



WILLIE INTERNATIONAL

# Willie International Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 273)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

### RESULTS

The Board of Directors of Willie International Holdings Limited (the “Company”) (formerly China United International Holdings Limited) is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2005 (the “Period”), together with comparative figures for the six months ended 30 June 2004, are as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30 June 2005*

		Unaudited	
		Six months ended 30 June	
		2005	2004
	Notes	HK\$'000	HK\$'000
<b>Turnover</b>	3	<b>72,479</b>	44,471
Other income	3	<b>8,332</b>	799
Cost of trading securities sold		<b>(81,217)</b>	(43,181)
Depreciation and amortisation expenses		<b>(606)</b>	(906)
Staff costs		<b>(4,637)</b>	(4,676)
Other operating expenses		<b>(17,989)</b>	(18,881)
<b>Loss from operations</b>		<b>(23,638)</b>	(22,374)
Gain on disposal of an investment held for trading		<b>20,528</b>	–
Gain on disposal of interests in subsidiaries		<b>6,031</b>	–
Impairment losses on available-for-sale financial asset		<b>(15,738)</b>	–
Gain on deemed disposal of interest in an associate		<b>1,405</b>	1,800
Loss on deemed acquisition of interest in an associate		<b>(13,331)</b>	–
Share of loss of an associate	4	<b>(41,864)</b>	(77,601)
Other finance costs		<b>(4,736)</b>	(7,024)
<b>Loss from ordinary activities before taxation</b>	5	<b>(71,343)</b>	(105,199)
Taxation	6	<b>–</b>	–
<b>Loss attributable to shareholders</b>		<b>(71,343)</b>	(105,199)

<b>Loss per share – Basic</b>	7	<u><u>HK\$(0.038)</u></u>	<u><u>HK\$(0.100)</u></u>
<b>Loss per share – Diluted</b>	7	<u><u>HK\$(0.044)</u></u>	<u><u>N/A</u></u>

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2005 and 31 December 2004

	<i>Notes</i>	Unaudited At 30 June 2005 <i>HK\$'000</i>	Audited At 31 December 2004 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties		9,530	11,930
Property, plant and equipment		22,186	39,177
Interest in an associate		105,046	181,113
Available-for-sale financial asset		134,262	–
		<u>271,024</u>	<u>232,220</u>
<b>Current assets</b>			
Loans receivable		53,863	18,802
Other receivables		1,708	3,876
Investments held for trading		11,731	20,374
Bank balances and cash		1,225	10,663
		<u>68,527</u>	<u>53,715</u>
<b>Current liabilities</b>			
Other payables		7,495	13,350
Current portion of interest-bearing borrowings		22,659	104,683
Convertible notes		–	53,000
		<u>30,154</u>	<u>171,033</u>
<b>Net current assets (liabilities)</b>		<u>38,373</u>	<u>(117,318)</u>
<b>Total assets less current liabilities</b>		<u>309,397</u>	<u>114,902</u>
<b>Non-current liabilities</b>			
Long-term interest-bearing borrowings		14,727	23,451
Convertible notes		73,725	–
		<u>88,452</u>	<u>23,451</u>
<b>NET ASSETS</b>		<u><u>220,945</u></u>	<u><u>91,451</u></u>

## CAPITAL AND RESERVES

Issued capital		<b>219,409</b>	136,939
Reserves	8	<b>1,536</b>	(45,488)
		<hr/> <b>220,945</b> <hr/>	<hr/> <b>91,451</b> <hr/>

### Notes:

#### 1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2004 annual financial statements of the Group.

The accounting policies and methods of computation used in preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new Hong Kong Financial Reporting Standards (“HKFRS”) and HKASs (collectively referred to as new “HKFRSs”) which are effective for accounting periods commencing on or after 1 January 2005. Details of these changes in accounting policies are set out in note 2.

#### 2. CHANGES IN ACCOUNTING POLICIES

##### *HKFRS 2: “Share-based payment”*

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the share options granted to individuals under share option scheme did not result in an expense in the income statement. Effective from 1 January 2005, the Group expenses the cost of share options in the income statement. In accordance with the transitional provision of HKFRS 2, only the cost of share options granted after 7 November 2002 which had not yet vested on 1 January 2005 was expensed retrospectively in the income statement of the respective periods.

All share options granted by the Group during the year ended 31 December 2004 had already been vested before 1 January 2005 and accordingly, no retrospective restatement is required.

##### *HKAS 17: “Leases”*

The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The upfront prepayments made for the leasehold land are expensed in the income statement on a straight-line basis over the period of the lease and where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment losses.

Because the allocation between the leasehold land and building elements owned by the Group cannot be made reliably, the leasehold interests in land are accounted for as properties within properties, plant and equipment.

