THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or **transferred** all your shares in Willie International Holdings Limited, you should at once hand this circular to the purchaser or transferee or the bank, licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser.

WILLIE INTERNATIONAL

Willie International Holdings Limited
威 利 國 際 控 股 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 273)

DISCLOSEABLE TRANSACTION — ACQUISITION OF 25% INTEREST IN AMERINVEST AND MAJOR TRANSACTION — DISPOSAL OF INTEREST IN FOUND MACAU AND ASSIGNMENT OF SHAREHOLDER LOAN AND PROPOSALS FOR RENEWAL OF GENERAL MANDATES

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

ANGLO CHINESE
CORPORATE FINANCE, LIMITED

A notice convening the EGM (as defined herein) to be held on 23rd February, 2006 at 9:00 a.m. at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong is set out on pages 98 to 102 of this circular. If you are not able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the registered office of the Company at 32nd Floor, China United Centre, 28 Marble Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment of it should you so wish.

7th February, 2006

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

"Alpha Aim"	Alpha Aim International Limited, a company incorporated in the British Virgin Islands on 18th November, 2004 and a wholly-owned subsidiary of the Company;
"Amerinvest Agreement"	the conditional sale and purchase agreement dated 12th January, 2006 entered into by the Vendor and the Purchaser in relation to sale and purchase of the Sale Shares;
"Amerinvest"	Amerinvest Coal Industry Holding Company Limited, a company incorporated in the British Virgin Islands;
"Amerinvest Group"	Amerinvest and West China Coking;
"Anglo Chinese"	Anglo Chinese Corporate Finance, Limited, an independent financial adviser appointed to advise the Independent Board Committee and the shareholders in respect of the New Issue Mandate;
"Associates"	the meaning ascribed thereto in the Listing Rules;
"Board"	the board of directors of the Company;
"Company"	Willie International Holdings Limited, a company incorporated in Hong Kong, whose shares are listed on the Stock Exchange;
"Connected Person(s)"	the meaning ascribed thereto in the Listing Rules;
"Consideration Shares"	250,000,000 new ordinary shares of a par value of HK$0.10 each in the Company to be issued to the Vendor or as it may direct;
"Directors"	the directors of the Company;
"EGM"	the extraordinary general meeting of the Company to be held at 9:00 a.m. on Thursday, 23rd February, 2006 at 30th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong to approve the issue of the Consideration Shares and the FM Agreement and transactions contemplated thereunder;
"FM Agreement"	the agreement dated 13th January, 2006 between Alpha Aim and Mr. Au Yeung in relation to the sale of 30 FM Shares and the assignment of the Shareholder Loan;

"FM Shares"	shares of a par value of US$1.00 each in the capital of Found Macau;
"Found Macau"	Found Macau Investments International Limited, a company incorporated in the British Virgin Islands;
"General Mandates"	the New Issue Mandate and Repurchase Mandate;
"Group"	the Company and its subsidiaries;
"Independent Board Committee"	an independent committee of the Board appointed by the Directors to advise the shareholders in respect of the New Issue Mandate;
"Latest Practicable Date"	3rd February, 2006 being the latest practicable date for ascertaining certain information for inclusion in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Mr. Au Yeung"	Mr. Au Yeung Kai Chor, the purchaser under the FM Agreement, and a director of Found Macau;
"New Issue Mandate"	a general mandate proposed to be sought at the EGM to authorise the Directors to issue new Shares up to 20% of the Shares in issue as at the date of the EGM and the extension thereof by a separate resolution to include the Shares repurchased under the Repurchase Mandate on the terms set out in the notice of EGM;
"PRC"	the People's Republic of China whereas exclude Hong Kong, Taiwan & Macau;
"Purchaser"	Smart Way Resources Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company;
"Remaining Shareholder"	holder of 25.35% of the issued share capital of Amerinvest as at the Latest Practicable Date;
"Repurchase Mandate"	a general mandate proposed to be sought at the EGM to authorise the Directors to repurchase Shares up to 10% of the Shares in issue as at the date of the EGM on the terms set out in the notice of EGM;
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
"Sale Price"	HK$66,250,000;

"Sale Shares"	2,500 shares, representing 25% of the issued share capital of Amerinvest;
"Shareholder(s)"	holder of (a) Share(s) of the Company;
"Shareholder Loan"	an unsecured shareholder loan of HK$150,000,000 which is interest free and repayable on 28th February, 2013;
"Shares"	shares of a par value of HK$0.10 in the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Vendor"	China Capital Advisors Corporation, a company incorporated in the Cayman Islands; and
"West China Coking"	曲靖大為焦化制供氣有限公司 West China Coking & Gas Company Limited, a company incorporated in the People's Republic of China.

Willie International Holdings Limited
威利國際控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 273)

Executive Directors
Mr. Chuang Yueheng, Henry
Mr. King Phillip
Mr. Lo Kan Sun
Mr. Wong Ying Seung, Asiong

Independent Non-executive Directors
Mr. Lam Ping Cheung
Mr. Miu Frank H.
Mr. Nakajima Toshiharu
Ms. Lin Wai Yi
Mr. Liu Jian

Registered Office and Head Office
32nd Floor, China United Centre
28 Marble Road
North Point
Hong Kong

7th February, 2006

To the Shareholders

Dear Sir/Madam,

DISCLOSEABLE TRANSACTION — ACQUISITION OF 25% INTEREST IN AMERINVEST AND MAJOR TRANSACTION — DISPOSAL OF INTEREST IN FOUND MACAU AND ASSIGNMENT OF SHAREHOLDER LOAN AND RENEWAL OF GENERAL MANDATES

INTRODUCTION

On 12th January 2006, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Amerinvest Agreement with the Vendor pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares in Amerinvest, representing 25% of the issued share capital of Amerinvest, at the Sale Price of HK$66,250,000, which shall be satisfied by the issue and allotment of the Consideration Shares to the Vendor at HK$0.265 per Share representing approximately 8.06% of the issued share capital as at the Latest Practicable Date and approximately 7.46% of the issued share capital of the Company, as enlarged by the issue of the Consideration Shares (assuming there are no changes to the issued share capital of the Company between the Latest Practicable Date and the EGM).

The Amerinvest Agreement constitutes a discloseable transaction for the Company under Chapter 14.06 of the Listing Rules.

On 13th January, 2006, Alpha Aim, a wholly-owned subsidiary of the Company, entered into the FM Agreement with Mr. Au Yeung whereby Alpha Aim agreed, amongst other things, to sell 30 FM Shares and assign the Shareholder Loan to Mr. Au Yeung at an aggregate consideration of HK$75,000,000, conditional upon the approval of Shareholders at the EGM.

The FM Agreement constitutes a major transaction for the Company under Rule 14.06 of the Listing Rules and is subject to approval of Shareholders at the EGM.

This circular contains details on the Amerinvest Agreement and FM Agreement as required under the Listing Rules.

THE AMERINVEST AGREEMENT

Date:	12th January, 2006
Parties to the Amerinvest Agreement:	China Capital Advisors Corporation as Vendor Smart Way Resources Limited as Purchaser

The Vendor is wholly owned by Mr. Wang Sing. The Purchaser is an indirect wholly-owned subsidiary of the Company.

The Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase 2,500 Sale Shares in Amerinvest, representing 25% of the issued share capital of Amerinvest for a consideration of HK$66,250,000 which will be satisfied by the issue and allotment of the Consideration Shares at HK$0.265 per share to the Vendor or as it may direct. The Purchaser shall procure that the Company issues the Consideration Shares to the Vendor or as it may direct. The Consideration Shares when issued will rank pari passu with all other Shares in issue on completion of the Amerinvest Agreement.

The issue price of HK$0.265 per Consideration Share represents (i) no discount or premium to the last traded price of HK$0.265 per Share quoted on the Stock Exchange on 12th January, 2006 prior to the suspension of trading in the Shares; (ii) a premium of approximately 0.76% to the average closing price of approximately HK$0.263 per Share as quoted on the Stock Exchange for the last five full trading days on which trading in the Shares was not suspended immediately before the issue of the announcement dated 17th January, 2006; and (iii) a discount of approximately 22% to the closing price of HK$0.340 per Share on the Latest Practicable Date.

Application will be made to the Stock Exchange for listing of and permission to deal in the Consideration Shares.

Conditions of the Amerinvest Agreement:

Completion of the Amerinvest Agreement is subject to the following conditions:

(i) the passing by the Shareholders of a resolution to approve the issue of the Consideration Shares at the EGM of the Company in accordance with the Listing Rules;

(ii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares; and

(iii) a due diligence investigation to be carried out on the Amerinvest Group having been completed and no material and substantial deviation being found between the result of the investigation and the warranties given by the Vendor in the Amerinvest Agreement and/or the information relating to the Amerinvest Group provided to the Purchaser prior to the signing of the Amerinvest Agreement.

Completion shall take place on the third business day after the date on which all the conditions have been satisfied. If the conditions have not been fulfilled on or before 5:00 pm on 15th March, 2006 or such other date as the parties may agree in writing, the Amerinvest Agreement shall terminate and the parties shall not have any further claims against each other for costs, damages, compensation or otherwise, save for antecedent breaches.

Other Terms:

The Vendor undertakes to procure the agreement of Mr. Wang Sing to give the Purchaser a right of first refusal in the event that Mr. Wang Sing wishes to transfer or otherwise dispose of all or part of its direct or indirect interest in the shares of Amerinvest and to offer to sell such shares to the Purchaser on terms to be agreed prior to selling such interest to other parties. The Vendor shall procure that in the event that Amerinvest wishes to issue new shares, Amerinvest will offer and will procure that Mr. Wang Sing offers to the Purchaser a right to subscribe for such new shares on terms to be agreed prior to such offer having made to third parties with a view to the Purchaser or its nominees becoming the controlling shareholder of Amerinvest.

The Vendor represents and warrants to the Purchaser that, subject to negotiation and finalisation of the terms, Amerinvest has a right of first refusal in the event that any of the other holders of registered capital of West China Coking wishes to transfer or otherwise dispose of all or part of their direct or indirect interest in West China Coking and they will offer to sell such interest to Amerinvest on terms to be agreed prior to selling such interest to other parties and that in the event that West China Coking wishes to issue new registered capital, the consent of Amerinvest must be obtained so that Amerinvest may, as a condition for giving consent, be given a right to subscribe for such new registered capital on terms to be agreed prior to such offer being made to third parties with a view to Amerinvest or its nominees becoming the controlling shareholder of West China Coking.

The Vendor has represented to the Purchaser that Amerinvest has the right to make further investment in West China Coking and in two other projects, which projects will lead to an annual production of approximately another 2.1 million tons of coke and approximately 500,000 tons of synthetic ammonia, which will enable Amerinvest to become the controlling shareholder of West China Coking and the other projects which in turn will lead West China Coking to become one of the largest sino-foreign joint venture coking and chemical companies in Southwest China.

Consideration:

The aggregate consideration payable by the Purchaser under the Amerinvest Agreement is HK$66,250,000, which shall be satisfied by the issue and allotment of the Consideration Shares to the Vendor or as it may direct and was arrived that after arms length negotiations between the Vendor and the Purchaser based on (i) the financial statements and prospects of West China Coking; (ii) the right of the Company to become controlling shareholder of Amerinvest subject to further negotiation between the Vendor and the Company; and (iii) other qualitative factors as mentioned in the section "Reasons for the transactions" below.

AMERINVEST/THE VENDOR

As at the Latest Practicable Date, Amerinvest was held 25% by the Vendor, 49.65% by Mr. Wang Sing and 25.35% by the Remaining Shareholder. The Vendor is wholly-owned by Mr. Wang Sing. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Wang Sing, the Vendor and the Remaining Shareholder are not Connected Persons of the Company and are otherwise independent of the Company and Connected Persons of the Company.

After completion of the Amerinvest Agreement, Amerinvest will be held 25% by the Purchaser, 49.65% by Mr. Wang Sing and 25.35% by the Remaining Shareholder. Currently, Mr. Wang Sing is the sole director of Amerinvest. The Purchaser will not nominate any representatives on the board of Amerinvest on completion of the Amerinvest Agreement.

Amerinvest was incorporated on 2nd January, 2003. Amerinvest is an investment holding vehicle set up for the purpose of exploring and investing in coking and chemical projects in the PRC. Amerinvest holds 25% of the registered capital of West China Coking.

Based on the unaudited financial statements of Amerinvest for the period from 2nd January, 2003 (date of incorporation) to 31st December, 2005, the net asset value of Amerinvest was approximately HK$36,389,677 and the net loss was approximately HK$1,095,425.

Based on the unaudited financial statements of West China Coking for the 11 months ended 30th November, 2005, its unaudited turnover and net profit for the period were approximately RMB593.2 million and RMB52.4 million respectively. Also, the unaudited total assets and net assets of West China Coking as at 30th November, 2005 were approximately RMB926.0 million and RMB202.9 million respectively.

The net asset value of Amerinvest comprises of cash and investment in 25% of West China Coking in the approximate amount of HK$2 million and HK$34.4 million respectively. Pursuant to the unaudited financial statements of West China Coking for the 11 months ended 30th November, 2005, the attributable value of Amerinvest's investment in West China Coking was approximately RMB50.7 million.

Upon completion of acquisition of 25% of the equity shares of Amerinvest, there will be an increase in interest in associates of approximately HK$66.25 million, an increase in issued share capital of approximately HK$25 million and an increase in share premium of approximately HK$41.25 million.

As disclosed above, the acquisition of 25% interest in Amerinvest will result in an increase in interest in associates. Save for any distributions by Amerinvest (if any) of its distributable profits (if any), the Company does not expect that its investment in Amerinvest will have any material impact on the reported liabilities and earnings of the Group (save to the extent resulting from the application of the equity method of accounting in respect of its interest in Amerinvest).

Based on information provided by the Vendor, the existing agreement between Amerinvest and the existing shareholders of West China Coking contemplates a right for Amerinvest to acquire an additional 29.8% interest in West China Coking and become the controlling shareholder of West China Coking and two other projects which are expected to have an annual production of approximately another 2.1 million tons of coke and approximately 500,000 of tons of synthetic ammonia in the event that Amerinvest can raise US$100 million by February 2006 for West China Coking and the two other projects described above. However, Amerinvest's existing interest in 25% of West China Coking is not affected. The Company has not entered into any agreement in relation to the provision of the financing for such amount and is under no obligation to do so. Based on the information provided by the Vendor, Amerinvest is in negotiation with the existing shareholders of West China Coking in relation to the alteration of the terms and tenure of the right to acquire that 29.8% interest in West China Coking and the controlling stake of two other projects as described above. Subject to completion of the Amerinvest Agreement, if and when Amerinvest decides to participate in such further investment, the Company will comply with the Listing Rules in making appropriate announcement to inform the public.

The Vendor, a wholly-owned company by Mr. Wang Sing, will own approximately 7.46% after completion of the Amerinvest Agreement. Although the Company does not rule that there may be future discussion, negotiation or co-operation with Mr. Wang Sing on future investment opportunities (which are attractive to the Company), at this stage, there are no discussions or negotiations on any other future injection of assets into the Company with Mr. Wang Sing and the Company is not aware of any further investment in the shareholding of the Company by Mr. Wang Sing. If there are any further transactions, the Company will make an announcement if appropriate.

GENERAL INFORMATION

The Amerinvest Agreement constitutes a discloseable transaction under Chapter 14.06 of the Listing Rules.

REASONS FOR THE TRANSACTION

The Directors consider that West China Coking has strong business results and prospects in the production and distribution of coke and the related gas chemicals. Based on the information provided by the Vendor, the Company understands that the unaudited turnover and net profit of West China Coking for the 11 months ended 30th November, 2005, of approximately RMB593.2 million and RMB52.4 million respectively were mainly attributed to two existing coke ovens with an annual production capacity of 700,000 tons of coke and the related gas chemicals. A new coke oven with an annual production capacity of 350,000 tons of coke has just commenced its operations since November 2005. With an annual productivity of approximately 1.05 million tons of coke together with approximately 2.66 million cubic meters coke oven gas, 22,000 tons of coal tar, 6,000 tons crude benzene, 4,500 tons ammonium sulfate and 80,000 tons methanol, West China Coking is expected to be one of the top 30 coke producers in the PRC as well as one of the largest coke producers in Yunnan. The major customers of West China Coking are metallurgy companies and chemical firms which are mainly located in Yunnan Provinces and focused in Yuxi, Kunming and Qujing which account for approximately 75% of the customer base of West China Coking. Customers out of Yunnan Province account for approximately 25% and include steel firms, iron works that are located in Guangxi Autonomous Region, Guangdong Province, Hunan Province and Zhejiang Province in the PRC.

Secondly, the Directors consider that West China Coking possesses solid support from its existing shareholders. Based on the information provided by the Vendor, Amerinvest, Qujing Development & Investment Corp and Yunnan Yunwei Group Co. Limited beneficially own West China Coking as to 25%, 20.2% and 54.8% respectively. Qujing Development & Investment Corp is a state owned investment policy company with registered capital of US$48 million which is involved in managing infrastructure funds and funds for specified purposes for the local city government and holds investments in various government backed projects in fundamental industries and infrastructures. Yunnan Yunwei Group Co. Limited is one of the top 100 largest chemical fibre enterprises in the PRC and one of the top 100 largest enterprises in Yunnan Province. It is perceived that such shareholders maintain substantial business networks in the Yunnan Province.

