issued and unissued shares of HK\$0.1 each was consolidated into one issued and unissued consolidated share of HK\$1 each. As a result, the number of authorised and issued shares of the Company was reduced from 50,000,000,000 shares of HK\$0.1 each and 15,179,312,980 shares of HK\$0.1 each to 5,000,000,000 shares of HK\$1 each and 1,517,931,298 shares of HK\$1 each respectively.
 - (iii) Immediately after the share consolidation, the capital reduction was effected by cancelling HK\$0.9 of the paid up capital on each issued share and by reducing the nominal value of each authorised and issued share from HK\$1 to HK\$0.1. As a result of the capital reduction, the authorised capital of the Company was reduced from HK\$5,000,000,000 divided into 5,000,000,000 shares of HK\$1 each to HK\$500,000,000 divided into 5,000,000,000 shares of HK\$0.1 each while the issued and paid up capital of the Company was reduced from HK\$1,517,931,298 divided into 1,517,931,298 shares of HK\$1 each to HK\$151,793,129.80 divided into 1,517,931,298 shares of HK\$0.1 each.
 - (iv) The amount of HK\$1,366,138,000 arising from the capital reduction, after the deduction of expenses related to the Capital Reorganisation amounting to HK\$2,756,000, was credited to the share premium account of the Company.

All these shares issued during the year rank *pari passu* in all respects with the then existing shares.

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP
26. RESERVES
Group

	Share premium <i>HK\$'000</i> <i>(Note a)</i>	Capital reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i> <i>(Note b)</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2006	210,046	18,273	—	—	(219,961)	8,358
Equity-settled share-based payment	—	—	5,899	—	—	5,899
Shares issued under share option scheme	40,071	—	(1,752)	—	—	38,319
Shares issued at premium, net of issuing expenses	41,150	—	—	—	—	41,150
Surrender of share option	—	—	(832)	—	832	—
Loss for the year	—	—	—	—	(114,761)	(114,761)
At 31 December 2006	<u>291,267</u>	<u>18,273</u>	<u>3,315</u>	<u>—</u>	<u>(333,890)</u>	<u>(21,035)</u>
At 1 January 2007	291,267	18,273	3,315	—	(333,890)	(21,035)
Equity-settled share-based payment	—	—	5,656	—	—	5,656
Shares issued under share option scheme	53,999	—	(8,971)	—	—	45,028
Shares issued at premium, net of issuing expenses	83,893	—	—	—	—	83,893
Issue of warrant, net of expenses	—	—	—	72,278	—	72,278
Capital Reorganisation, net of expenses	1,363,382	—	—	—	—	1,363,382
Realised on disposal of an associate	—	(8,198)	—	—	—	(8,198)
Expenses relating to issue and conversion of convertible notes	(8,750)	—	—	—	—	(8,750)
Loss for the year	—	—	—	—	(197,582)	(197,582)
At 31 December 2007	<u>1,783,791</u>	<u>10,075</u>	<u>—</u>	<u>72,278</u>	<u>(531,472)</u>	<u>1,334,672</u>

Company

	Share premium	Share option reserve	Warrant reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note a)		(Note b)		
At 1 January 2006	210,046	—	—	(163,427)	46,619
Equity-settled share-based payment	—	5,899	—	—	5,899
Shares issued under share option scheme	40,071	(1,752)	—	—	38,319
Shares issued at premium, net of issuing expenses	41,150	—	—	—	41,150
Surrender of share option	—	(832)	—	832	—
Loss for the year	—	—	—	(243,345)	(243,345)
At 31 December 2006	291,267	3,315	—	(405,940)	(111,358)
At 1 January 2007	291,267	3,315	—	(405,940)	(111,358)
Equity-settled share-based payment	—	5,656	—	—	5,656
Shares issued under share option scheme	53,999	(8,971)	—	—	45,028
Shares issued at premium, net of issuing expenses	83,893	—	—	—	83,893
Issue of warrants, net of expenses	—	—	72,278	—	72,278
Expenses relating to issue and conversion of convertible notes	(8,750)	—	—	—	(8,750)
Capital Reorganisation, net of expenses	1,363,382	—	—	—	1,363,382
Loss for the year	—	—	—	(72,258)	(72,258)
At 31 December 2007	1,783,791	—	72,278	(478,198)	1,377,871

Notes:

- (a) The application of the Company's share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.
- (b) Pursuant to the warrants instrument executed by the Company on 11 October 2007, the Company issued 3,000,000,000 listed warrants conferring rights to subscribe in aggregate for 3,000,000,000 shares of the Company at the subscription price of HK\$0.1 each, which was subsequently adjusted to 300,000,000 shares of the Company at the subscription price of HK0.67 each after the Capital Reorganisation and the placing of shares on 21 February 2008. The warrants are exercisable for a 18-month period commencing from 11 October 2007.

The Company has received a net proceed of HK\$72,278,000 after deducting related expenses of HK\$2,722,000 as consideration for the issue of warrants and has been permitted by the Stock Exchange to have the listing of such warrants and to deal in the shares to be allotted and issued upon the exercise of the subscription rights attached to the warrants.

During the year, no warrant was exercised by the warrant holders.

- (c) At the balance sheet date, the Company has no reserves available for distribution to the shareholders.

27. SHARE OPTION SCHEME

Pursuant to the Group Reorganisation during 2002, a share option scheme (“New Scheme”) of the Company was approved on 20 November 2002 by the shareholders of the Company and became effective on 3 January 2003. The New Scheme is valid and effective for a period of ten years. The board of directors of the Company may grant options to eligible employees including directors of the Company and its subsidiaries and any other persons including consultants, advisors, agents, customers, suppliers, etc. to subscribe for shares in the Company. The purpose of the New Scheme is to provide incentives to award the participants who have made contributions to the Group.

The total number of shares in respect of which options may be granted under the New Scheme is not permitted to exceed 30% of the shares of the Company in issue from time to time, without prior approval from the Company’s shareholders. The number of shares in respect of which options may be granted to any individual in any 12 months period is not permitted to exceed 1% of the shares of the Company in issue from time to time, without prior approval from the Company’s shareholders. Options granted to any director, chief executive or substantial shareholder of the Company or any of their respective associates in excess of 0.1% of the Company’s share capital in issue and having an aggregate value in excess of HK\$5 million must be subject to prior approval by the Company’s shareholders.

An amount of HK\$1 is payable on the grant of an option. Options may be exercised no later than ten years from the date of grant of the share option or the expiry date of the New Scheme, if earlier. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company’s shares on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant and the nominal value of the shares on the date of grant.