**HKAS 32: “Financial Instruments: Disclosure and presentation” and HKAS 39: “Financial instruments: Recognition and measurement”**

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy for recognition, measurement and disclosure of financial instruments.

In accordance with HKAS 39, the investments, depending on the purpose for which the investment are held, are required to be classified into financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. As a result, the trading securities held by the Group are reclassified as financial assets at fair value through profit or loss and carried at fair value at the balance sheet date with movements in fair value recognised in income statement.

Furthermore, HKAS 39 requires financial liabilities, except for those carried at fair value through profit or loss, to be carried at amortised cost using effective interest method.

Therefore, the convertible notes in issue by the Group during the Period were split into the equity portion for the fair value of the conversion right by the noteholders, and the liability portion of the loan which is carried at amortised cost using effective interest method.

**HKAS 40: Investment properties**

In prior years, investment properties were stated at open market values on the basis of professional valuation. Changes in values are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the income statement.

On adoption of HKAS 40, investment property is stated at fair value at balance sheet date, all changes in fair value of the investment property are recognised in the income statement. There is no impact on these financial statements as a result of this change in accounting policy because the Group’s investment property had a net revaluation deficit position as at 30 June 2005 and 31 December 2004 and the changes in valuation of the Group’s investment property during the six months ended 30 June 2005 and year ended 31 December 2004 would be recognised in the income statement irrespective of whether the old policy or the new policy is applied.

**3. SEGMENT INFORMATION**

The analysis of the Group’s revenue and results by business segments are as follows:

**Six months ended 30 June 2005 (unaudited)**

<b>Segment revenue</b>	<b>Investment in trading securities HK\$’000</b>	<b>Brokerage and financial services HK\$’000</b>	<b>Property investment HK\$’000</b>	<b>Investment holding HK\$’000</b>	<b>Unallocated HK\$’000</b>	<b>Total HK\$’000</b>
<b>Turnover</b>						
External customers	65,407	6,980	92	–	–	72,479
Other revenue	–	5,050	–	1,754	1,528	8,332
<b>Total revenue</b>	<b>65,407</b>	<b>12,030</b>	<b>92</b>	<b>1,754</b>	<b>1,528</b>	<b>80,811</b>
<b>Segment results</b>	<b>(26,249)</b>	<b>4,738</b>	<b>(359)</b>	<b>(3,222)</b>	<b>1,454</b>	<b>(23,638)</b>

Gain on disposal of an investment held for trading							20,528
Gain on disposal of interests in subsidiaries							6,031
Impairment losses on available-for-sale financial assets							(15,738)
Gain on deemed disposal of interest in an associate							1,405
Loss on deemed acquisition of interest in an associate							(13,331)
Share of profit (loss) of an associate	(1,876)	(44,143)	–	2,893	1,262		(41,864)
Other finance costs							(4,736)
							<u>(71,343)</u>
Loss attributable to shareholders							<u>(71,343)</u>

**Six months ended 30 June 2004 (unaudited)**

	Investment in trading securities <i>HK\$'000</i>	Brokerage and financial services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment revenue</b>						
<b>Turnover</b>						
External customers	36,400	7,862	209	–	–	44,471
Other revenue	–	–	121	–	678	799
Total revenue	<u>36,400</u>	<u>7,862</u>	<u>330</u>	<u>–</u>	<u>678</u>	<u>45,270</u>
<b>Segment results</b>	(6,855)	(7,220)	102	(2,072)	(6,329)	(22,374)
Gain on deemed disposal of interest in an associate						1,800
Share of profit (loss) of an associate	5,826	(1,517)	–	(59,381)	(22,529)	(77,601)
Other finance costs						(7,024)
Loss attributable to shareholders						<u>(105,199)</u>

#### 4. SHARE OF LOSS OF AN ASSOCIATE

Details of the consolidated operating results of Hennabun Management International Limited (“HMIL”) (formerly Hennabun Management Inc.) based on unaudited financial statements, after adjusting the fair value of assets acquired at the date of acquisition, are as follows:–

	<b>Unaudited Six months ended 30 June 2005 HK\$'000</b>
<b>Operating results for the six months ended 30 June 2005</b>	
Turnover	<u>14,200</u>
Loss from ordinary activities before taxation	<u>(161,757)</u>
Share of loss of an associate	<u>(41,864)</u>

#### 5. LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

	<b>Unaudited Six months ended 30 June</b>	
	<b>2005</b>	<b>2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
This is stated after charging (crediting):		
Net unrealised holding loss on investment held for trading	<b>10,367</b>	–
Impairment loss on goodwill arising from acquisition of additional interest in an associate (included in share of loss of an associate)	–	23,721
Net (write-back of) provision for bad and doubtful debts	<b>(5,050)</b>	14,705
Loss (Gain) on disposal of investment properties	<b>162</b>	(121)
Release of negative goodwill to income – included in share of loss of an associate	–	(1,347)
Gain on disposal of property, plant and equipment	<b>(122)</b>	(678)
Gain on disposal of an investment held for trading	<u><b>(20,528)</b></u>	<u>–</u>

#### 6. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the six months ended 30 June 2005.

#### 7. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period of HK\$71,343,000 (2004: HK\$105,199,000) and on the weighted average number of shares of 1,888,379,793 (2004: 1,038,348,610 shares) in issue during the Period.