Thirdly, the Directors understand that West China Coking has an experienced management team responsible for the strategic planning and business development for West China Coking. Mr. Wang Sing, the sole director of Amerinvest is also the deputy chairman of West China Coking. The rest of the board members of West China Coking have been engaged in the chemical industry for more than 20 years.

Fourthly, the Directors consider that Mr. Wang Sing, the substantial shareholder of Amerinvest as well as the sole director of Amerinvest has proven records in direct investment, mergers and acquisitions as well as having the relevant academic background in the chemical and gas industry. Mr. Wang Sing graduated in Yunnan University with a B.Sc. in chemistry and holds a postgraduate degree from Oxford University, England. Mr. Wang Sing is also a native of Kunming and a Standing Committee Member of the 9th Yunnan Provincial Committee of the Chinese People's Political Consultative Conference. Mr. Wang Sing was the Chief Executive Officer and Executive Director of Tom Group Limited (HKSE stock code 2383) from July 2000 to January 2006. During that five years, Mr. Wang Sing has successfully transformed Tom Group Limited from an internet start up into a premier Chinese language media conglomerate through more than forty acquisitions and strategic alliances in the PRC, Hong Kong and Taiwan. Mr. Wang Sing is also one of the PRC's most experienced private equity investors with broad experience in investment banking, equity capital markets and technology. Prior to joining Tom Group Limited, he spent 7 years at Goldman Sachs, being a founding member of Goldman Sachs's Asian private equity team. In 1999, Mr. Wang Sing was the head of Goldman High Technology Group's China High Technology Team. The Directors consider that with the leadership of Mr. Wang Sing in Amerinvest and West China Coking, the Company's investment in Amerinvest will have promising prospects.

Fifthly, the Directors consider that based on the representations given by the Vendor under the Amerinvest Agreement as referred to in the section headed "Other terms" above and assuming that the Company acquires a further stake of the appropriate size in Amerinvest, the Company is able to consolidate the results of Amerinvest into the Group whenever the business performance of Amerinvest and the investment terms to the Company are desirable for the Company.

Sixthly, the Directors consider that most of the Company's existing investments are start up investments which are still in the start up stages and may take a longer period than originally expected to achieve breakeven and contribution to the Group. In comparison, West China Coking is already in operation and had a net profit of approximately RMB52.4 million for the 11 months ended 30th November, 2005, and Amerinvest and the Company have the right to further invest in West China Coking and Amerinvest respectively. The Directors are undergoing intensive review on the Company's existing investments on various businesses and may take additional measures to adjust its existing investment portfolio.

Finally, the Directors consider that the issue of the Consideration Shares will increase the permanent capital of the Company without creating any financial burden on the Company and having Mr. Wang Sing as a strategic investor of the Company will bring foreseeable benefits to the Company. The Directors therefore consider that the terms of the Amerinvest Agreement to be fair and reasonable and in the best interest of the Company and Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE

The existing and enlarged shareholding structure of the Company immediately before and after the issue of the Consideration Shares are set out below:

Name of Shareholder	No. of shares held at the Latest Practicable Date	Percentage of issued share capital at the Latest Practicable Date	No. of shares held immediately after the completion of the Amerinvest Agreement	Percentage of entire issue share capital of the Company immediately after the completion of the Amerinvest Agreement
Heritage International Holdings Limited *Note 1*	510,000,000	16.44%	510,000,000	15.22%
PUBLIC SHAREHOLDERS				
Radford Capital Investment Limited *Note 1 and 2*	182,959,363	5.90%	182,959,363	5.46%
Unity Investments Holding Limited *Note 1 and 2*	168,704,000	5.44%	168,704,000	5.03%
The Vendor	N/A *Note 3*	N/A	250,000,000	7.46%
Others	2,239,831,625	72.22%	2,239,831,625	66.83%
	3,101,494,988	100%	3,351,494,988	100%

Note 1: based on the register maintained by the Company pursuant to the Securities and Futures Ordinance.

Note 2: Radford Capital Investment Limited, Unity Investments Holdings Limited and the Vendor are public shareholders, within the meaning of the Listing Rules.

Note 3: this does not take into account the Consideration Shares which will be issued to the Vendor on completion of the Amerinvest Agreement. There will not be a change in control of the Company as a result of completion of the Amerinvest Agreement.

THE FM AGREEMENT

Date:	13th January, 2006
Parties:	Alpha Aim as the vendor Mr. Au Yeung as the purchaser
Terms:	Alpha Aim conditionally agreed to sell 30 FM Shares and assign the Shareholder Loan of HK$150 million to Mr. Au Yeung.
Condition:	Approval of the FM Agreement and transactions contemplated thereunder by Shareholders at the EGM in accordance with the Listing Rules.
Completion:	3 business days after the satisfaction of the above condition. If the condition is not satisfied by 15th March, 2006 (or such other date as the parties may agree), the FM Agreement shall terminate and the parties shall have no further claims against each other for costs, damages, compensation or otherwise, save for antecedent breaches and claims for return of the deposit in the amount of HK$25,000,000.
Consideration:	HK$75,000,000 in aggregate. A deposit of HK$25,000,000 will be paid by Mr. Au Yeung within two weeks after the date of the FM Agreement. Subject to the fulfilment of condition, the balance of the consideration in the amount of HK$25,000,000 will be paid on a date falling 4 months from the date of the FM Agreement and HK$25,000,000 will be paid on a date falling 8 months from the date of the FM Agreement.

The shareholding structure of Found Macau as at the Latest Practicable Date was:

(1) Alpha Aim — 29.7%.

(2) Vision Gate Enterprises Limited — 4.95%
Next Method Limited — 5.94%
Rightmind Development Limited — 19.81%
Fabulous Resources Limited — 33.66%
Ample Asset Investments Limited — 5.94%

After completion of the FM Agreement, Alpha Aim will cease to have any shareholding in, and any interest in the Shareholder Loan to, Found Macau.

REASONS FOR THE TRANSACTION

As referred to in the Company's circular dated 4th February, 2005, the reason the Company invested in Found Macau was that it expected the Group to be able to team up with other potential financial investors of Found Macau leveraged by the prominent social network and management expertise of the founders of Found Macau to search and invest in various potential projects in Macau so as to capture the opportunities for the economical growth in Macau. Found Macau is still undergoing the identification and negotiation of investment projects in Macau in relation to gambling, entertainment and related business. However no agreement has been signed or committed to. The Board expects that it may take a much longer period than originally expected for Found Macau to have profit contribution to the Group. Secondly, the Board considers that the general sentiment in relation to the investment in Macau projects has been weaker in the past months and that the costs of available projects in Macau are maintained at rather expensive prices for the time being and expect such costs to stay at such levels. Hence Found Macau may need to wait much longer for the prices to level off before it can successfully invest in promising projects. Thirdly, the Board considers that the current strategy of Found Macau in engaging in money lending to the clients of the VIP rooms in the casinos in Macau is a high-risk high-return business which requires much greater than expected manpower, effort and time in the collection and recovery of those short term loans. Fourthly, the Company's Shareholder Loan to Found Macau is interest free and repayable on 28th February, 2013. In view of the current investment sentiment in Macau, the Board does not expect any short term repayment from Found Macau to enhance the liquidity of the Group. Fifthly, after reviewing the audited and unaudited financial statements of Found Macau for the periods from 1st October, 2004 to 30th June, 2005 and 1st July, 2005 to 31st December, 2005 respectively, the Board considers that the business performance of Found Macau is below the original expectation of the Group and decided to take advantage of the cash consideration in the amount of HK$75,000,000 offered by Mr. Au Yeung for his acquisition of the Company's investment in and Shareholder Loan to Found Macau so as to enhance the Group's liquidity and enable the Group to invest in other projects whenever opportunities arises or further invest in Amerinvest.

Mr. Au Yeung holds 17,024,000 Shares in the Company, representing approximately 0.55% of the issued share capital of the Company as at the Latest Practicable Date.

FOUND MACAU

Found Macau is an investment holding company formed to invest in gambling, entertainment and related businesses in Macau through its subsidiaries. Found Macau has in the past year been engaged in the identification and negotiation of various investment projects in Macau and simultaneously engaged in the money lending business to the clients of the VIP rooms in the casinos in Macau.

Found Macau was incorporated on 1st October, 2004. Based on the audited financial statements of Found Macau for the period from 1st October, 2004 (date of incorporation) to 30th June, 2005, its net liability was approximately HK$52,983,981 as at 30th June, 2005 and its net loss (before and after tax and extraordinary items) for the period from 1st October, 2004 to 30th June, 2005 was approximately HK$52,984,769. Based on the unaudited management accounts of Found Macau for the period from 1st July, 2005 to 31st December, 2005, its net liability was approximately HK$158,324,330 as at 31st December, 2005 and its net loss (before and after tax and extraordinary items) for the period from 1st July, 2005 to 31st December, 2005 was approximately HK$105,340,349.

Based on the audited and unaudited financial statements of Found Macau for the periods from 1st October, 2004 to 30th June, 2005 and 1st July, 2005 to 31st December, 2005 respectively, as at the Latest Practicable Date, the Group has made a provision of approximately HK$47.10 million for the investment in and the Shareholder Loan to Found Macau, of which approximately HK$15.7 million of impairment loss was reported in the 2005 interim report of the Group on 16th September 2005. The unaudited book value of the Group's investment in and Shareholder Loan to Found Macau as at the Latest Practicable Date is approximately HK$102.9 million. Accordingly, the disposal of the Group's investment in and Shareholder Loan to Found Macau will result in additional unaudited impairment loss in the approximate amount of HK$27.9 million which will be reflected in the annual results of the Group for 2005.

After completion of disposal of 29.7% of the equity shares of Found Macau and assuming the aforesaid additional unaudited impairment loss has been reflected, there will be a decrease in investment in Found Macau of approximately HK$75 million and an increase in cash of HK$75 million.

As at the Latest Practicable Date, the Company has already received HK$25 million from Mr. Au Yeung, representing the refundable deposit pursuant to the FM Agreement. After completion of the FM Agreement, the Company will receive a balance of HK$50 million within 8 months from the date of the FM Agreement.

As disclosed above, the unaudited impairment loss resulting from the disposal of the Group's investment in Found Macau in the approximately amount of HK$75 million will have an impact on the earnings of the Group for the financial year ended 31st December, 2005. The Company does not expect that such disposal will have any material impact on the Group's reported liabilities.

The sale proceeds of FM Shares and the Shareholder Loan will be used to enhance the Group's liquidity and enable the Group to invest in other projects whenever opportunities arise or further invest in Amerinvest.

Mr. Au Yeung is a director of Found Macau and as at the Latest Practicable Date, Mr. Au Yeung held 17,024,000 Shares in the Company, representing approximately 0.55% of the issued share capital of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Au Yeung is not a Connected Person of the Company and is independent of the Company and Connected Persons of the Company.

Mr. Au Yeung and his Associates will abstain from the voting on the FM Agreement at the EGM. As at the Latest Practicable Date, save and except for Mr. Au Yeung, there was no other shareholder with a material interest in the FM Agreement required to abstain from voting on the resolution to approve the FM Agreement at the EGM.

After considering the prospects of Found Macau and the immediate cash proceeds from the disposal, the Board is of the view that disposal can enhance the liquidity of the Group and enable the Group to invest in other investments whenever opportunities arise or further invest in Amerinvest. The Board (including the independent non-executive directors) considers that the terms of the FM Agreement, which were entered into between the Company and Mr. Au Yeung after arm's length negotiation, are on normal commercial terms and that such terms are fair and reasonable and in the interest of the Shareholders and the Company as a whole.

The FM Agreement constitutes a major transaction for the Company under Rule 14.06 of the Listing Rules and is subject to approval of Shareholders at the EGM.

GENERAL

The Group is principally engaged in investment holding. The Group through various subsidiaries engages in different investments that include property investments, investment in trading securities, automobile sales and repairing in the PRC and provision of brokerage and financial services.

The authorised share capital of the Company is HK$2,000,000,000 divided into 20,000,000,000 Shares of HK$0.10 each of which 3,101,494,988 Shares have been issued and fully paid up.

RECOMMENDATION

The Board (including the independent non-executive directors) is of the opinion that the issue of the Consideration Shares and the terms of the FM Agreement are fair, reasonable and in the best interest of the Company and the Shareholders as a whole, and recommends you to vote in favour of the resolutions to be proposed at the EGM to approve the issue of the Consideration Shares and the FM Agreement.

PROPOSED REPURCHASE MANDATE

At the EGM, it will be proposed, by way of an ordinary resolution, that the Directors of the Company be given a general and unconditional mandate to exercise all powers of the Company to repurchase Shares on the Stock Exchange up to a maximum of 10% of the issued share capital of the Company at the date of passing the ordinary resolution.

An explanatory statement containing information relating to the Repurchase Mandate as required pursuant to the Listing Rules is set out in Appendix III to this circular.

REASONS FOR RENEWAL OF THE GENERAL MANDATES

At the annual general meeting held on 30th May, 2005, the Shareholders approved, amongst other things, an ordinary resolution to grant to the Directors a general mandate to issue Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of the resolution. At the date of the passing of that resolution, there were 2,194,086,353 Shares in issue and the Directors were granted a mandate to allot and issue up to 438,817,270 new Shares.

As disclosed in the Company's announcement dated 21st November, 2005, the Company placed 438,000,000 new Shares at HK$0.18 per Share. The unused portion of such mandate is 817,270 Shares.

The Company has not, since the annual general meeting held on 30th May, 2005, renewed the General Mandates. In order to allow flexibility for the Group's future business development and/or fund raising, the Directors propose to seek approval by Shareholders at the EGM for the renewal of the General Mandates. The Company does not have immediate plans to issue shares under the General Mandates for fund raising at present.

PROPOSED NEW ISSUE MANDATE

At the EGM, it will be proposed, by way of ordinary resolution, that the Directors of the Company be given a general and unconditional mandate to exercise all powers of the Company to issue new shares in the Company up to 20% of the issued share capital of the Company on the date of the passing of the ordinary resolution. In addition, it is further proposed, by way of a separate ordinary resolution, that the New Issue Mandate be extended so that the Directors of the Company be given a general mandate to issue further shares in the Company equal to the aggregate nominal value of the Shares repurchased by the Company under the Repurchase Mandate.

EGM

Pursuant to Rule 13.36(4)(a) of the Listing Rules, the New Issue Mandate requires the approval of independent shareholders at the EGM at which the Directors and their associates are required to abstain from voting in favour of the resolution to be proposed in respect of the New Issue Mandate (given that the Company has no controlling shareholders). As at the Latest Practicable Date, the Company did not have any "controlling shareholder" (as such term is defined in the Listing Rules) and none of the Directors nor their Associates (except for Mr. Wong Ying Seung, Asiong) held Shares in the Company. Accordingly, Mr. Wong Ying Seung, Asiong and his Associates are required to abstain from voting on the New Issue Mandate at the EGM.

Pursuant to Rule 13.39(4)(b) of the Listing Rules, the vote of the independent shareholders in respect of the New Issue Mandate at the EGM will be taken by poll.

The Independent Board Committee has been established to advise the Shareholders in respect of the New Issue Mandate. Anglo Chinese has been appointed as the independent financial adviser to the Independent Board Committee and the Shareholders in this regard.

PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Article 81 of the Articles sets out the following procedure by which Shareholders may demand a poll.

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:

(i) by the chairman of such meeting;

(ii) by at least three members present in person or by proxy and entitled to vote at the meeting;

(iii) 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

(iv) 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

Your attention is drawn to the letter from the Independent Board Committee set out on page 17 of this circular which contains the recommendation of the Independent Board Committee to the Shareholders concerning the New Issue Mandate and the letter from Anglo Chinese set out on page 18 to 23 of this circular containing its advice to the Independent Board Committee and the Shareholders in this regard. The Independent Board Committee, having taken into account the advice of Anglo Chinese in relation to the New Issue Mandate, is of the opinion that the New Issue Mandate is in the best interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Shareholders are concerned. Accordingly, the Independent Board Committee recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to renew the New Issue Mandate.

The Board is of the opinion that the renewal of the Repurchase Mandate is in the best interests of the Company and Shareholders as a whole and recommends Shareholders to vote in favour of such resolutions at the EGM.

Whether or not Shareholders are able to attend the EGM, Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the registered office of the Company at 32nd Floor, China United Centre, 28 Marble Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM should Shareholders so wish.

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

WILLIE INTERNATIONAL

Willie International Holdings Limited
威利國際控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 273)

7th February, 2006

To the Shareholders,

Dear Sir or Madam,

RENEWAL OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES

We have been appointed as members of the Independent Board Committee to advise you in connection with the New Issue Mandate, details of which are set out in the letter from the Board in a circular dated 7th February, 2006 issued by the Company to the Shareholders (the "Circular"), of which this letter forms a part. The terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Your attention is drawn to the letter from Anglo Chinese concerning its advice to us regarding the New Issue Mandate as set out on pages 18 to 23 of the Circular. Having considered the advice given by Anglo Chinese and the principal factors and reasons taken into consideration by them in arriving at its advice, we are of the opinion that the New Issue Mandate is in the best interests of the Company and its Shareholders as a whole, and is fair and reasonable so far as the Shareholders are concerned. Accordingly, we recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to renew the New Issue Mandate.

Yours faithfully
By order of the board of
Independent Board Committee
Lam Ping Cheung, Miu Frank H., Nakajima Toshiharu, Lin Wai Yi
Independent non-executive Directors

The following is the text of a letter received from Anglo Chinese, the independent financial adviser to the Independent Board Committee and the independent shareholders of the Company in connection with the New Issue Mandate.