(a) Movement in share option scheme during the year ended 31 December 2007:

Name of category of participant	Date of grant	As at 1 January 2007	Granted during the year	Exercised during the year	As at 31 December 2007	Exercise price HK\$	Share price	Share price
							at the date of grant (note i) HK\$	at the date of exercise (note ii) HK\$
Employees in aggregate	29 November 2006	169,000,000	—	(169,000,000)	—	0.1030	0.1000	0.1210
	3 May 2007	—	278,600,000	(278,600,000)	—	0.1340	0.1310	0.1320-0.1340
	12 July 2007	—	825,000,000	(825,000,000)	—	0.1206	0.1170	0.1230
Other in aggregate	29 November 2006	88,000,000	—	(88,000,000)	—	0.1030	0.1000	0.1210
	3 May 2007	—	316,000,000	(316,000,000)	—	0.1340	0.1310	0.1320-0.1340
	12 July 2007	—	342,000,000	(342,000,000)	—	0.1206	0.1170	0.1230
		<u>257,000,000</u>	<u>1,761,600,000</u>	<u>(2,018,600,000)</u>	<u>—</u>			

Notes:

- (i) The share price at the date of grant is the closing price on the trading day immediately prior to the date of the grant of the options.
- (ii) The share price at the date of exercise is the weighted average closing price of the shares immediately before the dates on which the options were exercised.

(b) Fair value of share options and assumptions

The fair value of share options granted under the share option scheme at the grant dates was ranged from HK\$0.0011 to HK\$0.0038 per share option, which was calculated using the Black-Scholes option pricing model with the following inputs:

Average share price	HK\$0.1206 — HK\$0.1340
Weighted average exercise price	HK\$0.1206 — HK\$0.1340
Expected volatility	35.47% — 47.80%
Expected life	1 — 15 days
Risk free rate	2.5%

The expected volatility is based on the historic volatility of share prices of the Company. Changes in the subjective input assumptions could materially affect the fair value of the share options granted.

28. ACQUISITION OF SUBSIDIARIES

During the year, the Group acquired the entire equity interests in the following companies.

Acquisition date	Name of acquired companies	Place of incorporation	Principal activities	Cash consideration <i>HK\$'000</i>
4 May 2007	Clear Point Limited	British Virgin Islands	Property investment	999
4 May 2007	Million Regal Investment Limited	Hong Kong	Property investment	<i>Note</i>
14 May 2007	Top Trinity Assets Limited (with its subsidiary, Bestford Properties Limited incorporated in Hong Kong)	British Virgin Islands	Investment holding and property investment	20,828
6 June 2007	Longtop Enterprises Limited	Hong Kong	Property investment	<i>Note</i>
18 June 2007	Apex Novel Limited	British Virgin Islands	Property investment	14,900
11 July 2007	Allied Loyal International Investments Limited	British Virgin Islands	Investment holding	102,469
21 September 2007	Startech Business Limited	British Virgin Islands	Property investment	399
16 October 2007	Earn Best Investments Limited	British Virgin Islands	Property investment	<i>Note</i>

Note:

The Group acquired these companies at cash consideration of HK\$1 respectively.

The aggregate fair value of the identifiable assets and liabilities of the acquired subsidiaries as at the dates of acquisition and their carrying value determined in accordance with HKFRS immediately before the acquisition are as follows:

	Carrying value <i>HK\$'000</i>	Fair value <i>HK\$'000</i>
Investment properties	120,500	137,600
Property, plant and equipment	13,414	1,485
Intangible assets	33,900	136,000
Cash and cash equivalents	16	16
Other receivables	12,201	12,201
Other payables	(194,989)	(28)
Interest-bearing borrowings	(26,150)	(21,175)
Deferred tax liabilities	<u>(416)</u>	<u>—</u>
	<u>(41,524)</u>	266,099
Discount on acquisition		<u>(74)</u>
Total consideration, satisfied by cash		<u>266,025</u>
Net cash acquired from the subsidiary		16
Cash paid for share costs		(139,595)
Loan consideration		<u>(126,430)</u>
Net cash outflow		<u>(266,009)</u>

Since the acquisition, the acquired subsidiaries made no significant contribution to the revenue and results of the Group.

If the acquisition of subsidiaries effected during the year had been taken place at the beginning of the year, the revenue and loss for the Group would have been HK\$1,449,026,000 and HK\$200,846,000 respectively.

29. COMMITMENTS

Capital expenditure commitments

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Contracted but not provided net of deposit paid in the financial statements	<u>58,306</u>	<u>—</u>

Commitments under operating leases — the Group as lessee

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases in respect of office premises and equipment, which are payable as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within one year	466	1,434
In the second to fifth years inclusive	<u>178</u>	<u>476</u>
	<u>644</u>	<u>1,910</u>

Commitments under operating leases — the Group as lessor

At the balance sheet date, the future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within one year	<u>285</u>	<u>—</u>

30. CONTINGENT LIABILITIES

At the balance sheet date, the Company had provided corporate guarantees for banking facilities amounting to HK\$216,920,000 (2006: HK\$38,000,000) granted to its subsidiaries, which were utilised to the extent of HK\$191,648,000 (2006: HK\$18,300,000). The directors assessed the overall exposure of the corporate guarantees granted by the Company and considered that the fair value of such corporate guarantees is immaterial in the financial statements of the Company.

31. PLEDGE OF ASSETS

At the balance sheet date, certain assets of the Group with the following carrying values have been pledged to secure general banking facilities granted to the Group:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Leasehold land and buildings	19,872	20,531
Investment properties	<u>324,000</u>	<u>7,200</u>
	<u>343,872</u>	<u>27,731</u>

32. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the financial statements, the following related party transactions were entered into by the Group during the year:

- (a) A property of the Group with net book value of HK\$19,872,000 (2006: HK\$20,531,000) is occupied by a brother of a director of the Company for free.
- (b) Details of the securities margin loans granted by HMIL Group to the executive directors of the Company up to the last disposal date of HMIL are as follows:

Name of director	Granted by	Balance at	Balance at	Maximum	Maturity	Interest rate per annum
		24 April 2007	1 January 2007	amount outstanding during the period		
		HK\$'000	HK\$'000	HK\$'000		
Chuang Yueheng, Henry						
— margin loan	HMIL Group	—	—	2,802	N/A	5%
King, Phillip						
— margin loan	HMIL Group	1,236	2,365	17,365	N/A	5%
Wong Ying Seung, Asiong						
— margin loan	HMIL Group	—	8,127	17,650	N/A	5%
		<u>1,236</u>	<u>10,492</u>			

- (c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2007	2006
	HK\$'000	HK\$'000 (restated)
Salaries, allowances and benefits in kind	4,713	4,606
Contributions to MPF Scheme	<u>60</u>	<u>56</u>
	<u>4,773</u>	<u>4,662</u>

The remuneration of directors and key executives is reviewed by the Remuneration Committee having regard to the performance of individuals and market trends.

- (d) During the year, the Group granted an unsecured short term loan of HK\$19 million (2006: HK\$15 million) to a subsidiary of HMIL, which was fully settled before the balance sheet date.