The calculation of the diluted loss per share is based on the loss for the Period of HK\$71,343,000 and on the weighted average number of shares of 1,621,393,344.

## 8. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Convertible notes – equity portion HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2005 (audited)	24,485	18,273	–	(88,246)	(45,488)
Equity portion of convertible notes issued	–	–	55,725	–	55,725
Exercise of warrants	534	–	–	–	534
Share issued under share option scheme	12,074	–	–	–	12,074
Shares issued at premium, net of issuing expenses	77,897	–	–	–	77,897
Conversion of convertible notes	–	–	(27,863)	–	(27,863)
Loss for the period	–	–	–	(71,343)	(71,343)
Change in fair value of convertible notes – equity portion	–	–	(1,588)	1,588	–
	<u>114,990</u>	<u>18,273</u>	<u>26,274</u>	<u>(158,001)</u>	<u>1,536</u>
At 30 June 2005 (unaudited)					

## INTERIM DIVIDEND

The Board of directors does not recommend any interim dividend for the six months ended 30 June 2005 (2004: Nil).

## BUSINESS REVIEW AND PROSPECTS

### Results

During the six months ended 30 June 2005, the Group recorded an unaudited loss attributable to shareholders of approximately HK\$71.3 million, as compared with a loss of approximately HK\$105.2 million for the corresponding six months ended 30 June 2004. The loss per share was HK\$0.038 for the current Period as compared with a loss per share of HK\$0.100 for the corresponding six months ended 30 June 2004. Turnover was approximately HK\$72.5 million, an increase of approximately 63% from 2004's level of approximately HK\$44.5 million, which was mainly due to the increase of approximately 79.7% in the income for investment in trading securities (approximately HK\$65.4 million in this Period versus approximately HK\$36.4 million in 2004) during the Period.

### Review

The first half of 2005 was a difficult and volatile Period for investment. While short term interest rate in the US rose gradually from 2.25% to 3.25% over the Period, the benchmark 10-year treasury yield shot up sharply in March before easing back in the second quarter. Global stock markets also experienced significant swings in the first six months of 2005. However, recent data showed that the global economy is still in relatively good shape amid rising interest rates and high oil prices.

In order to stabilize our earnings and make better use of the Group's resources, we have reorganized our Company's structure to support the development of our fee generating business and improve our ability to capitalize on cross selling opportunities among divisions (and in some instances within divisions) in the future. As a result, we are pleased to announce that the Group has realigned themselves and is now focused in four lines of businesses: business of providing financial services, trading and principal investments, formation of real estate investment projects and investment in gaming and entertainment partnerships.

## **Liquidity and Capital Resources**

As at 30 June 2005, the Group's total shareholders' funds amounted to approximately HK\$220.9 million compared with HK\$91.4 million at 31 December 2004. The gearing ratio (calculated by aggregated interest-bearing borrowings divided by shareholders' funds at the balance sheet date) and current ratio of the Group was approximately 16.9% and approximately 2.27 times at 30 June 2005, compared to approximately 198% and approximately 0.31 times respectively at 31 December 2004.

As at 30 June 2005, the Group has bank loans and other borrowings of approximately HK\$37.4 million (31 December 2004: approximately HK\$128.1 million) and convertible notes, with an aggregate principal amount of approximately HK\$73.7 million excluding the equity component under HKAS 39 (31 December 2004: approximately HK\$53 million).

As most of the Group's transactions and bank deposits were denominated in Hong Kong dollars, the Group's exposure to foreign exchange risk was minimal.

## **Pledge of Assets**

As at 30 June 2005, certain assets of the Group with an aggregate net book value of approximately HK\$30.8 million (31 December 2004: approximately HK\$50.7 million) were pledged to banks to secure credit facilities granted to the Group.

## **Contingent Liabilities**

As at 30 June 2005, the Company had contingent liabilities not provided for in the financial statements in respect of guarantee of HK\$38,000,000 (At 31 December 2004: HK\$38,000,000) and HK\$75,000,000 (At 31 December 2004: HK\$75,000,000) for banking facilities granted to subsidiaries and an associate respectively, which were utilised by subsidiaries and an associate to the extent of HK\$19,387,000 (At 31 December 2004: HK\$32,054,000) and HK\$32,545,000 (At 31 December 2004: HK\$31,589,000) respectively.