ANGLO CHINESE
CORPORATE FINANCE, LIMITED
財務顧問有限公司 英高
40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

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

7th February, 2006

Dear Sirs,

RENEWAL OF THE GENERAL MANDATE TO ISSUE SHARES

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Shareholders in connection with the renewal of the general mandate to issue Shares, details of which are set out in this circular.

The terms defined in this circular, of which this letter forms part, shall have the same meanings in this letter.

BACKGROUND

Pursuant to Rule 13.36(4) of the Listing Rules, the proposed New Issue Mandate requires the approval of Independent Shareholders by poll at the EGM at which any of the controlling Shareholders and their Associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the company and their respective Associates shall abstain from voting in favour of the New Issue Mandate at the EGM. As at the Latest Practicable Date, the Company did not have any "controlling Shareholder" (within the meaning of the Listing Rules). Other than Mr. Wong Ying Seung, Asiong who holds 34,336,000 Shares, representing 1.11% of the issued share capital of the Company, none of the Directors, chief executive of the Company or their Associates held any Shares. Accordingly, Mr. Wong Ying Seung, Asiong and his Associates will abstain from voting on the New Issue Mandate, and no other Shareholder is required to abstain from voting on the New Issue Mandate at the EGM.

The Independent Board Committee has been established to advise whether or not the terms of the renewal of the New Issue Mandate are fair and reasonable and whether the New Issue Mandate is in the interests of the Company and the Shareholders as a whole and to advise the Shareholders on how to vote, taking into account the recommendation of the independent financial adviser.

In formulating our opinions and recommendations, we have reviewed, amongst other things, information contained in this circular as well as published information released by the Company, including its audited financial statements for the past two years the last of which ended on 31st December, 2004, interim report for the six months ended 30th June, 2005 as well as, press announcements and circulars sent to Shareholders. We have relied on the information we have reviewed and we have not verified it or conducted a comprehensive review of the businesses and operations of the Group or the current and future prospects of these businesses or the business sectors in which they operate. We have also relied on the information contained in this circular and have assumed that the statements made in it are true, complete and accurate.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The following are the principal factors which we have taken into account in assessing the fairness and reasonableness of the proposed new Issue Mandate in giving our advice to the Independent Board Committee.

Background of the Company

The Company is principally engaged in investment holding. The Group is engaged in property investments, investment in trading securities, automobile sales and repairing in the PRC and provision of brokerage and financial services.

History of fund raised and use of proceeds

We have considered the Group's history of fund raised using the Company's general mandate and the use of such proceeds in the past twelve months. During this period, funds raised by using the Company's general mandate were used for debt repayment, business development or as working capital. The following paragraphs summarise the details of these fund raising activities.

In February, 2005, the Company issued convertible notes in the principal amount of HK$100 million to third parties and HK$100 million to Found Macau. The net proceeds from the convertible notes issued to third parties were applied to redeem Company's then existing convertible notes and fund the cash portion of Shareholder Loan. As at the Latest Practicable Date all of the convertible notes had been converted and as a result, a total of 800 million new Shares had been issued.

On 9th March, 2005, the Company announced a placement of 274 million new Shares to independent placees at HK$0.168 per Share. The Shares placed were issued under the general mandate granted to the Board at the extraordinary general meeting of the Company held on 17th January, 2005. The Company originally intended to apply the net proceeds from the placing as to approximately HK$15.3 million for working capital purposes and HK$30 million for property investments in Macau. It was subsequently announced by the Company on 21st November, 2005 that since no attractive properties were identified and in view of the high interest rate environment, the Company applied the net proceeds as to approximately HK$10.3 million for working capital and HK$35 million for repayment of debt.

On 21st November, 2005, the Company announced a placement of 438 million new Shares to independent placees at HK$0.18 per Share. The Shares placed were issued under the general mandate granted to the Board at the Company's annual general meeting convened on 30th May, 2005. The net proceeds were intended to be applied for general working capital purposes and possible investments in the PRC in the entertainment and natural resources sectors. Out of the proceeds from the placing, HK$40 million was used to repay a loan of the Company. The Company had also used part of the proceeds for granting short term loans totalling HK$35 million in December, 2005 while the Company was in the progress of identifying suitable investment opportunities in the PRC entertainment and natural resources sectors.

Since the Company's annual general meeting on 30th May, 2005, the Company had not refreshed its general mandate. On 17th January, 2006, the Company announced that it would, subject to fulfilment of certain conditions precedent, acquire a 25% equity interest in Amerinvest and which would be settled by way of issuing the Consideration Shares, details of which are set out in this circular.

Financial flexibility

The existing general mandate granted to the Board at the annual general meeting of the Company on 30th May, 2005 (which allowed the Company to issue up to 438,817,270 new Shares) has been substantially utilised in the placing of 438 million new Shares as announced by the Company on 21st November, 2005. The existing general mandate only allows the Company to issue up to an additional 817,270 new Shares, representing about 0.026% of the Company's existing issued share capital and 0.024% of the Company's issued share capital as enlarged by the issuance of the Consideration Shares.

On the basis that there will be no further issue and, or repurchase of Shares by the Company from the Latest Practicable Date up to the date of the EGM, the New Issue Mandate, if approved, would allow the Company to issue up to 20% of the Shares in issue as at the date of the EGM; including the Shares repurchased under the Repurchase Mandate.

The Group contemplates a number of investments which may involve the issue of new Shares and hence, utilisation of the New Issue Mandate. As set out in the letter from the Board in this circular, the Group's investment portfolio (through Amerinvest's 25% equity interest in West China Coking) may, subject to (i) the Amerinvest Agreement becoming unconditional, (ii) the Purchaser or its nominees becoming the controlling shareholder of Amerinvest, and (iii) Amerinvest or its nominees becoming the controlling shareholder of West China Coking, be expanded to include coking and chemical projects. According to this circular, the Vendor has undertaken to procure the agreement of Mr. Wang Sing to give the Purchaser, an indirect wholly owned subsidiary of the Company, a right of first refusal to acquire additional shares of Amerinvest from Mr. Wang Sing, or subscribe new shares in Amerinvest with a view to the Purchaser or its nominees becoming the controlling shareholder of Amerinvest. Furthermore, the Vendor warrants to the Purchaser that, subject to negotiation and finalisation of the terms, Amerinvest has a right of first refusal to acquire additional interest or subscribe new capital in West China Coking with a view to Amerinvest or its nominees becoming the controlling shareholder of West China Coking.

Although the Company does not have immediate plans to issue shares under the New Issue Mandate for fund raising at present, the New Issue Mandate provides flexibility for the Group's future investments and business development and, or fund raising. Moreover, the New Issue Mandate will enable the Company to make timely investment decisions that requires equity financing in a short period of time should appropriate investment opportunities are identified, which is accordingly in the interest of the Company and the Shareholders as a whole.

Other financing alternatives

Other than equity financing, we have been informed that the Directors will also consider other financing alternatives including debt issuance, bank financing (both of which involve interest payments) and internal resources (the utilisation of which involves an interest cost of capital) to meet its funding requirements and finance its business developments. The Directors will take into consideration the Group's then financial position, its capital structure, the then equity and debt market conditions and interest rates environment in identifying the suitable financing alternative(s) for the Group. In the current environment where interest rates have been rising, the New Issue Mandate enables the Company to preserve its cash reserve and avoid exposing the Company to interest rate fluctuations, and may better accommodate the Group's funding needs.

Potential dilution to shareholdings

Set out below is a table illustrating the shareholding structure of the Company before and after the issuance of the Consideration Shares and, for illustrative purpose, the shareholding structure of the Company upon full utilisation of the New Issue Mandate:

Name of Shareholders	Before issue of the Consideration Shares		After issue of the Consideration Shares		Upon full utilisation of the New Issue Mandate	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Heritage International Holdings Limited[1]	510,000,000	16.44	510,000,000	15.22	510,000,000	12.84
Public Shareholders						
Radford Capital Investment Limited[1 and 2]	182,959,363	5.90	182,959,363	5.46	182,959,363	4.61
Unity Investment Holdings Limited[1 and 2]	168,704,000	5.44	168,704,000	5.03	168,704,000	4.25
China Capital Advisors Corporation (the Vendor)[3]	N/A	N/A	250,000,000	7.46	250,000,000	6.29
Others	2,239,831,625	72.22	2,239,831,625	66.83	2,239,831,625	56.39
Holders of Shares that may be issued under the New Issue Mandate	N/A	N/A	N/A	N/A	620,298,997	15.62
Total	3,101,494,988[4]	100.00	3,351,494,988	100.00	3,971,793,985	100.00

Notes:

1. Shareholdings of Heritage International Holdings Limited (Stock Code: 412) in the Company is based on the register maintained by the Company pursuant to the Securities and Futures Ordinance.

2. Radford Capital Investment Limited (Stock Code: 901), Unity Investments Holdings Limited (Stock Code: 913) and China Capital Advisors Corporation are public shareholders within the meaning of the Listing Rules.

3. China Capital Advisors Corporation is wholly owned by Mr. Wang Sing.

4. The existing issued share capital has taken into account Shares issued as a result of conversion of the convertible notes or other securities in the Company. As at the date of this letter, the Company has no outstanding convertible notes or securities.

It is noted that the shareholding of the existing Shareholders will be diluted by about 15.62% (assuming completion of the acquisition of 25% equity interest of Amerinvest and issuance of the Consideration Shares) upon full utilisation of the New Issue Mandate.

As the Company does not have immediate plans to issue Shares under the New Issue Mandate for fund raising at present, it is not known if any new Shares will be issued under the New Issue Mandate, or if any of the public shareholders of the Company will subscribe new Shares, if issued under the New Issue Mandate.

CONCLUSION AND RECOMMENDATION

In arriving at our recommendation, we have taken into consideration the following:

— the Group may need timely access to funding (including and without limitation to equity financing by way of issuance of new Shares) if suitable investment opportunities are identified;

— the Group had on 21st November, 2005 announced its intention to identify possible investments in the entertainment and natural resources sectors in the PRC. Subject to market conditions and other financing alternatives, it is possible that such investments may involve the issue of new Shares under the New Issue Mandate;

— the Group's new investment in Amerinvest as set out in this circular as well as having a right of first refusal to make further investment in Amerinvest and, or West China Coking. Again, it is possible that the further investment in Amerinvest and West China Coking may involve financing by way of issuance of new Shares under the New Issue Mandate;

— in a rising interest rate environment, the financial flexibility provided by the New Issue Mandate to raise fund in a timely manner without the financial burden of interest expenses, the impact on the Group's gearing position and the risk exposure on interest rates fluctuations;

— the Directors will take into consideration the Group's then financial position, its capital structure, the then equity and debt market conditions and interest rates environment in identifying the suitable financing alternative(s) for the Group; and

— the potential dilution on the shareholding interests of the existing Shareholders of approximately 15.62%, (assuming completion of the acquisition of 25% equity interest of Amerinvest and issuance of the Consideration Shares and full utilisation of the New Issue Mandate) and which we consider acceptable in the present circumstance, and that the shareholding interests of all Shareholders will be diluted to the same extent by any utilisation of the New Issue Mandate.

In view of the foregoing, we are of the opinion that the granting of the New Issue Mandate is in the interest of the Company and the Shareholders as a whole, and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to make recommendation to the Independent Shareholders to vote in favour of the ordinary resolution in relation to the granting of the New Issue Mandate at the EGM.

Yours faithfully,
For and on behalf of
Anglo Chinese Corporate Finance, Limited
Charles Li
Director

1. UNAUDITED INTERIM RESULTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2005

Set out below is an extract of the financial information of the Group from its interim report for the six months ended 30 June 2005.

Condensed Consolidated Income Statement
For the six months ended 30 June 2005

		Unaudited For the Six months ended 30 June	
		2005	**2004**
	Notes	*HK$'000*	*HK$'000*
Turnover	3	72,479	44,471
Other income	3	8,332	799
Cost of trading securities sold		(81,217)	(43,181)
Depreciation and amortisation expenses		(606)	(906)
Staff costs		(4,637)	(4,676)
Other operating expenses		(17,989)	(18,881)
Loss from operations		(23,638)	(22,374)
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 asset		(15,738)	—
Gain on deemed disposal of interest in an associate		1,405	1,800
Loss on deemed acquisition of interest in an associate		(13,331)	—
Share of loss of an associate	7	(41,864)	(77,601)
Other finance costs		(4,736)	(7,024)
Loss from ordinary activities before taxation	4	(71,343)	(105,199)
Taxation	5	—	—
Loss attributable to shareholders		(71,343)	(105,199)
Loss per share — Basic	6	HK$(0.038)	HK$(0.100)
Loss per share — Diluted	6	HK$(0.044)	N/A

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2005

	Unaudited For the Six months ended 30 June	
	2005	**2004**
	HK$'000	*HK$'000*
Opening balance — Total equity at 1 January (audited)	91,451	303,782
Issue of new shares, net of expenses	45,298	73,600
Issue of shares on exercise of warrants	1,867	16,047
Issue of shares on conversion of convertible notes	100,000	5,040
Issue of shares under share option scheme	25,810	—
Change in fair value of convertible notes	27,862	—
Loss for the period	(71,343)	(105,199)
Closing balance — Total equity at 30 June (unaudited)	220,945	293,270

Condensed Consolidated Balance Sheet

As at 30 June 2005 and 31 December 2004

	Notes	Unaudited At 30 June 2005 HK$'000	Audited At 31 December 2004 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		9,530	11,930
Property, plant and equipment		22,186	39,177
Interest in an associate	7	105,046	181,113
Available-for-sale financial asset	8	134,262	—
		271,024	232,220
Current assets			
Loans receivable	9	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
		68,527	53,715
Current liabilities			
Other payables		7,495	13,350
Current portion of interest-bearing borrowings		22,659	104,683
Convertible notes	10	—	53,000
		30,154	171,033
Net current assets (liabilities)		38,373	(117,318)
Total assets less current liabilities		309,397	114,902
Non-current liabilities			
Long-term interest-bearing borrowings		14,727	23,451
Convertible notes	10	73,725	—
		88,452	23,451
NET ASSETS		220,945	91,451
CAPITAL AND RESERVES			
Issued capital	11	219,409	136,939
Reserves	13	1,536	(45,488)
		220,945	91,451

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2005

	Unaudited For the six months ended 30 June	
	2005	**2004**
	HK$'000	*HK$'000*
Net cash (used in) from operating activities	(40,886)	24,957
Net cash used in investing activities	(445)	(68,260)
Net cash from financing activities	31,893	18,699
Net decrease in cash and cash equivalents	(9,438)	(24,604)
Cash and cash equivalents at beginning of period	10,663	25,173
Cash and cash equivalents at end of period, represented by bank balances and cash	1,225	569

Notes to the Condensed Financial Statements

For the six months ended 30 June 2005

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 under 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 the 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 the 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 the share option scheme did not result in an expense in the income statement. Effective from 1 January 2005, the Group expensed 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 been 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 up-front 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 of 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 investments 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 the effective interest method.

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

	Investment in trading securities	Brokerage and financial services	Property investment	Investment holding	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue						
Turnover						
External customers	65,407	6,980	92	—	—	72,479
Other revenue	—	5,050	—	1,754	1,528	8,332
Total revenue	65,407	12,030	92	1,754	1,528	80,811
Segment results	(26,249)	4,738	(359)	(3,222)	1,454	(23,638)
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 asset						(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)
Loss attributable to shareholders						(71,343)

Six months ended 30 June 2004 (unaudited)

	Investment in trading securities	Brokerage and financial services	Property investment	Investment holding	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue						
Turnover						
External customers	36,400	7,862	209	—	—	44,471
Other revenue	—	—	121	—	678	799
Total revenue	36,400	7,862	330	—	678	45,270
Segment results	(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						(105,199)

4. LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

	Unaudited For the Six months ended 30 June	
	2005	**2004**
	HK$'000	*HK$'000*
This is stated after charging (crediting):		
Net unrealised holding loss on investment held for trading	10,367	—
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	(5,050)	14,705
Loss (Gain) on disposal of investment properties	162	(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	(122)	(678)
Gain on disposal of an investment held for trading	(20,528)	—

5. 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.

6. 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.

7. INTEREST IN AN ASSOCIATE

		Unaudited	**Audited**
		At 30 June	**At 31 December**
		2005	**2004**
	Notes	*HK$'000*	*HK$'000*
Share of net assets		49,385	128,827
Impairment loss		(49,384)	(75,036)
	(a)	1	53,791
Due from an associate	(b)	105,045	127,322
		105,046	181,113

(a) Interest in an associate represented the Group's 44.5% interest in Hennabun Management International Limited ("HMIL") (formerly Hennabun Management Inc.). During the Period, the Group's interest in HMIL was firstly reduced from 42.03% to 41.54% because of HMIL's issue of shares to third parties and then increased from 41.54% to 44.50% because of HMIL's repurchase of its own shares from a third party.

(b) Details of the amount due from an associate is as follows:

	Unaudited
	HK$'000
Convertible note receivables from HMIL	
At 1 January 2005	127,322
Redemption	(25,300)
Interests accrued	3,023
At 30 June 2005	**105,045**

Of the amounts due, HK$95,000,000 is the principal amount of a convertible note issued by HMIL on 28 January 2004. Related interest receivable amounted to HK$10,045,000 at the balance sheet date. The note, which will mature in three years from the date of issue, bears interest at 6% per annum and can be converted into shares of HMIL at a conversion price of HK$1.00 per ordinary share at any time after the date of issue of the convertible and before its maturity date.