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise of bank and other interest-bearing loans, cash and short-term deposits. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as loans receivable, other receivables and payables, investments held for trading and financial liabilities at fair value through profit or loss, which arise directly from its business activities.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, equity price risk, credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines except for lending and investment policies. However, the board of directors generally adopts conservative strategies on its risk management and limit the Group's exposure to these risks to a minimum. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's cash and short-term deposits, interest-bearing bank and other borrowings and loans receivable. The Group does not use derivative financial instruments to hedge its interest rate risk.

At the balance sheet date, if interest rates had been 150 basis point higher or lower while all other variables were held constant, the Group's net loss would increase or decrease by HK\$2,664,000 respectively (2006: HK\$1,370,000 respectively).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for all financial instruments in existence at that date. The 150 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

Foreign currency risk

The Group is exposed to foreign currency risk because of securities investments listed outside Hong Kong, derivatives financial instruments and other receivables from securities brokers, which are denominated in foreign currencies, principally the US dollar. Management considers that the Group has limited exposure to foreign currency risk since such financial instruments are not significant at the balance sheet date.

Equity price risk

The Group is exposed to equity price risk arising from trading of listed securities classified as investments held for trading in the balance sheet. The sensitivity analysis has been determined based on the exposure to equity price risk.

At the balance sheet date, if the quoted market prices had been 5% higher or lower while all other variables were held constant, the Group's net loss would decrease or increase by HK\$26,867,000 (2006: HK\$5,506,000) as a result of changes in fair value of investments. The Group's sensitivity to equity price has changed significantly from the prior year.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the balance sheet date and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the Group's investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the Group's securities investments would be considered impaired as a result of a reasonably possible decrease in the relevant stock market index or other relevant risk variables, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2006.

Credit risk

The Group's credit risk is primarily attributable to loans receivable. The carrying amount of these balances substantially represent the Group's maximum exposure to credit risk at the balance sheet date.

Management has lending policies in place and the exposure to the credit risk is monitored on an ongoing basis. The Group provides financial services only with recognised, creditworthy third parties. It is the Group's policy that all borrowers who wish to borrow money are subject to credit verification procedures.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each borrower. The default risk of the industry and country in which borrowers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group had a concentration of credit risk as 57% (2006: 70%) of the total loans receivable was due from the Group's five largest borrowers.

The Group has limited credit risk with its money deposited in financial institutions and securities brokers, which are leading and reputable and are assessed as having low credit risk. The Group has not had any significant loss arising from non-performance by these parties in the past and management does not expect so in the future.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. The Group closely monitors its exposure to liquidity risk by reviewing the cash position report daily. It analyses efficiency of fund management. The maturity profile of the Group's financial liabilities at the balance sheet date based on contractual undiscounted payments are summarised below:

	On demand	Less than		2-5 years	Over 5 years	Total
	<i>HK\$'000</i>	3 months	3-12 months	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Year ended 31 December						
2007						
Interest-bearing borrowings	—	153,212	15,588	73,972	160,644	403,416
Derivative financial instruments						
— Securities derivatives	—	15,313	61,818	—	—	77,131
— Forward foreign exchange contracts						
Cash outflow	—	2,281	2,787	—	—	5,068
Cash inflow	—	(2,370)	(2,896)	—	—	(5,266)
Other payables	3,638	9,652	—	—	—	13,290
	<u>3,638</u>	<u>178,088</u>	<u>77,297</u>	<u>73,972</u>	<u>160,644</u>	<u>493,639</u>

	On demand	Less than		2-5 years	Over 5 years	Total
	HK\$'000	3 months HK\$'000	3-12 months HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2006						
Interest-bearing borrowings	—	5,831	3,288	13,714	6,604	29,437
Other payables	8,242	—	—	—	—	8,242
	<u>8,242</u>	<u>5,831</u>	<u>3,288</u>	<u>13,714</u>	<u>6,604</u>	<u>37,679</u>

Capital management

The objectives of the Group's capital management are to safeguard the entity's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return capital to shareholders or issue new shares or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 2006.

The Group monitors capital on the basis of gearing ratio, which is net debt divided by total equity. The Group's policy is to maintain a stable gearing ratio. The gearing ratios at the balance sheet date were as follows:

	2007 HK\$'000	2006 HK\$'000
Interest-bearing borrowings	341,648	23,295
Less: Cash and cash equivalents	<u>(304,355)</u>	<u>(8,878)</u>
Net debt	<u>37,293</u>	<u>14,417</u>
Total equity	<u>1,486,465</u>	<u>329,614</u>
Gearing ratio	<u>2.5%</u>	<u>4.4%</u>

34. POST BALANCE SHEET EVENTS

Other than disclosed elsewhere in the financial statements, the following post balance sheet events were conducted:

- (a) Pursuant to the Placing Agreement dated 15 February 2008, the Company agreed to conditionally place 303,580,000 ordinary shares of HK\$0.10 each of the Company on a fully underwritten basis to independent investors at the placing price of HK\$0.17 per share.

On 21 February 2008, an aggregate of 303,580,000 new ordinary shares of HK\$0.10 each of the Company were issued to third parties at the placing price of HK\$0.17 per share by cash.

- (b) Pursuant to the ordinary resolution passed on 28 December 2007, the Company agreed to issue 1,517,931,298 rights shares on the basis of one rights share for every then existing issued and paid up share at a subscription price of HK\$0.22 per Rights Share.

On 29 January 2008, an aggregate of 1,517,931,298 rights shares of the Company were issued at the subscription price of HK\$0.22 per rights share.

- (c) On 14 April 2008, the Group entered into an agreement with a third party to conditionally agree the acquisition of a company which owns properties in Hong Kong at a consideration of HK\$20,160,000, which shall be satisfied by the issue and allotment of 160,000,000 shares of the Company at HK\$0.126 per share to the vendor.

35. COMPARATIVE FIGURES

Other than comparative information restated or reproduced following the adoption of new or revised HKFRS as set out in note 2, certain comparative figures regarding dividend and interest income in the consolidated cash flow statement, other income, employee benefits expense and other operating expenses in the consolidated income statement, interests in subsidiaries in note 16 and compensation of key management personnel in note 32(c) have been reclassified to conform with the current year's presentation.

3. INDEBTEDNESS

At the close of business on 31 May 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Group amounted to approximately HK\$194.6 million, representing bank borrowings secured by certain land and building and investment properties of the Group.

The Group has pledged all its investments held for trading to secure margin financing facilities obtained from regulated securities dealers.

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 May 2008, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other contingent liabilities.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 December 2007, being the date to which the latest published audited accounts of the Group were made up.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present financial resources, the borrowings and the estimated net proceeds from the Rights Issue, in the absence of unforeseen circumstances, the Group has sufficient working capital for its present requirements in at least the next twelve months following the date of this circular.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, being the date to which the latest published audited accounts of the Group were made up.