## **Employees**

As at 30 June 2005, the total number of employees of the Group was 24. The Group remunerates its employees based on their performance, working experience and prevailing market standards and reviews their remuneration annually. Staff benefits include a medical insurance coverage, provident fund and a share option scheme. As at 30 June 2005, there are no share options outstanding.

## **Prospects**

The Hong Kong economy continued to improve with gross domestic product increasing by 6%. The employment situation improved gradually and consumers regained confidence, while the property market became active again. With the Group developing new business strategies to turn around the Group's operating performance and the realignment of the Group's new business focus, we are ready to step ahead into a new era. The Group will continue to take a conservative approach in investing and evaluating projects in Hong Kong, Macau and China as we believe improving domestic economies, strong liquidity flow will continue to underpin these markets.



## **POST BALANCE SHEET EVENTS**

On 3 August 2005, the Company and HMIL entered into an agreement (“the Agreement”) whereby the Company agreed, inter alia, to:

- (i) procure a subsidiary of the Company to transfer a subsidiary and assign a shareholder loan in the principal amount of approximately HK\$41.41 million to HMIL for a consideration of HK\$7.8 and HK\$41 million respectively, to be satisfied by cash and the issue of a convertible note (“First New Note”) by HMIL to the Company respectively, and
- (ii) procure another subsidiary of the Company to surrender the 6% convertible note issued by HMIL with the outstanding principal amount of HK\$95 million for a consideration of HK\$105 million to be satisfied by the issue of a convertible note (“Second New Note”) by HMIL to the Company.

Both First New Note and Second New Note will bear interest at 8% per annum and due on the day immediately preceding the tenth anniversary of the date of issue.

The completion of the Agreement is conditional upon:

- (i) the approval of shareholders at an extraordinary general meeting in compliance with the Listing Rules;
- (ii) HMIL procuring that an unsecured standby credit facility in the amount of HK\$50 million is made available to the Company by HMIL or its subsidiaries or independent parties at an interest rate per annum equal to the prime rate.

## **DIRECTORS**

Mr. Chung Wilson has resigned as the Managing Director of the Company with effect from 15 September 2005 and remained as a Non-executive Director of the Company. Mr. King Phillip has been appointed as the Managing Director of the Company with effect from 15 September 2005.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

There was no purchase, sale or redemption of the Company’s listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2005.

## **AUDIT COMMITTEE**

The Audit Committee, comprising five independent non-executive directors, Mr. Lam Ping Cheung, Mr. Miu Frank H., Mr. Nakajima Toshiharu, Ms. Lin Wai Yi and Mr. Pang Shuen Wai, Nichols. The Audit Committee meets with the Group’s management regularly to review the accounting principles and practices adopted by the Group, the effectiveness of the internal control systems and the interim and annual reports of the Company. The Audit Committee has reviewed the Group’s unaudited interim results for the six months ended 30 June 2005.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

### **Code provision A.4.1 and A.4.2**

The Company has complied with the Code on Corporate Governance Practices (“Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2005, with deviations from code provisions A.4.1 and A.4.2 of the Code in respect of the service term and rotation of directors.

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Following a review of the Company’s corporate governance practices with reference to the Code, the amendments to the relevant articles of the Articles of Association of the Company were approved at the extraordinary general meeting held on 16 September 2005 to ensure compliance with the Code.

Pursuant to the Articles of Association of the Company, at each annual general meeting one third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election. The chairman of the Board, the managing director and/or deputy chairman of the Company shall not, whilst holding office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire each year. Accordingly, the Articles of Association of the Company have been amended to specify that each Director will be subject to retirement by rotation at least once every three years in compliance with the code provision A.4.2. The Articles of Association of the Company have also been amended to specify that any director appointed to fill a casual vacancy shall hold office until the next following general meeting instead of the next following annual general meeting. Directors appointed as an addition to the Board shall be subject to election at the next annual general meeting after their appointment.

The non-executive directors of the Company are not appointed for specific terms but they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

### **Remuneration Committee**

The Company has established a remuneration committee on 28 June 2005 with a majority of members of independent non-executive directors and specific written terms of reference in accordance with the Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry by the Company, all Directors of the Company confirmed that they had complied with the required standard as set out in the Model Code throughout the Period.

**PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE**

The 2005 Interim Report containing all the information required by paragraphs 46(1) to 46(9) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website ([www.hkex.com.hk](http://www.hkex.com.hk)) in due course.

By Order of the Board  
**Chuang Yueheng, Henry**  
*Chairman*

Hong Kong, 16 September 2005

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