Details of the consolidated operating results and financial position of HMIL based on unaudited financial statements, after adjusting the fair value of assets acquired at the date of acquisition, are as follows:

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

	Unaudited At 30 June 2005
	HK$'000
Financial position at the balance sheet date	
Total non-current assets	8,856
Total current assets	291,374
Total current liabilities	(94,253)
Total non-current liabilities	(95,000)
Shareholders' funds	110,977
Amount attributable to the Group	49,385

8. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Unaudited At 30 June 2005	**Audited At 31 December 2004**
	HK$'000	*HK$'000*
Unlisted, at fair value	134,262	—

During the six months ended 30 June 2005, the Group acquired 29.7% interest in Found Macau Investments International Limited ("Found Macau"). As the Group does not have any board representation and does not participate in the financial and operating policy decisions of Found Macau, accordingly, the Group does not account for Found Macau under the equity method.

9. LOANS RECEIVABLE

Loans granted to borrowers are repayable by installments or according to set maturity dates. The balance comprises of loans receivable from:

	Unaudited At 30 June 2005 *HK$'000*	**Audited At 31 December 2004** *HK$'000*
Third parties	97,396	158,342
A related company	—	20,460
	97,396	178,802
Provision for bad and doubtful debts	(43,533)	(160,000)
Balances due within one year included in current assets	53,863	18,802

An aging analysis of loans receivable (before provision for bad and doubtful debts) as at the balance sheet date is set out below:

	Unaudited At 30 June 2005 *HK$'000*	**Audited At 31 December 2004** *HK$'000*
Within maturity dates	84,108	65,386
Balances overdue for repayment:		
1 - 3 months	11,288	—
4 - 6 months	—	15,362
7 - 12 months	—	26,518
Over 12 months	2,000	71,536
	97,396	178,802

10. CONVERTIBLE NOTES

	Unaudited At 30 June 2005 *HK$'000*	**Audited At 31 December 2004** *HK$'000*
At balance sheet date	**73,725**	53,000

Notes:

(i) During the period, a convertible note with principal sum of HK$53,000,000 was redeemed by the Group.

(ii) During the period, the Company issued New Convertible Notes with principal amounts of HK$100,000,000 to third parties and HK$100,000,000 to Found Macau respectively. The New Convertible Notes are non-interest bearing, and can be converted into the ordinary shares of the Company at a conversion price of HK$0.25 per share in amounts. The Company may redeem in whole or in part the notes in the amount or integral multiples of HK$500,000 at any time from the date of issue up to 7 days before and excluding the maturity date on 28 February 2010.

(iii) During the period, convertible note with principal sum of HK$100,000,000 was converted into 400,000,000 ordinary shares of HK$0.1 each of the Company.

(iv) As explained in note (2) above, the convertible notes issued by the Group during the period were split into the equity portion for the fair value of the conversion right by the noteholders (note 13), and the liability portion of the loan which was carried at amortised cost using the effective interest method.

11. ISSUED CAPITAL

	Notes	Number of ordinary shares	Nominal value HK$'000
Authorised:			
At balance sheet date		20,000,000,000	2,000,000
Issued and fully paid:			
At beginning of period (audited)		1,369,389,054	136,939
Exercise of warrants	(i)	13,338,925	1,334
Conversion of convertible notes	(ii)	400,000,000	40,000
Issuance of shares	(iii)	274,000,000	27,400
Issuance of shares under share option scheme	(iv)	137,358,374	13,736
At balance sheet date (unaudited)		2,194,086,353	219,409

Notes:

(i) During the period, an aggregate of 13,338,925 new shares of HK$0.1 each of the Company were issued to certain warrant holders upon exercise of warrants at the cash subscription price of HK$0.14 per share.

(ii) During the period, an aggregate of 400,000,000 ordinary shares of HK$0.1 each of the Company were issued to Found Macau upon the conversion of convertible notes as set out in note 10(iii).

(iii) Pursuant to the placing agreement dated 9 March 2005, the Company agreed to conditionally place 274,000,000 ordinary shares of HK$0.1 each of the Company on a fully underwritten basis to independent investors at a price of HK0.168 each.

(iv) Pursuant to the ordinary resolutions passed during the period, an aggregate of 137,358,374 ordinary shares of HK$0.1 each of the Company were issued to certain individuals under the share option scheme at the exercise price range from HK$0.181 to HK$0.203 each.

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

12. SHARE OPTION SCHEME

Movements in the number of share options outstanding are as follows:

		Unaudited Six months ended 30 June	
		2005	2004
	Notes	Number	Number
At the beginning of period (audited)		—	—
Granted	12 (i)	137,358,374	—
Exercised	11 (iv)	(137,358,374)	—
At balance sheet date (unaudited)		—	—

Note:

(i) During the period, an aggregate of 137,358,374 share options were granted to certain individuals under the share option scheme. The exercise prices of the granted options ranged from HK$0.181 to HK$0.203 and the closing prices of the share of the Company immediately before the dates of grant ranged from HK$0.175 to HK$0.196. All granted share options were exercised immediately after the grant. No share option was outstanding at the end of the Period.

13. RESERVES

	Share premium	Capital reserve	Convertible notes-equity portion	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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	—
At 30 June 2005 (unaudited)	**114,990**	**18,273**	**26,274**	**(158,001)**	**1,536**

14. CONTINGENT LIABILITIES

At the balance sheet date, the Company had contingent liabilities not provided for in the financial statements in respect of guarantee of HK$38,000,000 (31 December 2004: HK$38,000,000) and HK$75,000,000 (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 (31 December 2004: HK$32,054,000) and HK$32,545,000 (31 December 2004: HK$31,589,000) respectively.

15. 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:

	Unaudited At 30 June 2005	**Audited At 31 December 2004**
	HK$'000	*HK$'000*
Land and buildings	21,520	38,725
Investment properties	9,250	11,930
	30,770	50,655

16. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the financial statements, there are other related party transactions entered by the Group during the period, details of which are set out below:

(a) A property of the Group with net book value of HK$21,520,000 (31 December 2004: HK$21,724,000) is occupied by a brother of a director of the Company free of rental. The director's brother is a director of certain companies within the HMIL Group.

(b) During the six months ended 30 June 2005, the Group granted securities margin loans, through HMIL Group, to a director of the Company with outstanding balance amounted to HK$50,000 (31 December 2004: HK$45,000). The loan carry interest at prime rate or prime rate plus 3% per annum and are repayable on demand.

17. 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$41,410,000 to HMIL for a consideration of HK$7.8 and HK$41,000,000 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$95,000,000 for a consideration of HK$105,000,000 to be satisfied by the issue of a convertible note ("Second New Note") by HMIL to the Company.

Both the First New Note and the Second New Note will bear interest at 8% per annum and will be 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$50,000,000 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.

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2004

Set out below are the auditors report and the audited financial statements of the Group for the year ended 31 December 2004 together with the relevant notes in the accounts as extracted from the annual report of the Group for the year ended 31 December 2004.

i) Auditor's Report

Auditors' Report for the year ended 31 December 2004

To the members of
China United International Holdings Limited
(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 24 to 71 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

The Hong Kong Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of Option

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited as follows:

(1) We had not been able to form a view in the previous year on the recoverability of loans receivable of HK$15,362,000 as at 31 December 2003 and had qualified our audit report accordingly. Details of our qualification were more fully explained in the 2003 annual report.

The amount concerned has been fully provided for during the year of 2004. Any adjustments to the loans receivable balance as at 31 December 2003 would have consequential effect on the loss of the Group for the year ended 31 December 2004.

(2) As at 31 December 2003, the net assets of the Group included interest in an associate of HK$320,624,000 in respect of Hennabun Management International Limited ("HMI")(formerly known as Hennabun Management Inc.). As the consolidated financial statements of HMI for the year ended 31 December 2003 were subject to audit qualifications, we had been unable to form a view as to whether the Group's share of HMI's net assets at 31 December 2003 was fairly stated. We had therefore qualified our auditors' report for that year. Details of our qualification were more fully explained in the 2003 annual report. Any adjustments to the Group's share of HMI's net assets at 31 December 2003 would have consequential effect on the loss of the Group for the year ended 31 December 2004.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Fundamental Uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements in relation to the preparation of the financial statements on a going concern basis. We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

Qualified Option Arising from Limitation of Audit Scope

In our opinion the financial statements give a true and fair view, in all material respect, of the state of affairs of the Company and the Group as at 31 December 2004, and except for any adjustments that might have been found necessary in respect of the foregoing scope limitations, in our opinion the financial statements give a true and fair view, in all material respects, of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Opinion required under section 141(6) of the Hong Kong Companies Ordinance

As the Company is incorporated in Hong Kong, we are required to report under section 141(6) of the Hong Kong Companies Ordinance. Our opinion is as follows:

In respect alone of the limitation on our work relating to matters specified in the basis of opinion section, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

Without further qualifying our opinion, we draw attention to the fact that because we issued a disclaimer of opinion on 22 April 2004 on the financial statements of the Group and the Company for the year ended 31 December 2003 because of the scope limitations as summarised in the basis of opinion section above, the comparative amounts shown in these financial statements may not be comparable with the amounts for the current year.

Moores Rowland Mazars
Chartered Accountants
Certified Public Accountants

Hong Kong, 15 April 2005

ii) **Consolidated Income Statement**

Year ended 31 December 2004

	Notes	2004 HK$'000	2003 HK$'000
Turnover	4	92,744	138,937
Other income	6	14,383	13,720
Cost of trading securities sold		(87,356)	(54,544)
Depreciation and amortisation expenses		(1,678)	(4,377)
Staff costs		(8,785)	(22,374)
Finance costs for provision of financial services	8	—	(7,029)
Other operating expenses	7	(73,579)	(333,669)
Loss from operations	7	(64,271)	(269,336)
Impairment losses on:			
— Property, plant and equipment		—	(21,000)
— Investment properties		—	(20,300)
— Goodwill on consolidation of subsidiaries		—	(1,006)
— Interests in associates	18	(75,036)	(1,485)
— Other securities		—	(13,652)
Negative goodwill released upon recognition of impairment loss in an associate	18(b)	21,246	—
Profit on disposal of interests in subsidiaries		—	245,319
Profit on disposal of partial interests in subsidiaries		—	1,056
Loss on deemed disposal of interests in subsidiaries		—	(1,809)
(Loss) Profit on deemed disposal of interest in an associate	18(a)	(24,045)	2,500
Share of loss of an associate	18(e)	(180,577)	—
Other finance costs	8	(14,185)	(37,131)
Loss from ordinary activities before taxation		(336,868)	(116,844)
Taxation	11	—	5,800
Loss from ordinary activities		(336,868)	(111,044)
Minority interests		—	77,305
Loss attributable to shareholders	12	(336,868)	(33,739)
Dividend	13	—	17,201
Loss per share — Basic	14	(28 cents)	(3 cents)

Consolidated Statement of Changes in Equity

Year ended 31 December 2004

	2004	**2003**
	HK$'000	*HK$'000*
Opening balance — Total equity	303,782	345,510
Capital reserve realised on disposal of subsidiaries	—	(1,156)
Investment revaluation deficit realised on disposal of other securities	—	10,341
Net gains not recognised in the income statement	—	9,185
Issue of shares on exercise of warrants	16,048	102
Issue of new shares, net of expenses	94,814	(75)
Issue of shares on conversion of convertible notes	7,040	—
Issue of shares under share option scheme	6,635	—
Special dividends paid	—	(17,201)
Loss for the year	(336,868)	(33,739)
Closing balance — Total equity	91,451	303,782

Consolidated Balance Sheet

At 31 December 2004

	Notes	**2004** *HK$'000*	**2003** *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	11,930	20,530
Property, plant and equipment	16	39,177	30,716
Interest in an associate	18	181,113	320,624
		232,220	371,870
Current assets			
Loans receivable	20	18,802	83,456
Other receivables		3,876	24,675
Investments in securities	19	20,374	—
Bank balances and cash		10,663	25,173
		53,715	133,304
Current liabilities			
Other payables		13,350	14,118
Current portion of interest-bearing borrowings	21	104,683	93,262
Convertible notes	22	53,000	63,840
		171,033	171,220
Net current liabilities	2	(117,318)	(37,916)
Total assets less current liabilities		114,902	333,954
Non-current liabilities			
Long-term interest-bearing borrowings	21	23,451	30,172
NET ASSETS		91,451	303,782
CAPITAL AND RESERVES			
Issued capital	23	136,939	36,887
Reserves	26	(45,488)	266,895
		91,451	303,782

Balance Sheet
At 31 December 2004

	Notes	2004 HK$'000	2003 HK$'000
ASSETS AND LIABILITIES			
Non-current asset			
Interests in subsidiaries	17	241,349	371,895
Current assets			
Other receivables		214	180
Bank balances and cash		8,822	25,092
		9,036	25,272
Current liabilities			
Other payables		10,302	11,135
Due to subsidiaries	17	25,291	10,993
Interest-bearing borrowings	21	96,080	90,519
Convertible notes	22	53,000	63,840
		184,673	176,487
Net current liabilities	2	(175,637)	(151,215)
NET ASSETS		65,712	220,680
CAPITAL AND RESERVES			
Issued capital	23	136,939	36,887
Reserves	26	(71,227)	183,793
		65,712	220,680

Consolidated Cash Flow Statement

Year ended 31 December 2004

	Notes	2004 HK$'000	2003 HK$'000
OPERATING ACTIVITIES			
Cash used in operations	27	(207)	(401,711)
Hong Kong Profits Tax paid		—	(58)
Hong Kong Profits Tax refunded		—	121
Net cash used in operating activities		(207)	(401,648)
INVESTING ACTIVITIES			
Purchase of investment in securities		(427)	—
Purchase of additional interests in subsidiaries		—	(10,000)
Purchase of property, plant and equipment		(53)	(484)
Purchase of other securities		—	(13,000)
Proceeds from disposal of property, plant and equipment		850	—
Proceeds from disposal of investment properties		12,680	7,128
Proceeds from disposal of subsidiaries		—	46,407
Proceeds from deemed disposal of subsidiaries		—	17,555
Proceeds from sales of partial interests in subsidiaries		—	13,000
Proceeds from disposal of other securities		—	49,827
Net advances (to) from associates	18	(38,279)	40,000
Bank interest received		—	122
Net cash (used in) from investing activities		(25,229)	150,555
FINANCING ACTIVITIES			
Dividends paid		—	(17,201)
Issue of shares for cash		4,170	—
Issue of shares under share option scheme		6,635	—
Issue of shares on exercise of warrants		16,048	102
New bank loans raised		6,000	14,073
New other loans raised	21	84,921	354,997
Issue of convertible notes	22	55,000	163,000
Proceeds from dilution of interest in a subsidiary through subscription of shares		—	178,300
Repayment of bank loans		(6,861)	(17,263)
Repayment of other loans	21	(79,360)	(281,105)

	Notes	2004 HK$'000	2003 HK$'000
Redemption of convertible notes	22	(58,800)	(29,000)
Expenses incurred on issue of shares		—	(75)
Repayment of obligations under finance leases included in trade and other payables		—	(118)
Interest paid on bank and other borrowings		(11,761)	(15,134)
Interest paid on convertible notes		(5,066)	(7,149)
Interest paid on obligations under finance leases		—	(53)
Net cash from financing activities		10,926	343,374
Net (decrease) increase in cash and cash equivalents		(14,510)	92,281
Cash and cash equivalents at beginning of year		25,173	(67,108)
Cash and cash equivalents at end of year, represented by bank balances and cash		10,663	25,173

Notes to the Financial Statements

Year ended 31 December 2004

1. GENERAL

China United 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"). The Company is principally engaged in investment holding. The principal activities of the Company and its subsidiaries ("the Group") during the year are property investment, investment holding, investment in trading securities and provision of financial services.

The Company was incorporated in Hong Kong with limited liability on 16 August 2002.

2. BASIS OF PREPARATION

The financial statements have been prepared in conformity with the principles applicable to a going concern. The applicability of these principles is dependent upon the continued availability of adequate finance in view of the excess of current liabilities over current assets.

In preparing the financial statements for the year ended 31 December 2004, the directors adopted a going concern basis for the following reasons:

(a) The Group has adopted measures to improve its liquidity, including raising equity finance and obtaining continuing support from its banks and creditors. Included in the current portion of interest-bearing borrowings is an unsecured loan amounting to HK$80,000,000, which was due for settlement in March 2005. Subsequent to the balance sheet date, the Company has fully repaid the loan partially through the placing of new shares. In the opinion of the directors, the Company will be able to adequately finance its operation.

(b) Subsequent to the balance sheet date, the Company has successfully issued new convertible notes amounting to HK$200,000,000. The proceeds from the issue is approximately HK$198,000,000, approximately HK$53,000,000 of which was used to redeem the existing convertible notes with interests and the balance of up to approximately HK$145,000,000 was used to fund the New Found Macau Loan which details are set out in note 35(b).

(c) Cash consideration amounting to HK$38,000,000 has been received by instalments subsequent to the balance sheet date for the disposal of other investment securities included in current assets at the balance sheet date.

(d) Subsequent to the balance sheet date, cash subscriptions totaling approximately HK$25,000,000 have been received for share options granted and exercised under the share option scheme. In addition, the Group received net proceeds of approximately HK$45,300,000 from the placing of 274,000,000 shares on 13 April 2005.

3. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Statements of Standard Accounting Practice ("SSAP") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. A summary of the principal accounting policies adopted by the Group is set out below.