6. BUSINESS REVIEW

The Group is principally engaged in the business of property investment, investment in securities trading, money lending and acquiring, exploring and developing natural resources. In year 2008, property investment is one of the major businesses of the Group and the Board has strived to build up the Group's property portfolio and enhance its rental income. As announced by the Company on 15 April 2008 and 21 May 2008 respectively, the Group has acquired an aggregate of four properties for investment purpose. The Company has invested in the local as well as international stock markets and its portfolio is subject to exposure to local as well as the global economy. In February 2008, the Group has increased its capital base by the placement of new shares of the Company. With the strengthened capital base, the Group is well positioned to take on new investment opportunities as and when they arise.

7. FINANCIAL AND TRADING PROSPECTS

During the first half of 2008, the Group's capital base has increased and its assets portfolio has improved in quality with the acquisitions of various real estate properties in Hong Kong for long term investment purpose. The Group has and will continue to invest in income producing properties and collectable arts. To strengthen the income base of the Group, the Group has acquired various income producing properties and is in the continual process of negotiating or renting the properties for income. The Board believes that such acquisitions will have a positive impact on the overall earnings of the Group.

The Group is evaluating several projects of interest including but not limited to projects related to water works in China. The Company has also looked into investments in the natural resources or energy related projects in China.

Surplus cash are maintained in certain banks and financial institutions to generate interest income pending identification of suitable investment opportunities. As such, the Group is well positioned to take new investments as and when they arise.

APPENDIX II PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1. UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is an unaudited pro forma statement of consolidated net tangible assets of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Capital Reorganisation and the Rights Issue as if it had been undertaken and completed on 31 December 2007. This statement has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Group on the completion of the Capital Reorganisation and the Rights Issue.

	Audited consolidated net tangible assets of the Group attributable to the Shareholders as at 31 December 2007 <i>(Note iii)</i> HK\$'000	Estimated net proceeds from the Rights Issue <i>(Note iv)</i> HK\$'000	Unaudited pro forma consolidated net tangible assets of the Group attributable to the Shareholders after the Rights Issue HK\$'000	Audited consolidated net tangible assets per Share as at 31 December 2007 <i>(Note v)</i> HK\$	Unaudited pro forma consolidated net tangible assets per Adjusted Share after the Capital Reorganisation and the Rights Issue <i>(Note vi)</i> HK\$
Rights Issue of 1,749,721,295 Rights Shares <i>(Note i)</i>	1,351,839	253,597	1,605,436	0.89	0.66
Rights Issue of 2,294,641,260 Rights Shares <i>(Note ii)</i>	1,351,839	334,772	1,686,611	0.89	0.53

Notes:

- (i) The Rights Issue of 1,749,721,295 Rights Shares is based on 699,888,519 Adjusted Shares held on the Record Date.
- (ii) The Rights Issue of 2,294,641,260 Rights Shares is based on 917,856,506 Adjusted Shares, representing the total of 699,888,519 Adjusted Shares in issue upon the Capital Reorganisation becoming effective, 60,000,000 Adjusted Shares which may be issued and allotted to the Warrantholders on or before the Record Date and 157,967,987 Adjusted Shares which may be issued and allotted to the holder of Convertible Notes on or before the Record Date.

APPENDIX II PRO FORMA FINANCIAL INFORMATION OF THE GROUP

- (iii) The audited consolidated net tangible assets of the Group attributable to the Shareholders as at 31 December 2007 are calculated as follows:

	<i>HK\$'000</i>
Audited share capital and reserves of the Group as at 31 December 2007	1,486,465
Less: Intangible assets	<u>(134,626)</u>
Audited consolidated net tangible assets of the Group attributable to the Shareholders as at 31 December 2007	<u>1,351,839</u>

- (iv) The estimated net proceeds from the Rights Issue is calculated on 1,749,721,295 or 2,294,641,260 Rights Shares to be issued at the Subscription Price of HK\$0.15 per Rights Share, after the deduction of the estimated related expenses of approximately HK\$8,861,000 and HK\$9,424,000 respectively.
- (v) The calculation of the audited consolidated net tangible assets per Share is based on 1,517,931,298 Shares in issue as at 31 December 2007.
- (vi) The calculation of the unaudited pro forma consolidated net tangible assets per Share after the Capital Reorganisation and the Rights Issue is based on (a) 2,449,609,814 Shares which represent the 699,888,519 Adjusted Shares and 1,749,721,295 Rights Shares expected to be issued on the completion of the Capital Reorganisation and the Rights Issue, or (b) 3,212,497,766 Shares which represent 917,856,506 Adjusted Shares and 2,294,641,260 Rights Shares expected to be issued on the completion of the Capital Reorganisation and the Rights Issue.

APPENDIX II PRO FORMA FINANCIAL INFORMATION OF THE GROUP

2. LETTER ON THE UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report received from the reporting accountant of the Company, Mazars CPA Limited, in respect of the unaudited pro forma financial information of the Group for the purpose of incorporation in this circular.



MAZARS CPA LIMITED
馬賽會計師事務所有限公司
34th Floor, The Lee Gardens,
33 Hysan Avenue, Causeway Bay, Hong Kong
香港銅鑼灣希慎道33號利園廣場34樓

11 July 2008

The Directors
Willie International Holdings Limited
32nd Floor, China United Centre
28 Marble Road
North Point
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of Willie International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 89 to 90 under the heading of unaudited pro forma statement of consolidated net tangible assets of the Group in Appendix II of the Company’s circular dated 11 July 2008 (the “Circular”) in connection with the proposed capital reorganisation (the “Capital Reorganisation”) and the proposed rights issue (the “Rights Issue”) of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. The unaudited pro forma financial information has been prepared by the directors of the Company (the “Directors”) for illustrative purposes only to provide information about how the Capital Reorganisation and the Rights Issue might have affected the financial information of the Group as at 31 December 2007. The basis of preparation of the pro forma financial information is set out on pages 89 to 90 to the Circular.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND REPORTING ACCOUNTANTS

It is the responsibility solely of the Directors to prepare the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

APPENDIX II PRO FORMA FINANCIAL INFORMATION OF THE GROUP

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the pro forma financial information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2007 or any future date.

OPINION

In our opinion:

- a. the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Mazars CPA Limited
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately following the Capital Reorganisation becoming effective and completion of the Rights Issue (assuming no further issue of Shares from the Latest Practicable Date to the Record Date); and (iii) immediately following the Capital Reorganisation becoming effective and completion of Rights Issue (assuming exercise in full of the subscription rights attached to the Warrants and exercise in full of the conversion rights under the Convertible Notes on or before Record Date) were as follows:

(i) As at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>50,000,000,000</u>	Shares	<u>5,000,000,000</u>
<i>Issued and fully paid:</i>		
<u>3,499,442,595</u>	Shares	<u>349,944,259.5</u>

(ii) Immediately following the Capital Reorganisation becoming effective and completion of the Rights Issue (assuming no further issue of Shares from the Latest Practicable Date to the Record Date)

<i>Authorised:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Adjusted Shares of HK\$0.1 each immediately after the Capital Reorganisation becoming effective	<u>1,000,000,000</u>
<i>Issued and to be issued:</i>		
699,888,519	Adjusted Shares in issue immediately after the Capital Reorganisation becoming effective	69,988,851.9
<u>1,749,721,295</u>	Rights Shares to be allotted and issued under the Rights Issue	<u>174,972,129.5</u>
<u>2,449,609,814</u>	Adjusted Shares in issue immediately after completion of the Rights Issue	<u>244,960,981.4</u>

(iii) **Immediately following the Capital Reorganisation becoming effective and completion of Rights Issue (assuming exercise in full of the subscription rights attached to the Warrants and exercise in full of the conversion rights under the Convertible Notes on or before Record Date)**

<i>Authorised:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Adjusted Shares of HK\$0.1 each immediately after the Capital Reorganisation becoming effective	<u>1,000,000,000</u>
<i>Issued and to be issued:</i>		
917,856,506	Adjusted Shares in issue immediately after the Capital Reorganisation becoming effective	91,785,650.6
<u>2,294,641,260</u>	Rights Shares to be allotted and issued under the Rights Issue	<u>229,464,126.0</u>
<u>3,212,497,766</u>	Adjusted Shares in issue immediately after completion of the Rights Issue	<u>321,249,776.6</u>

All of the Rights Shares to be issued will rank pari passu in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all the Adjusted Shares in issue as at the date of allotment and issue of the Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, (i) there were Warrants to subscribe up to an aggregate of 300,000,000 Shares outstanding; (ii) there were Convertible Notes in the aggregate principal amount of HK\$86,882,392.88 outstanding and carrying the rights to convert into 789,839,936 Shares at an initial conversion price of HK\$0.11, subject to adjustments; (iii) the Company has authority to grant options to subscribe up to 349,944,259 Shares under the existing Scheme Mandate Limit but no options are outstanding under the Share Option Scheme; and (iv) the Directors have authority to issue up to 699,888,519 Shares under the Issue Mandate. Save for the above, the Company has no derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares.

3. DISCLOSURE OF INTERESTS BY DIRECTORS

As at the Latest Practicable Date, the interests and short positions of the directors, the chief executive of the Company or any of their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position in the Shares

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
Chuang Yueheng, Henry	Beneficial owner	16,990,000	0.49% (Note 1)

Note:

- The percentage of shareholding in the Company is calculated on the basis of 3,499,442,595 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Long positions in the Shares/Adjusted Shares

Name of Shareholders	Capacity	Number of Shares/Adjusted Shares	Approximate percentage of shareholding
Radford Capital Investment Limited	Interest of controlled corporation	346,416,800	9.90% (Note 2)
Winning Horse Limited	Beneficial owner	346,416,800	9.90% (Note 2)
Honeylink Agents Limited	Interest of controlled corporation	1,115,141,295 (Note 1)	34.71% (Note 3)
Get Nice Holdings Limited	Interest of controlled corporation	1,115,141,295 (Note 1)	34.71% (Note 3)
Get Nice Incorporated	Interest of controlled corporation	1,115,141,295 (Note 1)	34.71% (Note 3)
Get Nice	Beneficial owner	1,115,141,295 (Note 1)	34.71% (Note 3)
Heritage International Holdings Limited	Interest of controlled corporation	789,839,936 (Note 4)	22.57% (Note 2)
Dollar Group Limited	Beneficial owner	789,839,936 (Note 4)	22.57% Note 2)

Notes:

1. These are the Rights Shares which Get Nice has underwritten in respect of the Rights Shares (assuming exercise in full of the subscription rights attached to the Warrants and exercise in full of the conversion rights under the Convertible Notes on or before the Record Date). Get Nice is wholly-owned by Get Nice Incorporated which in turn is wholly-owned by Get Nice Holdings Limited. As at the Latest Practicable Date, Get Nice Holdings Limited is owned as to approximately 27.77% by Honeylink Agents Limited in which Mr. Hung Hon Man is the beneficial owner.
2. The percentage of shareholding in the Company is calculated on the basis of 3,499,442,595 Shares in issue as at the Latest Practicable Date.
3. The percentage of shareholding in the Company is calculated on the basis of 3,212,497,766 Adjusted Shares in issue immediately after the Rights Issue (assuming exercise in full of the subscription rights attached to the Warrants and exercise in full of the conversion rights under the Convertible Notes on or before the Record Date).
4. These are Shares falling to be issued by the Company in the event that the conversion rights under the Convertible Notes are exercised in full.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, no person (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital.

5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

- (i) None of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company or any of their respective subsidiaries, respectively, since 31 December 2007, the date to which the latest published audited financial statements of the Group were made up.
- (ii) There is no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.

6. EXPERTS

The following is the qualifications of the experts who have given opinions or advice, which are contained in this circular:

Name	Qualification
Vinco Capital	a corporation licensed to carry out business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Mazars CPA Limited	Certified Public Accountants, Hong Kong

As at the Latest Practicable Date, none of the above experts had direct or indirect shareholdings in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for shares in any member of the Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company or any of their respective subsidiaries, respectively, since 31 December 2007, the date to which the latest published audited financial statements of the Group were made up.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its reports and references to its name in the form and context in which they appear.

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any other member of the Group (excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation)).

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of the Circular and are or may be material:

- (1) On 5 December 2006, the Company and Get Nice entered into a placing agreement in relation to the placing of convertible notes in the aggregate principal amount of HK\$150 million;
- (2) On 26 February 2007, the Company and Get Nice entered into a placing agreement in relation to the placing of 684,000,000 new shares of the Company at HK\$0.12 per share;
- (3) On 12 March 2007, the Company and Chung Nam Securities Limited (“Chung Nam”) entered into a placing agreement in relation to the placing of convertible notes in the aggregate principal amount of HK\$200 million;
- (4) On 27 March 2007, the Company and Get Nice entered into a placing agreement in relation to the placing of 1,189,000,000 new shares of the Company at HK\$0.11 per share;
- (5) On 11 April 2007, Grand Wishes Limited, a wholly owned subsidiary of the Company, and Ms. Lo Oi Kwok, Sheree entered into an agreement in relation to the disposal of 150,000,000 shares of Hennabun Management International Limited by Grand Wishes Limited to Ms. Lo Oi Kwok, Sheree at a consideration of HK\$5 million;
- (6) On 12 April 2007, Trade Well Investments Limited, an indirectly wholly owned subsidiary of the Company, and Mackey Limited entered into a sale and purchase agreement for the acquisition by Trade Well Investments Limited of a property known as House No. 6, Somerset Path, The Royal Oaks, 8 Kam Tsin South Road, Sheung Shui, New Territories from Mackey Limited at a consideration of HK\$57,800,000;