Recently issued accounting standards

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for the accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group is in the process of making an assessment of the impact of these new HKFRSs and has so far concluded that the revised standards may have impact to its consolidated accounts as described below:

Hong Kong Accounting Standard 40 ("HKAS 40") on investment property

The adoption of HKAS 40 would require all revaluation gains or losses of investment properties to be taken directly to the income statement, whereas under the old standards such changes are generally taken to the revaluation reserve on a portfolio basis. The volatility of property prices therefore could have significant impact on the level and consistency of the Company's future operating profits.

Measurement basis

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and the marking to market of certain investments in securities as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the balance sheet date each year.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All transactions and balances within the Group are eliminated on consolidation.

Where the Group's equity interest in a subsidiary is diluted by virtue of the issuance of additional shares by such subsidiary or exercise of convertible notes issued by subsidiaries, any gain or loss arising from the dilution or deemed disposal, including the realisation of the attributable reserve, is dealt with in the Group's consolidated income statement.

Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired.

Positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life or twenty years, whichever is shorter. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Negative goodwill arising on consolidation represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition.

- For acquisitions before 1 January 2001, negative goodwill is credited to a capital reserve; and

- For acquisitions on or after 1 January 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying amount of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

On disposal of a subsidiary or an associate, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement or which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

Subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is an enterprise, in which the Company, directly or indirectly, holds more than half of the voting power or issued share capital, or controls the composition of the board of directors or equivalent governing body. Investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis.

Associates

An associate is an enterprise, 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.

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.

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

Interest income is accrued on a time proportion basis on the principal outstanding and at the interest rate applicable.

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

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties with an unexpired lease term of over 20 years are not depreciated and are stated at their open market values on the basis of annual professional valuations. Changes in the values of investment properties 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.

Upon the disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations will be credited to the income statement.

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. Major costs incurred in restoring assets to their normal working conditions are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives.

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 become fully operational and after taking into account of 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% or over the terms of respective operating leases
Furniture and fixtures	10% - 20%
Plant and machinery	10% - $33\frac{1}{3}$%
Office equipment	10% - $33\frac{1}{3}$%
Motor vehicles	25%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the leases.

Investments in securities

Investments in securities are stated at their fair value.

For those securities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin are classified as trading securities. The holding gain or loss on trading securities is included in the income statement.

The holding gain or loss on other securities included in non-current assets is recognised directly in equity, until the security is sold, collected, or otherwise disposed of, or until the security is impaired, at which time the cumulated gain or loss is included in the income statement.

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.

Assets held under finance leases are recognised as assets of the Group at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable and receivable under operating leases are recognised as an expense and revenue on the straight-line basis over the lease terms.

Impairment losses

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amounts of its tangible and intangible assets 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 net selling price 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 losses 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 losses 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.

Long service payment

The Group's net obligation in respect of long service payment under the Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets, including retirement scheme benefit, is deducted.

Equity and equity related compensation benefits

The share option program allows the Group's employees and certain other parties to acquire share of the Company. The option exercise price equals the market price of the underlying shares at the date of the grant and no compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

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 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/negative 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.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Cash equivalents

For the purpose of 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 balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

4. TURNOVER

	2004	2003
	HK$'000	*HK$'000*
Proceeds from sale of trading securities	81,765	80,091
Interest income	10,661	43,800
Brokerage fees and commission income	—	9,102
Dividend income from listed securities	—	88
Rental income	318	5,856
	92,744	138,937

5. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segments are its primary reporting format and geographical segments are its secondary reporting format, with each segment organised and managed separately.

Business segments

Business segments of the Group comprise the following:

Investment in trading securities	:	Purchase and sale of securities
Brokerage and financial services	:	Provide securities brokerage services, financial advisory services and loan financing
Property investment	:	Lease of properties for rentals
Investment holding	:	Holding investments for dividend income and capital appreciation

Note: Following the partial disposal of HMI, HMI has become an associate of the Company effectively on 31 December 2003 and, as a result, portion of the segment revenue and segment results attributable to HMI were included in share of results of an associate from 1 January 2004 onwards.

The Group's inter-segment transactions were mainly related to rental charges of which terms were similar to those contracted with third parties.

The following tables show revenue and profit information for these segments for the years ended 31 December 2004 and 2003, and certain assets and liabilities information regarding business segments as at 31 December 2004 and 2003.

Year ended 31 December 2004

	Investment in trading securities	Brokerage and financial services	Property investment	Investment holding	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue						
Turnover						
External customers	81,765	10,661	318	—	—	92,744
Inter-segments	—	—	—	—	—	—
	81,765	10,661	318	—	—	92,744
Other revenue	—	—	3,350	—	11,033	14,383
Total revenue	81,765	10,661	3,668	—	11,033	107,127
Segment results	(7,634)	(66,433)	2,986	(542)	7,352	(64,271)
Impairment losses on interest in an associate						(75,036)
Negative goodwill released upon recognition of impairment loss in an associate						21,246
Loss on deemed disposal of interest in an associate						(24,045)
Share of loss of an associate	5,997	(139,578)	—	(20,136)	(26,860)	(180,577)
Other finance costs						(14,185)
Taxation						—
Loss attributable to shareholders						(336,868)

Year ended 31 December 2003

	Investment in trading securities	Brokerage and financial services	Property investment	Investment holding	Elimination	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue							
Turnover							
External customers	80,179	52,902	5,856	—	—	—	138,937
Inter-segments	—	—	2,198	—	(2,198)	—	—
	80,179	52,902	8,054	—	(2,198)	—	138,937
Other revenue	—	13,014	—	36	—	670	13,720
Total revenue	80,179	65,916	8,054	36	(2,198)	670	152,657
Segment results	(57,210)	(38,293)	(6,877)	(4,718)	—	(162,238)	(269,336)
Impairment losses							(57,443)
Profit on disposal of interests in subsidiaries							245,319
Profit on disposal of partial interests in subsidiaries							1,056
Loss on deemed disposal of interests in subsidiaries							(1,809)
Profit on deemed disposal of interest in an associate							2,500
Other finance costs							(37,131)
Taxation							5,800
Minority interests							77,305
Loss attributable to shareholders							(33,739)

Assets and liabilities as at 31 December 2004

	Investment in trading securities	Brokerage and financial services	Property investment	Investment holding	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Segment assets	23,853	18,554	12,074	18,682	73,163
Interests in associates					181,113
Unallocated assets					31,659
Total assets					285,935
Liabilities					
Segment liabilities	—	18	42	178,020	178,080
Unallocated liabilities					16,404
Total liabilities					194,484

Assets and liabilities as at 31 December 2003

	Investment in trading securities	Brokerage and financial services	Property investment	Investment holding	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Segment assets	—	83,457	50,726	49,274	183,457
Interests in associates	—	—	—	—	320,624
Unallocated assets					1,093
Total assets					505,174
Liabilities					
Segment liabilities	—	41	33,024	1,435	34,500
Unallocated liabilities					166,892
Total liabilities					201,392

Other segment information for the year ended 31 December 2004

	Investment in trading securities	Brokerage and financial services	Property investment	Investment holding	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	—	—	—	—	53	53
Depreciation and amortisation expenses	—	—	14	—	1,664	1,678
Impairment loss on goodwill (included in share of loss of an associate)	—	—	—	23,721	—	23,721
Impairment loss on interests in associates	—	—	—	75,036	—	75,036
Net unrealised holding loss on trading securities	1,920	—	—	—	—	1,920
Surplus on revaluation of investment properties	—	—	3,350	—	—	3,350
Reversal of impairment loss on leasehold land and buildings	—	—	—	—	11,033	11,033
Net provision for bad and doubtful debts	—	63,747	—	—	—	63,747

Other segment information for the year ended 31 December 2003

	Investment in trading securities	Brokerage and financial services	Property investment	Investment holding	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	—	—	484	—	—	484
Depreciation and amortisation expenses	—	1,667	2,710	—	—	4,377
Release of negative goodwill	—	—	—	—	4,809	4,809
Impairment loss on properties	—	—	41,300	—	—	41,300
Impairment loss on goodwill	—	—	—	—	1,006	1,006
Impairment loss on interests in associates	—	—	1,485	—	—	1,485
Impairment loss on other securities	—	—	—	11,455	—	11,455
Net unrealised holding loss on trading securities	77,329	—	—	—	—	77,329
Surplus on revaluation of investment properties	—	—	760	—	—	760
Net provision for bad and doubtful debts	—	213,207	—	—	—	213,207

Geographical segments

The Group's operations and assets are located in Hong Kong for the years ended 31 December 2004 and 2003. Accordingly, no geographical segment information has been presented.

6. OTHER INCOME

	2004	2003
	HK$'000	*HK$'000*
Administration fee	—	841
Consultancy fee	—	2,958
Bank interest	—	122
Securities handling fees	—	3,474
Commission	—	4,291
Sundry	—	2,034
Surplus on revaluation of investment properties	3,350	—
Reversal of impairment loss on land and buildings	11,033	—
	14,383	13,720

7. LOSS FROM OPERATIONS

This is stated after charging (crediting):	2004 *HK$'000*	2003 *HK$'000*
Depreciation of property, plant and equipment:		
Assets held under finance leases	—	35
Other assets	1,678	3,909
Amortisation of trading rights	—	433
Total depreciation and amortisation expenses	1,678	4,377
Contributions to MPF Scheme	216	477
Included in other operating expenses:		
— Auditors' remuneration	950	2,260
— Surplus on revaluation of investment properties	—	(760)
— Operating lease charges:		
Equipment	33	24
Office premises	855	1,012
— Net unrealised holding loss on trading securities	1,920	77,329
— Net realised loss on disposal of other securities:		
Recognised during the year	—	1,114
Previously recognised in equity	—	10,341
— Net provision for bad and doubtful debts	63,747	213,207
— Release of negative goodwill to income		
included in other operating expenses	—	(4,809)
included in share of loss of an associate	(2,741)	—
— Impairment loss on goodwill arising from acquisition of additional interest in an associate (included in share of loss of an associate)	23,721	—
— (Profit) Loss on disposal of investment properties	(730)	10,872
— Loss on disposal of property, plant and equipment	96	—
Rental income from investment properties	(318)	(5,856)
Less: Outgoings	100	1,216
	(218)	(4,640)

8. OTHER FINANCE COSTS

	2004	2003
	HK$'000	*HK$'000*
Interest on:		
Bank and other borrowings wholly repayable within five years	7,564	34,898
Bank and other borrowings wholly repayable over five years	1,555	1,654
Convertible notes	5,066	7,555
Obligations under finance leases	—	53
	14,185	44,160
Less: Amount attributable to provision of financial services	—	(7,029)
	14,185	37,131

9. DIRECTORS' EMOLUMENTS

	2004	2003
	HK$'000	*HK$'000*
Fees:		
Executive directors	—	—
Independent non-executive directors	220	120
	220	120
Other emoluments:		
Executive directors	4,473	5,804
Other emoluments comprises:		
Salaries and other benefits	4,425	5,756
Contributions to MPF Scheme	48	48
	4,473	5,804

	Number of directors 2004	2003
Emoluments of the directors were within the following bands:		
Nil to HK$1,000,000	6	5
HK$1,000,001 to HK$1,500,000	—	1
HK$2,000,001 to HK$2,500,000	1	—
HK$2,500,001 to HK$3,000,000	—	1
	7	7

10. EMPLOYEES' EMOLUMENTS

The five highest paid employees of the Group during the year included four (2003: four) directors, details of whose emoluments are set out in note 9 above. The emolument of the remaining employee (2003: one) is as follows:

	2004 *HK$'000*	2003 *HK$'000*
Other emoluments	768	1,302

The remuneration of the employee falls within the band of nil to HK$1,000,000 (2003: HK$1,000,001 to HK$1,500,000) for the year.

11. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the year ended 31 December 2004. Hong Kong Profits Tax had been provided at the rate of 17.5% on the Group's estimated assessable profits for the year of 2003.

The (credit) charge comprises:	2004 *HK$'000*	2003 *HK$'000*
Hong Kong Profits Tax	—	4,200
Deferred taxation *(Note 33)*	—	(10,000)
	—	(5,800)

Deferred tax credited for the year ended 31 December 2003 was in respect of unrealised holding loss on trading securities, which was a reversal of temporary difference.

Details of unrecognised deferred taxation are set out in note 33 to the financial statements.

	2004	2003
	HK$'000	*HK$'000*
Reconciliation of tax expense		
Loss from ordinary activities before tax	(336,868)	(116,844)
Income tax at applicable tax rate of 17.5% (2003: 17.5%)	(58,952)	(20,448)
Non-deductible expenses	59,477	23,510
Tax exempt revenue	(4,291)	(57,536)
Unrecognised tax losses	3,797	31,103
Utilisation of previously unrecognised tax losses	—	(239)
Unrecognised temporary differences	(31)	17,810
Tax (income) expense for the year	—	(5,800)

The applicable tax rate is the Hong Kong Profits Tax rate of 17.5% (2003: 17.5%).

12. LOSS FOR THE YEAR

Of the Group's loss for the year of HK$336,868,000 (2003: HK$33,739,000), a loss of HK$279,505,000 (2003: HK$107,655,000) has been dealt with in the financial statements of the Company.

13. DIVIDEND

	2004	2003
	HK$'000	*HK$'000*
Special dividend in respect of 2003 of HK7 cents per share and no dividend declared during the year.	—	17,201

14. LOSS PER SHARE

The calculation of the loss per share is based on the loss for the year of HK$336,868,000 (2003: HK$33,739,000) and on the weighted average number of 1,209,700,000 shares (2003: 1,014,388,361 shares) in issue during the year. The weighted average number of shares in issue used in the basic loss per share calculation for the year ended 31 December 2003 has been adjusted to reflect the effect of the bonus issues during the current year, which is treated as had been completed on 1 January 2003.

No diluted loss per share is presented for the years as conversion of the Company's outstanding convertible notes have an anti-dilutive effect.

15. INVESTMENT PROPERTIES

	2004	2003
	HK$'000	*HK$'000*
Valuation		
At beginning of year	20,530	157,470
Impairment loss	—	(20,300)
Disposals	(11,950)	(18,000)
Disposal of subsidiaries	—	(99,400)
Surplus on revaluation	3,350	760
At balance sheet date	11,930	20,530

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

	2004	2003
	HK$'000	*HK$'000*
Land in Hong Kong:		
Long lease	6,780	7,160
Medium-term lease	5,150	13,370
	11,930	20,530

Investment properties were valued at the balance sheet date by Messrs. Centaline Surveyors Limited, Chartered Surveyors, on an open market value basis. The surplus of HK$3,350,000 arising on revaluation has been credited to the consolidated income statement, as it represents a reversal of previous revaluation deficit.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
At beginning of year	41,272	5,842	7,488	2,815	5,494	62,911
Additions	—	—	21	32	—	53
Disposal	—	(830)	(249)	(454)	(1,980)	(3,513)
At balance sheet date	**41,272**	**5,012**	**7,260**	**2,393**	**3,514**	**59,451**
Accumulated depreciation						
At beginning of year	12,473	5,198	6,987	2,328	5,209	32,195
Charge for the year	1,107	23	116	147	285	1,678
Reversal of impairment loss	(11,033)	—	—	—	—	(11,033)
Disposal	—	(297)	(119)	(170)	(1,980)	(2,566)
At balance sheet date	**2,547**	**4,924**	**6,984**	**2,305**	**3,514**	**20,274**
Net book value						
At balance sheet date	**38,725**	**88**	**276**	**88**	**—**	**39,177**
At beginning of year	28,799	644	501	487	285	30,716

The net book value of land and buildings is HK$38,725,000 (2003: 28,799,000) held by the Group in medium-term lease in Hong Kong at the balance sheet date.

17. INTERESTS IN SUBSIDIARIES

	The Company	
	2004	**2003**
	HK$'000	*HK$'000*
Unlisted shares, at cost	952,881	952,881
Impairment loss	(875,957)	(680,000)
	76,924	272,881
Due from subsidiaries	290,025	154,041
Provision for doubtful debts	(125,600)	(55,000)
	164,425	99,014
	241,349	371,895

The amounts due from (to) subsidiaries are unsecured, interest-free and have no fixed repayment terms, except an amount due from a subsidiary of approximately HK$25,913,000 (2003: HK$71,254,000) was interest bearing at approximately 8% per annum (2003: approximately 8% per annum).

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**	**Particulars of issued ordinary and paid up capital** *(Note)*	**Proportion of nominal value of issued capital held by the Company** Directly	Indirectly	**Principal activities**
Action Plus Investments Limited	British Virgin Islands	1 share of US$1	—	100	Investment holding
Bestford Properties Limited	Hong Kong	2 shares of HK$1 each	—	100	Property holding
Bestford Development Limited	Hong Kong	2 shares of HK$1 each	—	100	Property investment
Cuve Asset Management Limited	British Virgin Islands	26,000 shares of US$1 each	—	100	Investment holding
China United International Administrative Services Limited (formerly Long Bloom Enterprises Limited)	Hong Kong	53,000 shares of HK$100 each	—	100	Provision of administrative service

Name of subsidiary	Place of incorporation	Particulars of issued ordinary and paid up capital *(Note)*	Proportion of nominal value of issued capital held by the Company Directly	Indirectly	Principal activities
CU International Finance Limited	Hong Kong	2 shares of HK$1 each	—	100	Money lending
Embrace Assets Limited	British Virgin Islands	1 share of US$1	—	100	Investment holding
Grand Wishes Limited	British Virgin Islands	1 share of US$1	—	100	Investment holding
Greatly Fareast Limited	Hong Kong	2 shares of HK$1 each	—	100	Property investment
Golden Clip Limited	British Virgin Islands	1 share of US$1	—	100	Investment holding
International Stamps & Coins Exchange Gallery Limited	Hong Kong	20,200 shares of HK$1 each	—	100	Property investment
Radford Portfolio Management Limited	Hong Kong	10,000 shares of HK$1 each	—	100	Property holding
Ronford Properties Limited	Hong Kong	2 shares of HK$1 each	—	100	Property investment
Skill Cheer Limited	Cayman Islands	692,900,008 shares of HK$1 each	63.92	36.08	Investment holding
Total Capital Limited	British Virgin Islands	1 share of US$1	—	100	Provision of financial services
Top Ultimate Limited	British Virgin Islands	1 share of US$1	—	100	Provision of financial services
Wellhand Limited	Hong Kong	2 shares of HK$1 each	—	100	Property investment
Winport Limited	British Virgin Islands	1 share of US$1	—	100	Investment holding

All of the above subsidiaries operate principally in Hong Kong.

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

18. INTEREST IN AN ASSOCIATE

	2004	2003
	HK$'000	*HK$'000*
Share of net assets	128,827	196,223
Impairment loss	(75,036)	—
Negative goodwill *(see Note 18(b))*	—	(22,620)
	53,791	173,603
Due from an associate	127,322	147,021
	181,113	320,624

HMI is a 42.03% owned associate of the Group. It is incorporated in the British Virgin Islands and engaged in investment holding in Hong Kong.

Notes:

(a) On 10 March 2004, the Company entered into an agreement with a shareholder of HMI, being an independent third party, to acquire 37.5 million shares of HMI at a consideration satisfied by the issuance of 40 million shares of the Company, representing approximately 8.85% of the Company's enlarged issued share capital. Positive goodwill arising from the acquisition amounting to approximately HK$23,721,000 was fully impaired during the year.

The directors have given due consideration of the financial position of HMI and its subsidiaries (collectively the "HMI Group") in determining whether the positive goodwill have suffered an impairment loss. Following the deemed disposal of HMI Group effectively on 31 December 2003, HMI Group is no longer consolidated into the financial statements of the Company. The Company was informed by the management of HMI that one of its shareholders intended to dispose of its interests in HMI. The directors considered that the acquisition could further consolidate the interest in HMI and to avoid the shareholdings being transferred to other party who is unfamiliar with the business of HMI. Further, the directors considered the increase in shareholding in HMI could enhance the profitability of the Group in future in view of the blooming of the financial market in Hong Kong. However, for prudence, the directors have written off the goodwill arising from the acquisition of additional interest in HMI.

During the year, HMI issued 65 million shares of HMI to the Group in order to settle part of the loan advances owed to the Group.

Despite the above acquisition of additional shareholdings in HMI, the Group's interest in HMI was effectively diluted from 47.6% at 1 January 2004 to 42.03% at 31 December 2004 because of the issuance of shares by HMI to other parties on a number of occasions.The effect of the dilution has been accounted for as deemed disposal.

(b) Goodwill and negative goodwill

	Goodwill	Negative goodwill	Total
	HK$'000	*HK$'000*	*HK$'000*
At beginning of year			
Cost	—	(26,915)	(26,915)
Accumulated amortisation	—	4,295	4,295
Opening carrying amount	—	(22,620)	(22,620)
Arising from acquisition of interest in an associate	23,721	—	23,721
Arising from acquisition of additional interest in an associate	—	(1,923)	(1,923)
Amortisation charges/recognised as income	—	2,741	2,741
Impairment loss	(23,721)	—	(23,721)
Released upon recognition of impairment loss	—	21,246	21,246
Eliminated on deemed disposal of interest in associate	—	556	556
Closing carrying amount	—	—	—
At balance sheet date			
Cost	23,721	(28,838)	(5,117)
Accumulated amortisation and impairment	(23,721)	28,838	5,117
Closing carrying amount	—	—	—

(c) The auditors' report on the consolidated financial statements of HMI for the year ended 31 December 2004 expected to contain a disclaimer of opinion because of limitation of scope in respect of the following matters:

(i) The consequential effect of the audit qualifications for the previous year on the current year results of the associate.

(ii) The auditors' inability to assess the financial strength of a director of HMI, who has provided a personal guarantee in respect of the recoverability of certain loans receivable as at 31 December 2004.

In order to address the uncertainties as to the director's personal guarantee, the Company has made a further provision for impairment loss of approximately HK$75,000,000 against the interest in HMI as at 31 December 2004.

(d) Details of the amount due from HMI are as follows:

	Notes	2004 HK$'000	2003 HK$'000
Advances:			
At beginning of year		147,021	—
Net advances		67,979	144,315
Interest accrued		—	2,706
Settlement by the issuance of 65 million HMI shares		(65,000)	—
Settlement by the subscription of convertible note		(150,000)	—
At balance sheet date	(i)	—	147,021
Convertible note receivables:			
Subscription through set-off of advances due		150,000	—
Interest accrued		7,022	—
Partial disposal to a third party		(29,700)	—
At balance sheet date	(ii)	127,322	—
Total amounts due from HMI		127,322	147,021

Notes:

(i) The amounts due from HMI represented loan advances which were unsecured and had no fixed repayment terms. The advances together with interest accrued were converted into shares in HMI and convertible notes during the year.

(ii) Of the amounts due, HK$120,300,000 is principal amount of a convertible note issued by HMI on 28 January 2004. Related interest receivable amounted to HK$7,022,000 at the balance sheet date. The note, which will mature in three years from the date of issue, bears interest at 6% per annum and can be converted into shares of HMI at a conversion price of HK$1.50 per ordinary share at any time after the date of issue of the convertible and before its maturity date. During the year, the Company and HMI agreed to revise the conversion price to HK$1.0 per ordinary share. On 25 February 2004, the Company agreed to subordinate the amounts due from HMI Group in respect of the convertible note to HMI Group's banks up to an amount of HK$150 million, if so requested by HMI Group's banks.

(e) Details of the consolidated operating results and financial position of HMI based on audited financial statements, after adjusting for the fair value of assets acquired at the date of acquisition, are as follows:

	2004	**2003**
	HK$'000	*HK$'000*
Operating results for the year ended 31 December 2004		
Turnover	35,870	124,128
Loss from ordinary activities before taxation	(421,199)	(211,412)
Loss from ordinary activities before taxation attributable to the Group	(159,597)	(132,014)
Amortisation of negative goodwill recognised as income	2,741	
Impairment loss on goodwill arising from acquisition of additional interest in HMI	(23,721)	
Share of loss of HMI	(180,577)	
Financial position at the balance sheet date	*HK$'000*	*HK$'000*
Total non-current assets	8,500	412,246
Total current assets	522,345	306,417
Total current liabilities	(104,033)	(259,929)
Total non-current liabilities	(120,300)	(46,500)
Shareholders' funds	306,512	412,234
Amount attributable to the Group	128,827	196,223

19. INVESTMENTS IN SECURITIES

	2004	**2003**
	HK$'000	*HK$'000*
At fair value:		
Equity securities		
Listed investments	2,902	—
Unlisted investments	17,472	—
	20,374	—
Fair value of equity securities listed:		
— in Hong Kong	2,902	—

20. LOANS RECEIVABLE

Loans granted to borrowers are repayable according to set maturity dates. The balance comprises loans receivable from:

	Notes	2004 HK$'000	2003 HK$'000
Third parties		158,342	161,233
Related companies	34(b)	20,460	20,460
Directors of the Company	34(c)	—	972
		178,802	182,665
Provision for bad and doubtful debts		(160,000)	(99,209)
Balances due within one year included in current assets		18,802	83,456

An aging analysis of loans receivable (before provision for bad and doubtful debts) as at the balance sheet date is set out below:

	2004 HK$'000	2003 HK$'000
Within maturity dates	65,386	110,629
Balances overdue for repayment:		
1 - 3 months	—	28,159
4 - 6 months	15,362	38,404
7 - 12 months	26,518	5,473
Over 12 months	71,536	—
	178,802	182,665

21. INTEREST-BEARING BORROWINGS

	The Group		The Company	
	2004 HK$'000	2003 HK$'000	2004 HK$'000	2003 HK$'000
Secured bank loans	32,054	32,915	—	—
Unsecured other loans *(Note)*	96,080	90,519	96,080	90,519
	128,134	123,434	96,080	90,519

The maturity of the above borrowings is as follows:

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	104,683	93,262	96,080	90,519
After one year but within two years	2,749	2,890	—	—
After two years but within five years	9,202	9,645	—	—
After five years	11,500	17,637	—	—
	23,451	30,172	—	—
	128,134	123,434	96,080	90,519

Note:

Movements in other loans are as follows:

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year	90,519	84,177	90,519	—
Addition	84,921	354,997	84,921	291,497
Repayment	(79,360)	(281,105)	(79,360)	(200,978)
Disposal of subsidiaries	—	(67,550)	—	—
At balance sheet date	96,080	90,519	96,080	90,519

22. CONVERTIBLE NOTES

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year *(Note i)*	63,840	63,840	63,840	—
Issuance upon Reorganisation	—	—	—	63,840
Issuance during the year *(Note ii)*	55,000	163,000	55,000	—
Redemption *(Note iii)*	(58,800)	(29,000)	(58,800)	—
Conversion *(Note ii and iii)*	(7,040)	(87,500)	(7,040)	—
Deemed disposal of HMI	—	(46,500)	—	—
At balance sheet date	53,000	63,840	53,000	63,840
Represented by:				
Current portion	—	63,840	—	63,840
Non-current portion	53,000	—	53,000	—
	53,000	63,840	53,000	63,840

Notes:

(i) The convertible notes bear interest at 7.5% per annum and can be converted into shares of the Company in the amount or integral multiples of HK$168,000 at any time from the date of issue of the new convertible notes up to 14 days before and excluding the maturity date on 4 July 2004.

The Company may redeem in whole or in part the notes in the amount or integral multiples of HK$168,000 at any time from the date of issue up to 14 days before and excluding the maturity date on 4 July 2004. The amount to be paid by the Company upon redemption of the notes shall be 105% of the outstanding amount of the notes. No notes were redeemed by the Company during the period.

The conversion prices applicable to the relevant period are as follows:

Conversion price per share	**Period**
HK$1.91	Date of issue to 4 July 2003
HK$2.22	5 July 2003 to 11 November 2003
HK$1.48	12 November 2003 to 13 June 2004
HK$0.592	14 June 2004 to 14 days before and excluding the maturity date on 4 July 2004

(ii) During the year, the Group issued convertible notes with principal sum of HK$55,000,000 to third parties. The convertible notes bear interest at 7.8% per annum and can be converted into the ordinary shares of the Company at a conversion price of HK$0.5 per share in amounts or integral multiples of HK$1,000,000 at any time from date of issue up to 7 days before (and excluding) the maturity of the convertible notes. The convertible notes will mature on 19 August 2009. The conversion price of the convertible notes is adjusted from HK$0.5 to HK$0.45 with effect from 10 November 2004 as a result of the bonus issue during the year.

During the year, of the convertible note with principal sum of HK$55,000,000, principal amounting to HK$2,000,000 was converted into 4,000,000 ordinary shares of HK$0.1 each of the Company at a conversion price of HK$0.50 per share.

(iii) During the year, convertible note with principal sum of HK$58,800,000 was redeemed by the Group and convertible note with principal sum of HK$5,040,000 was converted into 3,405,405 ordinary shares of HK$0.1 each of the Company at a conversion price of HK$1.48 per share.

23. ISSUED CAPITAL

	Number of ordinary shares		Nominal value	
	2004	**2003**	**2004**	**2003**
			HK$	*HK$*
Authorised:				
At beginning of year/period	20,000,000,000	—	2,000,000,000	—
Creation of 10,000 shares of HK$1 each upon incorporation	—	10,000	—	10,000
Subdivision from 10,000 shares of HK$1 each to 100,000 of HK$0.1 each	—	90,000	—	—
Shares of HK$0.1 each	20,000,000,000	100,000	2,000,000,000	10,000
Increase by creation of additional 19,999,900,000 shares of HK$0.1 each	—	19,999,900,000	—	1,999,990,000
At balance sheet date	20,000,000,000	20,000,000,000	2,000,000,000	2,000,000,000

		Number of ordinary shares		Nominal value	
		2004	2003	2004	2003
	Notes			*HK$*	*HK$*
Issued and fully paid:					
At beginning of year/period		368,868,495	—	36,886,850	—
Issuance of shares of HK$1 each upon incorporation		—	2	—	2
Subdivision from 2 shares of HK$1 each to 20 shares of HK$0.1 each		—	18	—	—
Shares of HK$0.1 each		368,868,495	20	36,886,850	2
Issuance of shares pursuant to the Group Reorganisation		—	245,734,652	—	24,573,465
Exercise of warrants	(i)	45,739,040	226,487	4,573,904	26,649
Conversion of convertible notes	(ii)	7,405,405	—	740,541	—
Issuance of shares	(iii)	130,440,000	—	13,044,000	—
Issuance of shares under share option scheme	(iv)	24,573,467	—	2,457,347	—
Bonus issue	(v)	792,362,647	122,867,336	79,236,264	12,286,734
At balance sheet date		1,369,389,054	368,868,495	136,938,906	36,886,850

Notes:

(i) During the year, an aggregate of 45,739,040 new shares of HK$0.1 each of the Company were issued to certain warrant holders upon exercise of warrants at the cash subscription price of HK$0.38 per share for 39,945,103 shares and of HK$0.15 per share for 5,793,937 shares respectively.

(ii) During the year, an aggregate of 7,405,405 ordinary shares of HK$0.1 each of the Company were issued to a convertible note holder upon the conversion of convertible notes as set out in note 22.

(iii) Pursuant to the sales and purchase agreement dated 10 March 2004, 40,000,000 ordinary shares of HK$0.1 each of the Company were issued to acquire 37.5 million shares of HMI as set out in note 18.

Pursuant to the Placing Agreement dated 19 November 2004, the Company agreed to conditionally place 17,640,000 ordinary shares of HK$0.1 each of the Company on a fully underwritten basis to independent investors at a price of HK$0.24 per share.

Pursuant to the sales and purchase agreement dated 22 November 2004, 72,800,000 ordinary shares of HK$0.1 each of the Company were issued to acquire the investment securities (included in current assets) at a price of HK$0.24 per share.

(iv) By an ordinary resolution passed on 24 November 2004, 24,573,467 ordinary shares of HK$0.1 each were issued to staff under share option scheme at an exercise price of HK$0.27 per share.

(v) By an ordinary resolution passed on 14 June 2004, 678,328,503 ordinary shares of HK$0.1 each were issued to shareholders on the basis of three bonus share for every two existing shares.

By an ordinary resolution passed on 10 November 2004, 114,034,144 ordinary shares of HK$0.1 each were issued to shareholders on the basis of one bonus share for every ten existing shares.

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

24. SHARE OPTION SCHEME

A share option scheme ("the Scheme") of the Company was approved on 20 November 2003 by the shareholders of the Company and became effective on 3 January 2004. The 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 total number of shares in respect of which options may be granted under the 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 month 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. 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

	2004	**2003**
	Number	*Number*
At the beginning of year	—	—
Issued	24,573,467	
Exercised	(24,573,467)	—
At balance sheet date	—	—

(b) Details of share options exercised during the year

Exercise date	**Exercise price**	**Market value per share at exercise date**	**Proceeds received**	**Number**
	HK$	*HK$*	*HK$*	
24 November 2004	0.27	0.285	6,634,836	24,573,467

25. WARRANTS

During the year, the registered holders of 45,739,040 warrants exercised their rights to subscribe for ordinary shares. The exercise price of the warrants is adjusted from HK$0.38 to HK$0.15 with effect from 1 June 2004 and then to HK$0.14 with effect from 28 October 2004 as a result of the bonus issues during the year.

At the balance sheet date, the Company had outstanding 3,141,408 warrants. Exercise in full of such warrants would result in the issue of 3,141,408 additional shares of HK$0.1 each.

26. RESERVES

	Share premium	Capital redemption reserve	Special reserve	Capital reserve	Investment revaluation reserve	Contributed surplus	Merger reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Group									
At 1 January 2003	1,617,221	99	33,455	19,330	(10,341)	1,115,795	—	(2,491,483)	284,076
Reduction of capital pursuant to the Group Reorganisation	(1,617,221)	—	—	—	—	1,678,555	—	—	61,334
Contributed surplus set off against accumulated losses pursuant to the Group Reorganisation	—	—	—	—	—	(2,685,716)	—	2,685,716	—
Share capital of CU Bermuda eliminated on the Group Reorganisation	—	—	—	—	—	—	100	—	100
Reclassification of reserves resulting from the Group Reorganisation	—	(99)	(33,455)	99	—	(91,433)	124,888	—	—
Issue of shares by the Company pursuant to the Group Reorganisation	—	—	—	—	—	—	(24,573)	—	(24,573)
Special dividends declared and paid in respect of the current year	—	—	—	—	—	(17,201)	—	—	(17,201)
Released upon disposals	—	—	—	—	10,341	—	—	—	10,341
Capitalisation as bonus issue	—	—	—	—	—	—	(12,287)	—	(12,287)
Released upon disposal of subsidiaries	—	—	—	(1,156)	—	—	—	—	(1,156)
Exercise of warrants	75	—	—	—	—	—	—	—	75
Issuing expenses in respect of bonus issue	(75)	—	—	—	—	—	—	—	(75)
Loss for the year	—	—	—	—	—	—	—	(33,739)	(33,739)
At 31 December 2003	**—**	**—**	**—**	**18,273**	**—**	**—**	**88,128**	**160,494**	**266,895**

	Share premium	Capital reserve	Merger reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Group					
At 1 January 2004	—	18,273	88,128	160,494	266,895
Exercise of warrants	11,474	—	—	—	11,474
Shares issued at premium, net of issuing expenses	88,070	—	—	—	88,070
Share issued under share option scheme	4,177	—	—	—	4,177
Issuance of bonus issue	(79,236)	—	—	—	(79,236)
Set off against accumulated losses	—	—	(88,128)	88,128	—
Loss for the year	—	—	—	(336,868)	(336,868)
At 31 December 2004	24,485	18,273	—	(88,246)	(45,488)

Included in the reserves of the Group as at 31 December 2004 were accumulated losses of associate attributable to the Group amounting to HK$512,866,000 (2003: HK$258,307,000).