- (7) On 12 April 2007, Portstar Investments Limited, a wholly owned subsidiary of the Company, and Hong Kong Cyberport (Ancillary Development) Limited entered into a sale and purchase agreement for the acquisition of a property known as Flat A, 39/F, Tower 5, Bel-Air No. 8, Bel-Air on the Peak, Island South by Portstar Investments Limited from Hong Kong Cyberport (Ancillary Development) Limited at a consideration of HK\$17,680,000;
- (8) On 12 April 2007, Winsy Investments Limited, a wholly owned subsidiary of the Company, and Hong Kong Cyberport (Ancillary Development) Limited entered into a sale and purchase agreement for the acquisition of a property known as Flat A, 40/F, Tower 5, Bel-Air No. 8, Bel-Air on the Peak, Island South by Winsy Investments Limited from Hong Kong Cyberport (Ancillary Development) Limited at a consideration of HK\$17,680,000;
- (9) On 23 April 2007, Cordoba Homes Limited, a wholly owned subsidiary of the Company, and Ms. Lo Ki Yan Karen entered into a sale and purchase agreement for the acquisition of a 10.21 carat, colour D and flawless diamond by Cordoba Homes Limited from Ms. Lo Ki Yan Karen at a consideration of HK\$10 million;
- (10) On 24 April 2007, Grand Wishes Limited, a wholly owned subsidiary of the Company, and Ms. Tong So Yuet entered into an agreement for the disposal of 159,633,334 shares in Hennabun Management International Limited by Grand Wishes Limited to Ms. Tong So Yuet at a consideration of HK\$1 million;
- (11) On 4 May 2007, More Rich Investments Limited, a wholly owned subsidiary of the Company, and E-Garden Properties Limited entered into a sale and purchase agreement for the acquisition of one share of Clear Point Limited at a consideration of HK\$998,755 and a deed of assignment of debt for the transfer of a loan owed by Clear Point Limited to E-Garden Properties Limited at a consideration of HK\$1,001,245 (the principal assets of Clear Point Limited comprised of three car parking spaces at China United Centre, 28 Marble Road, North Point);
- (12) On 4 May 2007, More Rich Investments Limited, a wholly owned subsidiary of the Company, E-Garden Properties Limited and Righteam Limited entered into a sale and purchase agreement for the acquisition by More Rich Investments Limited of 1,000 shares of Million Regal Investment Limited at a consideration of HK\$1 and a deed of assignment of debt for the transfer of a loan owed by Million Regal Investments Limited to E-Garden Properties Limited at a consideration of HK\$1;
- (13) On 14 May 2007, Wealth Elegant Investments Limited, a wholly owned subsidiary of the Company, and Caricom Limited entered into a sale and purchase agreement for the acquisition by Wealth Elegant Investments Limited of a property known as 26/F, China United Centre, 28 Marble Road, North Point, Hong Kong at a consideration of HK\$40,800,000;

- (14) On 14 May 2007, Hexham Enterprises Limited, a wholly owned subsidiary of the Company, Charming Profit Investments Limited, and Heritage International Holdings Limited entered into an agreement for the purchase by Hexham Enterprises Limited of 1 share in Top Trinity Assets Limited and a shareholder's loan extended to Top Trinity Assets Limited and Bestford Properties Limited at a consideration of HK\$20,828,069.11;
- (15) On 22 May 2007, Million Regal Investment Limited, a wholly owned subsidiary of the Company, and First Luck Investment Limited entered into an agreement for the acquisition by Million Regal Investment Limited of certain car parking spaces at China United Centre, 28 Marble Road, North Point at a consideration of HK\$42,000,000;
- (16) On 29 May 2007, Pearl Decade Limited, a wholly owned subsidiary of the Company, and Radford Capital Investment Limited entered into a subscription agreement for the subscription by Pearl Decade Limited of 284,078,810 shares in Radford Capital Investment Limited at HK\$0.120 per share;
- (17) On 6 June 2007, Thousand More Investments Limited, a wholly owned subsidiary of the Company, and Mr. Leung Chi Wah entered into an agreement for the sale by Leung Chi Wah of one share in and a shareholder's loan extended to Longtop Enterprises Limited at a consideration of HK\$2,234,821;
- (18) On 6 June 2007, the Company, Get Nice and Chung Nam entered into a placing agreement in respect of an issue of 1,946,218,000 new shares of the Company at HK\$0.126 per share under the general mandate granted by the shareholders at its annual general meeting held on 30 May 2007;
- (19) On 15 June 2007, Cordoba Homes Limited, a directly wholly owned subsidiary of the Company, and Hero City Trading Limited entered into an agreement for the acquisition by Cordoba Homes Limited of the entire equity interest in and a shareholder's loan extended to Apex Novel Limited from Hero City Trading Limited at HK\$88,000,000. The principal assets of Apex Novel Limited is a property known as Unit 1, Sunshine Villa, No. 48 Mount Kellett Road, The Peak, Hong Kong;
- (20) On 28 June 2007, Richful Zone International Limited, an indirectly wholly owned subsidiary of the Company, and Harvest Source Holdings Limited entered into an agreement for the sale by Harvest Source Holdings Limited of the entire equity interest in and a shareholder's loan extended to Allied Loyal International Investments Limited to Richful Zone International Limited at a consideration of HK\$136 million. The principal assets of Allied Loyal International Investments Limited comprise 50% of the forestry lands use rights (林地使用權) and forestry trees entitlement (林木所有權) of the forests granted by 雲南省普洱市翠雲區人民政府 in Simao District (思茅區), Puer City (普洱市), Yunnan Province, the PRC;

- (21) On 5 July 2007, the Company and Chung Nam entered into a placing agreement in respect of an issue of 2,335,000,000 new shares of the Company at HK\$0.111 per share under the issue mandate granted by the shareholders of the Company at the extraordinary general meeting held on 4 July 2007;
- (22) On 3 August 2007, the Company and Chung Nam entered into a conditional placing and underwriting agreement in respect of a private placing of 3,000,000,000 warrants in registered form to selected independent institutional and private investors;
- (23) On 3 September 2007, Smart Way Resources Limited, an indirectly wholly owned subsidiary of the Company, China Capital Advisors Corporation, CCEC Ltd., Wang Sing and the Company entered into a sale and purchase agreement for the disposal by Smart Way Resources Limited of a 50% interest in Amerinvest Coal Industry Holding Company Limited to CCEC Ltd. at a consideration of US\$12,190,032.50;
- (24) On 29 October 2007, Unity Investments Holdings Limited and Pearl Decade Limited, a wholly owned subsidiary of the Company entered into a subscription agreement in respect of the subscription of 410,118,799 shares of Unity Investments Holdings Limited by Pearl Decade Limited at a price of HK\$0.11 per share;
- (25) On 12 November 2007, the Company and Chung Nam entered into an underwriting agreement relating to an underwriting of not less than 1,517,931,298 and not more than 2,273,310,686 rights shares at HK\$0.22 per share on an fully-underwritten basis;
- (26) On 15 February 2008, the Company and Get Nice entered into a placing agreement relating to an issue of 303,580,000 new shares of the Company at HK\$0.17 per share under the issue mandate granted by the shareholders of the Company at the extraordinary general meeting held on 10 September 2007;
- (27) On 14 April 2008, Clear State Investments Limited, a wholly owned subsidiary of the Company and Loyal Fine Limited entered into a sale and purchase agreement for the acquisition of the entire issued share capital of and the shareholder loan to Allied Well Development Limited at the consideration of HK\$20,160,000 which was satisfied by the issue and allotment of 160,000,000 consideration shares of the Company;
- (28) On 30 April 2008, Easy Era Investments Limited, a wholly owned subsidiary of the Company and Hennabun Capital Group Limited entered into a sale and purchase agreement for the acquisition of the entire issued share capital of and the shareholder loan to Uprite Limited at the consideration of HK\$94 million by cash;
- (29) On 19 May 2008, Perfectday Investments Limited, a wholly owned subsidiary of the Company and Senstar Limited entered into a sale and purchase agreement for the acquisition of the entire issued share capital of Glamourous Investments Limited and shareholder's loans to Glamourous Investments Limited and its subsidiary at the consideration of approximately HK\$20.4 million (subject to the completion account) which was satisfied by issue of Convertible Notes;

- (30) On 19 May 2008, Equal Sky Limited, a wholly owned subsidiary of the Company and Power Global Limited entered into a sale and purchase agreement for the acquisition of the entire issued share capital of Best Inspire Limited and the shareholder's loans extended to Best Inspire Limited and its subsidiary at the consideration of approximately 32 million (subject to the completion account) which was satisfied by issue of Convertible Notes;
- (31) On 19 May 2008, Oasis Choice Limited, a wholly owned subsidiary of the Company and Power Global Limited entered into a sale and purchase agreement for the acquisition of the entire issued share capital of Bright Majestic Limited and the shareholder's loans extended to Bright Majestic Limited and its subsidiary at a consideration of approximately 34 million (subject to the completion account) which was satisfied by issue of Convertible Notes; and
- (32) the Underwriting Agreement.

10. CORPORATION INFORMATION

Registered Office and head office of the Company	32/F, China United Centre 28 Marble Road North Point Hong Kong
Authorised representatives	Mr. Wong Ying Seung, Asiong Ms. Chan Mee Sze 32/F, China United Centre 28 Marble Road North Point Hong Kong
Company secretary	Ms. Chan Mee Sze (associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators)
Qualified accountant	Ms. Lee Kwan Ching (fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants)
Legal advisers to the Company	Richard Butler in association with Reed Smith LLP 20th Floor, Alexandra House 16-20 Chater Road, Central Hong Kong

Auditors	Mazars CPA Limited 34/F, The Lee Gardens 33 Hysan Avenue Causeway Bay Hong Kong
Principal bankers	Chong Hing Bank Limited G/F, Chong Hing Bank Centre 24 Des Voeux Road Central Hong Kong The Bank of East Asia Limited 10 Des Voeux Road Central Hong Kong The Hong Kong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong

DIRECTORS**Particulars of Directors****Name****Address****Executive Directors**

Mr. Chuang Yueheng, Henry

32nd Floor
China United Centre
28 Marble Road
North Point
Hong Kong

Mr. King Phillip

32nd Floor
China United Centre
28 Marble Road
North Point
Hong Kong

Mr. Wong Ying Seung, Asiong

32nd Floor
China United Centre
28 Marble Road
North Point
Hong Kong

Mr. Wang Lin
32nd Floor
China United Centre
28 Marble Road
North Point
Hong Kong

Independent Non-executive Directors

Ms. Lin Wai Yi
Room 901, 9th Floor, Hong Kong
Diamond Exchange Building
8-10 Duddell Street Central
Hong Kong

Mr. Liu Jian
1-902# Goldland Seaview Garden
Shenzhen City
Guangdong Province
the PRC

Mr. Shum Ming Choy
19th Floor,
Harbour Commercial Building
122-124 Connaught Road Central
Hong Kong

Mr. Yau Yan Ming, Raymond
32nd Floor
China United Centre
28 Marble Road
North Point
Hong Kong

Alternative Director

Ms. Lee Kwan Ching
32nd Floor
China United Centre
28 Marble Road
North Point
Hong Kong

Executive Directors:

Mr. Chuang Yueheng, Henry, aged 52, was appointed as the Chairman of the Company in 2002. He holds Master's degrees in Petroleum Engineering and in Business Administration from the University of Southern California in the United States of America. In 2007, Dubna University of Russia awarded Mr. Chuang an Honorary Doctorate degree in Petroleum Engineering in recognition of his achievement in the field of petroleum engineering. He has over 15 years of experience in corporate finance and development.

Mr. King Phillip, aged 37, was appointed as the Managing Director of the Company in 2005. He holds a Master's degree in Business Administration from the University of San Francisco in the United States of America. He has over 18 years of experience in real estate investment, management and development. He holds directorships with several subsidiaries of the Company.

Mr. Wong Ying Seung, Asiong, aged 57, was appointed as the Director of the Company in 2002. He holds a Bachelor's degree in Chemical Engineering from the University of London in the United Kingdom. He has over 28 years of experience in banking and investment. He holds directorships with several subsidiaries of the Company.

Mr. Wang Lin, aged 53, was appointed as Director of the Company in 2006. He studied Electronics from the Yunnan Radio and TV University. He is an Economist by profession with over 30 years of experience in accounting and finance.

Independent Non-Executive Directors:

Ms. Lin Wai Yi, aged 44, was appointed as the Director of the Company in 2005. She holds Bachelor's, Master's and Doctorate degrees all in Chinese Laws from the Beijing University in the People's Republic of China. She has been a practicing solicitor in Hong Kong since 1994 and has been registered as a solicitor in England and Wales since 1996. She is the founder of Messrs. Deca Lin & Partners.

Mr. Liu Jian, aged 39, was appointed as Director of the Company in 2006. He holds a Bachelor's degree in Electrical Engineering from the Fudan University, Shanghai in the People's Republic of China as well as a Master's degree in Chinese Law from the Jilin University in the People's Republic of China. He is a Senior Economist by profession and has over 15 years of experience in corporate finance and investment banking. Mr. Liu is the Vice President of the Century Securities Company Limited in Beijing.

Mr. Shum Ming Choy, aged 57, was appointed as Director of the Company in 2006. He holds a Bachelor's degree in Laws (Hons.) from the University of Hong Kong. He is a solicitor of the High Court of Hong Kong SAR and Supreme Court of England & Wales. He was a non-executive director of Goldwiz Holdings Limited, a publicly listed company in Hong Kong, during the period from 18 May 2006 to 15 June 2006. He was re-designated as an independent non-executive director of Goldwiz Holdings Limited from 15 June 2006 to 14 February 2007.

Mr. Yau Yan Ming, Raymond, aged 40, was appointed as Director of the Company in 2006. He holds a Master's degree in Science majoring in Japanese business studies and Bachelor's degree in Business Administration majoring in accounting in the United States of America. He is a Certified Public Accountant both in Hong Kong and in the United States of America. He is also an associate member of Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants. He has over 10 years of working experience in areas of auditing, accounting, taxation, company secretarial, corporate finance and financial management. He is an independent non-executive director of Grandtop International Holdings Limited and an executive director of iMerchants Limited, both are publicly listed companies in Hong Kong.