The application of the Company's share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

	Share premium	Merger reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The Company				
Effect of the Group Reorganisation	—	303,735	—	303,735
Issuance of bonus shares	—	(12,287)	—	(12,287)
Exercise of warrants	75	—	—	75
Issuing expenses in respect of bonus issue	(75)	—	—	(75)
Loss for the period	—	—	(107,655)	(107,655)
At 31 December 2003	**—**	**291,448**	**(107,655)**	**183,793**
At 1 January 2004	—	291,448	(107,655)	183,793
Exercise of warrants	11,474	—	—	11,474
Shares issued at premium, net of issuing expenses	88,070	—	—	88,070
Issuance of shares under share option scheme	4,177	—	—	4,177
Issuance of bonus shares	(79,236)	—	—	(79,236)
Set off against accumulated losses	—	(291,448)	291,448	—
Loss for the year	—	—	(279,505)	(279,505)
At 31 December 2004	**24,485**	**—**	**(95,712)**	**(71,227)**

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

27. CASH USED IN OPERATIONS

	Notes	2004 HK$'000	2003 HK$'000
Loss from ordinary activities before taxation		(336,868)	(116,844)
Depreciation and amortisation expenses		1,678	4,377
Impairment losses on:			
— Property, plant and equipment		—	21,000
— Investment properties		—	20,300
— Goodwill on consolidation of subsidiaries		—	1,006
— Interest in associate		75,036	1,485
— Other securities		—	13,652
Negative goodwill released upon recognition of impairment loss in an associate		(21,246)	—
Release of negative goodwill to income statement		—	(4,809)
Reversal of impairment loss on leasehold land and buildings		(11,033)	—
Surplus arising on revaluation of investment properties		(3,350)	(760)
Interest expenses on bank and other borrowings		9,119	36,552
Interest on obligations under finance leases		—	53
Interest on convertible notes		5,066	7,555
Interest income from an associate		(7,022)	—
Bank interest income		—	(122)
Loss on disposal of property, plant and equipment		96	—
Net provision for bad and doubtful debts		63,747	213,207
Net unrealised loss (gain) on trading securities		—	77,329
(Profit) Loss on disposal of investment properties		(730)	10,872
Loss on disposal of other securities		—	11,455
Loss on deemed disposal of interests in subsidiaries		—	1,809
Profit on disposal of interests in subsidiaries		—	(245,319)
Profit on disposal of partial interests in subsidiaries		—	(1,056)
Loss (Profit) on deemed disposal of interest in an associate	18(a)	24,045	(2,500)
Share of loss of an associate	18(e)	180,577	—
		(20,885)	49,242
Changes in working capital:			
Loans receivable		908	(474,296)
Other receivables		20,798	(30,066)
Trading securities		(2,902)	19,943
Other payables		1,874	33,466
Cash used in operations		(207)	(401,711)

28. MAJOR NON-CASH TRANSACTIONS

Major non-cash transactions during the year have been disclosed in note 18, 22 and 23 respectively. During the year ended 31 December 2003, convertible notes of principal amount of HK$87,500,000 issued by an associate of the Company, HMI, of which at the time was a non wholly-owned subsidiary, was converted into 51,000,000 ordinary shares of HMI.

29. COMMITMENTS

(a) Capital expenditure commitments

The Company entered into an agreement with HMI on 2 December 2003 to acquire 200,000,000 shares of Radford Capital from HMI at a total consideration of HK$24,000,000. At 31 December 2003, an amount of HK$24,000,000 has been paid to HMI as deposit and included in other receivables. The acquisition was completed in January 2004.

(b) Commitments under operating leases

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:

	2004	**2003**
	HK$'000	*HK$'000*
Within one year	855	882
In the second to fifth year inclusive	713	1,664
	1,568	2,546

The Group leases out all its investment properties under operating leases with average lease terms of 2 years. The future aggregate minimum rental receivable under non-cancellable operating leases is as follows:

	2004	**2003**
	HK$'000	*HK$'000*
Within one year	133	487
In the second to fifth year inclusive	—	193
	133	680

30. CONTINGENT LIABILITIES

(a) Guarantees for banking facilities

At the balance sheet date, the Company had contingent liabilities not provided for in the financial statements in respect of guarantee of HK$38,000,000 (2003: HK$38,000,000) and HK$75,000,000 (2003: HK$125,000,000) for banking facilities granted to subsidiaries and an associate respectively, which were utilised by subsidiaries and an associate to the extent of HK$32,054,000 (2003: HK$32,915,000) and HK$31,589,000 (2003: HK$60,915,000) respectively.

(b) **Other guarantees**

As set out in the Company's 2003 annual report, the Company, China United Holdings Limited ("CU Bermuda", the former holding company of the Company's subsidiaries) and HMI entered into an agreement under which approximately 18.68% of interest in HMI and 48.53% interest in another subsidiary were transferred from CU Bermuda and subsidiaries remaining under it after a group restructuring (the "Old CU Group") to the Group. According to the agreement, CU Bermuda had a perpetual entitlement of 22% in the distribution of dividends, capital and assets by HMI. In addition, the Company made guarantee to CU Bermuda that if HMI failed to pay the said distributions to CU Bermuda, the Company would compensate CU Bermuda with the equivalent amount. During the year, CU Bermuda has confirmed in writing that the agreement has been cancelled and thereafter the guarantee made by the Company mentioned above was released accordingly.

As set out in the Company's 2003 annual report, the Company guaranteed to CU Bermuda that the Company would pay to CU Bermuda HK$13,000,000 should the interest of an unlisted investment held in trust on behalf of CU Bermuda by the Company be affected by any inappropriate manner. During the period, the title in the investment was transferred to a nominee under CU Bermuda's instruction at a nominal consideration of HK$1. The abovementioned guarantee was released consequently.

31. OUTSTANDING LITIGATION

The Company and CU Bermuda (renamed Zhuang PP Holdings Limited, "Zhuang PP") were named as co-defendants in a claim ("Legal Action") initiated on 9 July 2004 by a creditor of the Old CU Group after a group restructuring, challenging the validity of the restructuring. The creditor also claimed the Company should pay the debts owed by the Old CU Group to the creditor amounting to HK$154 million with interest thereon.

In November 2004, the Company, the creditor, Zhuang PP and other independent third parties entered into a Deed of Agreement under which another creditor (the "Creditor") would substitute the creditor as the plaintiff in respect of the Legal Action (the "Substitution"). In March 2005, a Consent Summons in respect of the Substitution has been approved by the High Court.

The Creditor, the Company and Zhuang PP have also agreed to wholly discontinue the Legal Action with no order as to costs and will file a Notice of Discontinuance by consent to the court. Further, the Creditor has agreed not to initiate other actions against the Company challenging the validity of the group restructuring and/or claiming for compensation for any loss suffered as a result of the group restructuring. After taking legal advice, the directors considered that the above matters would have no significant adverse effect on the Group.

32. 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:

	2004	**2003**
	HK$'000	*HK$'000*
Land and buildings	38,725	28,799
Investment properties	11,930	20,530
	50,655	49,329

33. DEFERRED TAXATION

The Group had deferred tax liability of HK$10,000,000 in prior year in respect of unrealised gain on trading securities recognised in the income statement which is reversed during the year of 2003.

At the balance sheet date, the major components of the deferred tax assets (liabilities) of the Group are as follows:

	Assets		Liabilities	
	2004	**2003**	**2004**	**2003**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation allowances	—	—	—	(414)
Tax losses	—	414	—	—
Deferred tax assets (liabilities)	—	414	—	(414)
Offset deferred tax assets and liabilities	—	(414)	—	414
Net tax liabilities	—	—	—	—

Unrecognised deferred tax assets

	2004	**2003**
	HK$'000	*HK$'000*
Deductible temporary differences	10,755	4,605
Tax losses	184,708	348,269
At balance sheet date	195,463	352,874

Both the tax losses and the deductible temporary differences have no expiry date under current tax legislation. Deferred tax assets of 34,206,000 (2003: HK$61,753,000) have not been recognised in respect of these items due to uncertainty of their recoverability.

34. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the financial statements, there are other related party transactions entered by the Group during the year, details of which are set out below:

(a) A property of the Group with net book value of HK$21,724,000 (2003: HK$17,294,000) is occupied by a brother of a director of the Company free of rental. The director's brother is a director of certain companies within the HMI Group.

(b) The Group has granted unsecured loans to certain related companies, a director of which is also a director of certain companies within the HMI Group and is a brother of a director of the Company. At the balance sheet date, the outstanding loans amounted to HK$20,460,000 (2003: HK$20,460,000) and carried interest at prime rate plus 3% per annum. Provision of HK$20,460,000 (2003: HK$20,460,000) had been made for non-repayment of the loans and related interest.

(c) Details of the unsecured loans and securities margin loans granted by the Group and HMI Group to the executive directors of the Company are as follows:

Name of director	Granted by	Balance at 31 December 2004	Balance at 1 January 2004	Maximum amount outstanding during the year	Maturity	Interest rate per annum
		HK$'000	*HK$'000*	*HK$'000*		
Chung, Wilson						
— unsecured loan	The Group	—	972	972	25.6.2007	8%
Wong Ying Seung, Asiong						
— unsecured loan	HMI Group	—	106	106	10.6.2004	8%
— margin loan	HMI Group	45	442	4,646	N/A	Prime rate +3%
Chung, Wilson						
— margin loan	HMI Group	—	416	574	N/A	Prime rate +3%
Lo Ka Sun						
— margin loan	HMI Group	—	19	136	N/A	Prime rate
		45	1,955			

There was neither any interest due but unpaid nor any provision made against these loans at 31 December 2003 and, except for HK$45,000, the loans were fully repaid during the year.

(d) During the year, the Group acquired certain trading securities from HMI Group at a total consideration of HK$24,000,000. All the trading securities acquired were disposed of in the market during the year.

(e) During the year, the Group paid placing commission of HK$825,000 and financial advisory fee of HK$400,000 to subsidiaries of the HMI Group.

35. POST BALANCE SHEET EVENTS

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

(a) On 3 January 2005, the investment in securities (included in current assets) was disposed of at the consideration of HK$38 million to a third party. The total considerations were received in March 2005.

(b) On 11 January 2005, the Company, through its subsidiary, acquired 30% interest in Found Macau Shares ("FM Transactions") at the consideration of US$30 from the shareholders (the "Founders") of Found Macau Investments International Limited ("Found Macau"). On 22 February 2005, the subsidiary of the Company and another investor entered into a shareholder agreement with the Founders to raise HK$500 million in the form of shareholders loans

("New Found Macau Loan"). According to the shareholders agreement, the Group, based on 30% of shareholding interest in Found Macau, has to provide the New Found Macau Loan of HK$150 million. The Shareholders Loans shall be interest free, repayable on demand after 8 years from the date of drawdown. The Promissory Notes have been issued by Found Macau to the investors when the HK$500 million Shareholders Loans were advanced.

(c) On 28 February 2005, the Company issued the New Convertible Notes with the principal amounts of HK$100,000,000 to third parties and HK$100,000,000 to Found Macau respectively. The New Convertible Notes are non-interest bearing, and can be converted into the ordinary shares of the Company at a conversion price of HK$0.25 per share in amounts or integral multiples of HK$500,000 at any time from date of issue up to 7 days prior to (and excluding) the maturity date of the New Convertible Notes. The convertible notes will mature on 28 February 2010. The net proceeds from the issue are approximately HK$198,000,000, which is approximately HK$53,000,000 to redeem the Existing Convertible Notes and the balance of up to approximately HK$145,000,000 to fund the New Found Macau Loan. The Company issued the New Convertible Notes in the principal amount of HK$100,000,000 to Found Macau to partially satisfy the Group's obligation to make the New Found Macau Loan, the other loan amount of HK$50,000,000 was satisfied in cash paid.

(d) On 16 March 2005, the Board resolved that a total of 400,000,000 new ordinary shares of the Company be and are allotted to Found Macau at a conversion price of HK$0.25 per share upon conversion of New Convertible Note.

36. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation, as management believes that the current year's presentation better reflects the Group's financial positions and operating results.

3. STATEMENT OF INDEBTEDNESS

At the close of business on 31 December 2005, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this Circular, the total indebtedness of the Group amounted to approximately HK$18.4 million. The Group had outstanding bank borrowings of approximately HK$18.4 million, secured by certain land and buildings and investment properties of the Group and corporate guarantee provided by the Company.

The Group has pledged all its investment and trading securities to secure margin financing facilities obtained from regulated securities dealers.

The Company also had given corporate guarantee to the extent of HK$30 million for banking facilities granted to an associated company of the Company.

Save as aforesaid and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 December 2005 any 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, hire purchase commitments, guarantees or other material liabilities.

4. FINANCIAL AND TRADING PROSPECTS

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$0.10 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.

The Group is principally engaged in investment holding. Upon completion of the acquisition of 25% of Amerinvest and the disposal of Found Macau, the Group through various subsidiaries will engage in the (i) property investments; (ii) investment in trading securities; (iii) automobile sales and repairing in the PRC; (iv) provision of brokerage and financial services; and (v) investments in coke and related gas chemical business.

The Board will continue to review and evaluate the performance of the existing investments as well as other available investment opportunities. The Board may take necessary measures to adjust the size of each investment so as to enable each investment to have contribution to the Group within the expected time schedule. The Board will further recruit relevant experiences professionals to participate in the management team and to monitor the relevant business progress and development.

5. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present available financial resources, the borrowings and the cash consideration to be received from the FM Agreement, the Group has sufficient working capital for its present requirements in the absence of unforeseen circumstances.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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 not contained herein the omission of which would make any statement contained in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO were as follows:

Long positions in Shares

Name	Capacity	Total number of Shares	Approximate % shareholding
Wong Ying Seung, Asiong	Personal	34,336,000	1.11

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO.

(b) **Interests of Shareholders**

As at the Latest Practicable Date, so far as is known to the Directors and the chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group.

Name	**Number of Shares**	**% shareholding**
Heritage International Limited	510,000,000	16.44%
Radford Capital Investment Limited *Note 2*	182,959,363	5.90%
Unity Investments Holdings Limited *Note 2*	168,704,000	5.44%
China Capital Resources Corporation *Note 1*	250,000,000	8.06%

Note 1: These are the Consideration Shares to be issued to the Vendor on completion of the Amerinvest Agreement.

Note 2: The following directors are also directors of the following companies:

Mr. Nakajima Toshiharu	executive director of Radford Capital Investment Limited
Mr. Lam Ping Cheung	independent non-executive director of Unity Investments Holdings Limited

Save as disclosed above, the Directors and the chief executives of the Company are not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and 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 is, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Group.

As at the Latest Practicable Date:

(i) none of the Directors had any direct or indirect interests in any assets which have since 31st December, 2004 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any members of the Group, or are proposed to be acquired or disposed of by or leased to any members of the Group;

(ii) none of the Directors was materially interested in any contracts or arrangements entered into by any members of the Group subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any members of the Group.

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings 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.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his/her respective associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group other than those businesses to which the Directors and his/her associates were appointed to represent the interests of the Company and/or the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) has been entered into by members of the Group within the two years preceding the date of this circular and is or may be material.