Alternate Director

Ms. Lee Kwan Ching, aged 49, is the financial controller and the qualified accountant of the Company. She is also the alternate Director to Mr. Wong Ying Seung, Asiong. She holds a Bachelor's degree in Commerce (Accounting) from the University of Birmingham in the United Kingdom. She is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. She has over 20 years of experience in finance and accounting.

11. MISCELLANEOUS

The English text of this circular shall prevail over their Chinese text in case of inconsistencies.

12. EXPENSES

The expenses in connection with the Rights Issue, including the underwriting commission, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$8.9 million on the basis of 1,749,721,295 Rights Shares to be issued or HK\$9.4 million on the basis of 2,294,641,260 Rights Shares to be issued, and will be payable by the Company.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 32nd Floor, China United Centre, 28 Marble Road, North Point, Hong Kong from the date of this circular up to and including 4 August 2008:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 December 2005, 31 December 2006 and 31 December 2007 of the Company;
- (c) the copy of each circular issued by the Company dated 16 May 2008 and 6 June 2008, respectively
- (d) the letter of advice from Vinco Capital, the text of which is set out on pages 27 to 40 of this circular;
- (e) the letter on the unaudited pro forma financial information of the Group issued by Mazars CPA Limited set out in Appendix II to this circular;
- (f) the material contracts disclosed in the paragraph under the heading "Material Contracts" in this Appendix; and
- (g) the written consent referred to in the paragraph under the heading "Experts" in this Appendix.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Willie International Holdings Limited (the “Company”) will be held at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong on Monday, 4 August 2008 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the resolutions as a special resolution and an ordinary resolution respectively:—

SPECIAL RESOLUTION

1. “THAT conditional upon (i) the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant the listing of, and permission to deal in, the Adjusted Shares (as defined below) and (ii) the Capital Reduction (as defined below) becoming effective on the registration by the Registrar of Companies in Hong Kong of a copy of resolution passed by the holders of the shares of the Company, a copy of a minute containing the particulars required under section 61A of the Companies Ordinance (Laws of Hong Kong, Cap 32) (the “Companies Ordinance”) and a statement in the prescribed form signed by an officer of the Company certifying that the relevant conditions under the Companies Ordinance have been satisfied:—
 - (A) the authorised capital of the Company be reduced from HK\$5,000,000,000 divided into 50,000,000,000 shares of HK\$0.10 each to HK\$1,000,000,000 divided into 50,000,000,000 shares of HK\$0.02 each and that such reduction be effected by cancelling capital paid up or credited as paid up to the extent of HK\$0.08 per share upon each of the shares in issue and by reducing the nominal value of all the issued and unissued shares in the capital of the Company from HK\$0.10 to HK\$0.02 per share (the “Capital Reduction”);
 - (B) subject to and forthwith upon the Capital Reduction taking effect, every 5 shares of such 50,000,000,000 shares of HK\$0.02 each be consolidated into one share of HK\$0.10 each (the “Adjusted Share”) in the capital of the Company (the “Share Consolidation”);
 - (C) subject to the Capital Reduction taking effect, the credit arising from the Capital Reduction be credited to the share premium account of the Company;

NOTICE OF EGM

- (D) all of the Adjusted Shares resulting from the Capital Reduction and Share Consolidation shall rank *pari passu* in all respects and have the rights and privileges and be subject to the restrictions contained in the Company's articles of association; and
- (E) the directors of the Company be and are hereby authorised generally to do all things they may consider appropriate and desirable to effect and implement the Capital Reduction, Share Consolidation and application of credit arising from the Capital Reduction."

ORDINARY RESOLUTION

- 2. "THAT conditional on the Capital Reduction and Share Consolidation referred to in resolution (1) becoming effective and on the obligations of Get Nice Securities Limited and Orient Securities Limited (the "Underwriters") becoming unconditional under the underwriting agreement dated 18 June 2008 (the "Underwriting Agreement") between the Company and the Underwriters:—
 - (i) the issue of not less than 1,749,721,295 and not more than 2,294,641,260 Adjusted Shares as defined in Resolution 1 of the notice convening this meeting ("Rights Shares") pursuant to an offer by way of rights to holders of shares in the Company at HK\$0.15 per Rights Share (the "Rights Issue") in the proportion of five Rights Shares for every two Adjusted Shares held by the Shareholders whose names appear on the register of members of the Company on 4 August 2008 (or such other date as the Underwriters may agree in writing with the Company) (the "Record Date") other than those Shareholders whose addresses on the register of members of the Company are outside Hong Kong on the Record Date and whom the Directors consider it necessary or expedient not to offer the Rights Issue to such Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place (the "Non Qualifying Shareholders"), on and subject to the terms and conditions set out in a circular to the Shareholders in respect of the Rights Issue dated 11 July 2008 (the "Circular") (a copy of which having been produced to this meeting and marked "A" and initialled by the chairman of the meeting for the purpose of identification) and on such other terms and conditions as may be determined by the directors of the Company be and is hereby approved provided that (i) fractional entitlements shall not be issued but shall be aggregated and sold if premium net of expenses could be obtained for the benefit of the Company; (ii) no Rights Shares shall be offered to Non Qualifying Shareholders and the Rights Shares which would otherwise have been offered to them shall be sold if a premium net of expenses is obtained and to the extent that such rights can be sold, the net proceeds of such sale (after deducting the expenses of sale) be distributed to the Non Qualifying Shareholders pro rata to their holding of shares provided further that individual amounts of HK\$100 or less shall be retained for the benefit of the Company; and (iii) to the extent that the Rights Shares referred to in (i) and (ii) above are not sold as aforesaid, such Rights Shares together with any Rights Shares provisionally allotted but not accepted shall be offered for application under forms of application for excess Rights Shares; and

NOTICE OF EGM

- (ii) the directors of the Company be and is hereby authorised to issue and allot the Rights Shares on terms as set out in the Circular and to do all such acts and things, to sign and execute all such further documents and to take such steps as the directors of the Company may in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Rights Issue and any of the transactions contemplated thereunder.”

By order of the Board
Willie International Holdings Limited
Chan Mee Sze
Company Secretary

Hong Kong, 11 July 2008

Notes:

- (1) A form of proxy to be used for the meeting is enclosed.
- (2) Any member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
- (3) To be valid, the instrument appointing a proxy must be in writing under the hand of the appointer or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized.
- (4) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at office of the Company's share registrar and transfer office, **Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong** not less than 48 hours before the time for holding the meeting or adjourned meeting or poll (as the case may be) at which the person named in such instrument proposed to vote, and in default the instrument of proxy shall not be treated as valid.
- (5) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.

As at the date of this notice, 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.