(i) On 10th March, 2004, the Company entered into an agreement with Top Result International Limited (not a Connected Person), whereby the Company agreed, inter alia, to issue and allot 40,000,000 shares at the price of HK$1.80 per share to Top Result International Limited in consideration of Top Result International Limited transferring 37,500,000 shares in Hennabun Management Inc. to the Company;

(ii) On 30th March, 2004, the Company (as borrower) entered into a lump sum loan agreement with Maxlord Enterprises Limited (as lender) in relation to a loan in the amount of HK$100,000,000 which loan was unsecured, carried interest at the HSBC prime lending rate plus 2% per annum and matured on 29th March, 2005. The loan has been fully repaid as at the Latest Practicable Date;

(iii) On 11th June, 2004, the Company, CU Corporate Finance Limited and Chung Nam Securities Limited entered into a placing agreement whereby, inter alia, the Company appointed (i) Chung Nam Securities Limited as placing agent to place a series of convertible redeemable notes up to an aggregate principal amount of HK$80,000,000 (subsequently reduced by agreement dated 23rd July, 2004 to HK$55,000,000) at a conversion price of HK$0.5 per share, subsequently adjusted to HK$0.45 per share (subject to adjustment) issued by the Company on a best efforts basis; and (ii) CU Corporate Finance Limited as financial adviser to the Company in relation to the placing of convertible notes;

(iv) On 23rd July, 2004, the Company, CU Corporate Finance Limited and Chung Nam Securities Limited entered into a placing agreement whereby, inter alia, the Company appointed (i) Chung Nam Securities Limited as placing agent to place 90,000,000 new ordinary shares of the Company on a best efforts basis at a price of HK$0.30 per share and (ii) CU Corporate Finance Limited as financial adviser to the Company in relation to the placing of shares;

(v) On 19th November, 2004, the Company entered into an agreement with Kingston Securities Limited (not a Connected Person) whereby, inter alia, the Company appointed Kingston Securities Limited as placing agent to place 17,640,000 new shares at a price of HK$0.24 per share;

(vi) On 22nd November, 2004, Chau Tuk Shun ("Mr. Chau") (not a Connected Person) as vendor and Pleasure Developments Limited ("Pleasure Developments"), a wholly-owned subsidiary of the Company, as purchaser entered into an agreement ("Wide Asia S/P Agreement") whereby, inter alia, Mr. Chau agreed to sell and Pleasure Developments agreed to purchase 28 shares in Wide Asia Shipping S.A. ("Wide Asia") for a consideration of HK$17,472,000;

(vii) On 7th December, 2004, Wide Asia as grantor entered into an agreement with Pleasure Developments as grantee whereby, inter alia, Wide Asia agreed to grant of a call option over shares in Wide Asia for a consideration of HK$1.00 to Pleasure Developments at an exercise price of US$5,000,000;

(viii) An instrument of transfer dated 9th December, 2004 entered into between Alpha Aim and the subscriber whereby Alpha Aim acquired 1 share in Found Macau at a consideration of US$1;

(ix) A subscription letter dated 9th December, 2004 from Alpha Aim to Found Macau agreeing to subscribe for 9 shares in Found Macau at a consideration of US$9;

(x) On 14th December, 2004, the Company (as borrower) entered into a loan agreement with Double Smart Finance Limited (as lender) in relation to a loan in the amount of HK$12,000,000 which loan is unsecured, bears interest at the fixed rate of 2% and matured on 13th January, 2005 and as at the Latest Practicable Date has been fully repaid;

(xi) On 3rd January, 2005, Wide Asia entered into a first termination deed with Pleasure Developments, inter alia, terminating a conditional call option agreement entered into by the same parties dated 7th December, 2004;

(xii) On 3rd January, 2005, Pleasure Developments entered into a second termination deed with Mr. Chau to terminate certain undertakings given by Mr. Chau to Pleasure Developments in the Wide Asia S/P Agreement;

(xiii) On 3rd January, 2005, Pleasure Developments entered into a disposal agreement with Ms. Ng Chor Har (not a Connected Person) whereby Pleasure Developments agreed, inter alia, to dispose of 28 shares in Wide Asia to Ms. Ng Chor Har for a cancellation fee of HK$38,000,000;

(xiv) On 11th January, 2005, Alpha Aim entered into a bought and sole note and instrument of transfer with Filipe Lau to acquire 10 FM Shares at a consideration of US$10;

(xv) On 11th January, 2005, Lao Hin Chun, Filipe Lau, Lourenco Cheong, Alpha Aim and Found Macau entered into a termination deed in relation to the shareholders agreement of Found Macau dated 9th December, 2004;

(xvi) On 12th January, 2005, the Company entered into a placing agreement with Get Nice Investment Limited in relation to the placing of a series of non-interest bearing convertible redeemable notes in an aggregate principal amount of up to HK$200 million due on the fifth anniversary from the date of issue;

(xvii) On 22nd February, 2005, Found Macau, Lao Hin Chun, Filipe Lau, Lourenco Cheong, Alpha Aim and Vision Gate entered into a shareholders agreement relating to Found Macau;

(xviii) On 9th March, 2005, the Company, CU Corporate Finance Limited and Chung Nam Securities Limited entered into a placing agreement in relation to the placing of 274,000,000 Shares at HK$0.168 per placing share;

(xix) On 31st March, 2005, Found Macau, Alpha Aim, Vision Gate and Next Method Limited entered into a supplemental agreement to change the long stop date;

(xx) On 7th April, 2005, Found Macau, Lao Hin Chun, Filipe Lau, Lourenco Cheong, Alpha Aim, Vision Gate, Next Method Limited and Rightmind Development Limited entered into a deed of adherence in relation to the shareholders' agreement relating to Found Macau;

(xxi) On 8th April, 2005, Heritage (as lender) and the Company (as borrower) entered into a loan agreement in the amount of HK$10 million. The loan has been fully repaid as at the Latest Practicable Date;

(xxii) On 10th May, 2005, Heritage (as lender) and the Company (as borrower) entered into a loan agreement in the amount of HK$5,000,000 and a letter of extension of repayment date of the Loan Facility dated 16th June, 2005. The loan has been fully repaid as at the Latest Practicable Date;

(xxiii) On 31st May, 2005, Leapfly Limited and Chuang Yue-Chien, Eugene entered into a conditional call option deed relating to the registered capital of Tianjin Kai Sheng Automobile Service Co., Ltd.;

(xxiv) On 16th June, 2005, Double Smart Finance Limited (as lender) and the Company (as borrower) entered into a loan agreement in the amount of HK$8 million. The loan has been fully repaid as at the Latest Practicable Date;

(xxv) On 8th July, 2005, 天津市寧發進口汽車維修服務中心 and Chuang Yue-Chien, Eugene entered into a joint venture agreement which superceded the previous joint venture agreement intent dated 28th May, 2005 between Zhueng You Dao and Chuang Yue-Chien, Eugene;

(xxvi) On 19th July, 2005, Double Smart Finance Limited (as lender) and the Company (as borrower) entered into a loan agreement in the amount of HK$10 million. The loan has been fully repaid as at the Latest Practicable Date;

(xxvii) On 31st July, 2005, CU International Finance Limited and Supercapital Investments Limited entered into a deed of assignment;

(xxviii) On 3rd August, 2005, the Company and Hennabun Management International Limited entered into an agreement in relation to the disposal of Supercapital Investments Limited and the assignment of a shareholders loan owed by Supercapital Investments Limited to Top Ultimate Limited for a consideration of HK$7.8 million and HK$41 million respectively;

(xxix) On 31st August, 2005, Double Smart Finance Limited (as lender) and the Company (as borrower) entered into a loan agreement in the amount of HK$2 million. The loan has been fully repaid as at the Latest Practicable Date;

(xxx) On 16th September, 2005, Chung Nam Finance Limited (as lender) and the Company (as borrower) entered into an agreement of unsecured standby credit facility in the amount of HK$50 million;

(xxxi) On 21st October, 2005, Double Smart Finance Limited (as lender) and the Company (as borrower) entered into a loan agreement in the amount of HK$2 million. The loan has been fully repaid as at the Latest Practicable Date;

(xxxii) On 24th November, 2005, Maxlord Enterprises Limited (as lender) and the Company (as borrower) entered into a loan agreement in the amount of HK$40 million. The loan has been fully repaid as at the Latest Practicable Date;

(xxxiii) On 24th November, 2005, the Company (as lender) and Winning Horsee Limited (as borrower) entered into a loan agreement in the amount of HK$10 million. The loan has been fully repaid as at the Latest Practicable Date;

(xxxiv) On 8th December, 2005, the Company (as lender) and Inner Mongolia Development (Holdings) Limited (as borrower) entered into a loan agreement in the amount of HK$20 million;

(xxxv) On 13th December, 2005, the Company (as lender) and Winning Horsee Limited (as borrower) entered into a loan agreement in the amount of HK$10 million. The loan has been fully repaid as at the Latest Practicable Date;

(xxxvi) On 13th December, 2005, the Company (as lender) and Unity Investments Holdings Limited (as borrower) entered into a loan agreement in the amount of HK$5 million;

(xxxvii) On 17th January, 2006, the Company (as lender) and Unity Investments Holdings Limited (as borrower) entered into a loan agreement in the amount of HK$5 million;

(xxxviii) On 20th January, 2006, the Company (as lender) and Double Smart Finance Limited (as borrower) entered into a loan agreement in the amount of HK$4.5 million;

(xxxix) On 24th January, 2006, the Company (as lender) and Besuccess Investments Limited (as borrower) entered into a loan agreement in the amount of HK$20 million;

(xl) the Amerinvest Agreement; and

(xli) the FM Agreement.

7. GENERAL

(i) The secretary of the Company is Yung Mei Yee, holder of Master's degree in Language and Law, Fellow Member of The Hong Kong Institute of Company Secretaries and of The Institute of Chartered Secretaries and Administrators.

(ii) The qualified accountant of the Company is Lee Kwan Ching, who is a Fellow Member of the Hong Kong Institute of Certified Pubic Accountants and the Association of Chartered Certified Accountants.

(iii) The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, of Shops 1712 - 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(iv) The registered office and head office of the Company is at 32/F., China United Centre, 28 Marble Road, North Point, Hong Kong.

(v) The English version of this circular shall prevail over the Chinese text.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 32nd Floor, China United Centre, 28 Marble Road, North Point, Hong Kong up to and including the date of the EGM:

(i) the memorandum and articles of association of the Company;

(ii) the material contracts as disclosed in paragraph 6 of this Appendix II;

(iii) the Annual Reports of the Company for the years ended 31st December, 2003 and 31st December, 2004;

(iv) the Interim Report of the Company for the six months ended 30th June, 2005;

(v) circular of the Company dated 4th February, 2005 relating to major and connected transactions — investment of 30% in Found Macau and HK$150 million shareholders loan and redemption of HK$53 million existing convertible notes and issue of up to HK$200 million new convertible notes; and

(vi) circular of the Company dated 24th August, 2005 relating to a major transaction and proposed amendments to the articles of association of the Company.

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide all the information in relation to the Repurchase Mandate for your consideration.

SHARE CAPITAL

As at the Latest Practicable Date, there were 3,101,494,988 Shares in issue. Subject to the passing of the relevant ordinary resolution and on the basis that no further Shares are issued or repurchased prior to the date of the EGM, the Company would be authorised to repurchase up to a maximum of 310,149,498 Shares.

REASONS FOR THE REPURCHASES

The Directors believe that it is in the best interests of the Company and its Shareholders to have general authority from the Shareholders to enable the Directors to repurchase Shares on the Stock Exchange. Such repurchase may, depending on marketing conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share of the Company and/or its earnings per Share and will only be made when the Directors believe that such repurchase will benefit the Company and its Shareholders.

FUNDING OF THE REPURCHASES

It is proposed that repurchases of securities under the Repurchase Mandate would be financed from distributable profits or the proceeds of a fresh issue of shares. In repurchasing the securities, the Company may only apply funds legally available for such purpose in accordance with the memorandum and articles of association of the Company and the laws of Hong Kong.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the latest published audited accounts of the Company for the year ended 31st December, 2004), in the event that the proposed Repurchase Mandate was to be exercised in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Stock Exchange in each of the previous twelve months prior to the Latest Practicable Date were as follows:

	Per Share	
	Highest	**Lowest**
	HK$	*HK$*
2005		
March	0.305	0.175
April	0.285	0.206
May	0.295	0.200
June	0.265	0.216
July	0.249	0.139
August	0.223	0.154
September	0.230	0.170
October	0.244	0.158
November	0.249	0.186
December	0.270	0.200
2006		
January	0.370	0.249
February (up to the Latest Practicable Date)	0.355	0.330

DISCLOSURE OF INTERESTS

None of the Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, any of their associates has any present intention, in the event that the Repurchase Mandate is approved by the Shareholders, to sell any of the Shares to the Company.

No connected person (as defined in the Listing Rules) has notified the Company that he/she has a present intention to sell any of the Shares to the Company, or has undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the proposed resolution in accordance with the Listing Rules and the laws of Hong Kong.

EFFECT OF THE TAKEOVERS CODE

If a shareholder's proportionate interest in the voting rights of the Company increases as a result of the Directors exercising the powers of the Company to repurchase Shares pursuant to the Repurchase Mandate, such increase will be treated as an acquisition of voting rights for the purpose of the Hong Kong Codes on Takeovers and Mergers and Share Repurchases ("Takeovers Code"). Accordingly, a shareholder or group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, to the best knowledge and belief of the Directors, Heritage International Holdings Limited held 510,000,000 Shares, representing approximately 16.44% of the issued share capital of the Company, and will hold approximately 18.27% of the issued share capital of the Company in the event the Repurchase Mandate is exercised in full. Assuming that there are no alterations to the existing shareholdings in the Company, so far as the Directors is aware, the exercise of the Repurchase Mandate in full will not give rise to any obligation on any Shareholder to make a mandatory offer under Rule 26 and 32 of the Takeovers Code in accordance with the terms of the ordinary resolution to be proposed at the EGM.

SHARE REPURCHASES MADE BY THE COMPANY

No repurchase of the Shares (whether on the Stock Exchange or otherwise) has been made by the Company during the six months preceding the Latest Practicable Date.

WILLIE INTERNATIONAL

Willie International Holdings Limited
威 利 國 際 控 股 有 限 公 司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 273)

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 at 9:00 a.m. on Thursday, 23rd February, 2006 for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions:

ORDINARY RESOLUTIONS

1. "THAT the issue of 250,000,000 new shares ("Consideration Share(s)") of par value of HK$0.10 each in the Company at the issue price of HK$0.265 per Consideration Share to China Capital Advisors Corporation ("China Capital") or as it may direct in satisfaction of the consideration of HK$66,250,000 payable by Smart Way Resources Limited ("Smart Way"), an indirect wholly-owned subsidiary of the Company, to China Capital pursuant to the sale and purchase agreement ("Amerinvest Agreement") dated 12th January, 2006 entered into between China Capital and Smart Way in relation to the sale and purchase of 2,500 shares in Amerinvest Coal Industry Holdings Company Limited (a copy of the Amerinvest Agreement has been produced to this meeting marked "A" and initialled by the chairman of the meeting for identification purpose) be and is hereby approved and the directors of the Company be and are hereby authorised to do all such acts and things and sign such documents as they shall in their absolute discretion consider necessary or desirable to give effect to the issue of the Consideration Shares."

2. "THAT the entering into of the conditional agreement ("FM Agreement") dated 13th January, 2006 between Alpha Aim International Limited ("Alpha Aim") and Au Yeung Kai Chor ("Mr. Au Yeung") pursuant to which Alpha Aim agreed to sell 30 shares in the capital of Found Macau Investments International Limited ("Found Macau") and to assign a shareholders loan in the principal amount of HK$150 million owed by Alpha Aim to Found Macau to Mr. Au Yeung for an aggregate consideration of HK$75,000,000 (a copy of the FM Agreement has been produced to this meeting marked "B" and initialled by the chairman of the meeting for identification purpose) be and is hereby approved, ratified and confirmed and that the directors of the Company be and are hereby authorised to implement the transactions referred to in the Agreement and to do all such acts and things and sign such documents as they shall in their absolute discretion consider necessary or desirable to give effect to the Agreement and the arrangements contemplated thereunder."

3. "THAT:

(A) subject to paragraph (C) below, the exercise by the directors of the Company (the "Directors") during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers be and is hereby generally and unconditionally approved;

(B) the Directors be and are authorised during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers during or after the end of the Relevant Period;

(C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraphs 3(A) and (B), otherwise than pursuant to a Rights Issue (as hereinafter defined) or pursuant to the exercise of any options granted under the share option scheme adopted by the Company or an issue of shares upon the exercise of subscription rights attached to warrants which might be issued by the Company or an issue of shares in lieu of the whole or part of a dividend on shares or any scrip dividend scheme or similar arrangement in accordance with the articles of association of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution and the said approval shall be limited accordingly; and

(D) for the purposes of this resolution:

"Relevant Period" means the period from the time of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company or any applicable law of Hong Kong to be held; and

(iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange)."

4. "THAT:

(A) subject to paragraph (C) below, the exercise by the directors of the Company ("Directors") during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase securities in the capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, and that the exercise by the Directors of all powers of the Company to purchase such securities are subject to and in accordance with all applicable laws, be and is hereby, generally and unconditionally approved;

(B) the approval in paragraph (A) shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors of the Company on behalf of the Company during the Relevant Period to procure the Company to purchase its securities at a price determined by the Directors;

(C) the aggregate nominal amount of securities in the capital of the Company purchased or agreed conditionally or unconditionally to be purchased by the Company pursuant to the approval in paragraph (A) during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution and the said approval shall be limited accordingly; and

(D) for the purposes of this resolution:

"Relevant Period" means the period from the time of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company or any applicable law of Hong Kong to be held; and

(iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

5. "THAT conditional upon the passing of the ordinary resolutions numbered 3 and 4 in the notice convening a meeting of the Company dated 7th February, 2006, the aggregate nominal amount of the shares in the capital of the Company which are purchased by the Company pursuant to and in accordance with the said resolution numbered (4) shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to and in accordance with the ordinary resolution numbered (3) set out in such notice."

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

Dated 7th February, 2006

Registered Office:
32nd Floor, China United Centre
28 Marble Road
North Point
Hong Kong

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. The instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

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 shall be deposited at the registered office of the Company at 32nd Floor, China United Centre, No. 28 Marble Road, North Point, 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 proposes 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.

6. As at the date of this notice, the Board comprises four executive directors, namely, Mr. Chuang Yueheng, Henry, Mr. King Phillip, Mr. Lo Kan Sun and Mr. Wong Ying Seung, Asiong and five independent non-executive directors, namely, Mr. Lam Ping Cheung, Mr. Miu Frank H., Mr. Nakajima Toshiharu, Ms. Lin Wai Yi and Mr. Liu Jian.