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Willie International Holdings Limited

威利國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 273)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

RESULTS

The board of directors (the “Board”) of Willie International Holdings Limited (the “Company”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred as the “Group”) for the six months ended 30 June 2014 (the “Period”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Unaudited	
		Six months ended 30 June	
		2014	2013
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	67,237	16,738
Other income		348	659
Employee benefit expenses		(4,799)	(5,167)
Depreciation		(145)	(621)
Reversal of allowance of doubtful debts, net	9	614	7,072
Loss on disposal of available-for-sale financial assets		—	(3,750)
Net fair value gain (loss) on investments held for trading		405,042	(113,465)
Net fair value gain on investments designated as at fair value through profit or loss upon initial recognition		633	252

		Unaudited	
		Six months ended 30 June	
		2014	2013
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain arising from changes in fair value of investment properties		400	300
Other operating expenses		(14,298)	(8,886)
Finance costs		(204)	(61)
Share of results of an associate		<u>(201)</u>	<u>—</u>
Profit (Loss) before taxation		454,627	(106,929)
Taxation	4	<u>—</u>	<u>—</u>
Profit (Loss) for the period		<u>454,627</u>	<u>(106,929)</u>
Other comprehensive income (loss):			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation reserve arising from interest in an associate		(2,032)	—
Net fair value gain (loss) on available-for-sale financial assets		<u>4,922</u>	<u>(1,645)</u>
Other comprehensive income (loss) for the period		<u>2,890</u>	<u>(1,645)</u>
Total comprehensive income (loss) for the period		<u>457,517</u>	<u>(108,574)</u>
			<i>(Adjusted)</i>
Earnings (Loss) per share			
— Basic and diluted	5	<u>HK\$0.88</u>	<u>HK\$(0.14)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		Unaudited 30 June 2014 HK\$'000	Audited 31 December 2013 HK\$'000
Non-current assets			
Investment properties		11,500	11,100
Property, plant and equipment		730	419
Interest in an associate		33,552	35,785
Interest in a joint venture	7	569,778	—
Available-for-sale financial assets	8	21,169	590,947
Other investments		<u>4,580</u>	<u>4,580</u>
		<u>641,309</u>	<u>642,831</u>
Current assets			
Available-for-sale financial assets	8	18,595	13,673
Financial assets at fair value through profit or loss		1,298,177	988,198
Loans receivable	9	235,366	120,219
Other receivables		6,912	2,945
Cash and cash equivalents		<u>87,514</u>	<u>50,470</u>
		<u>1,646,564</u>	<u>1,175,505</u>
Current liabilities			
Other payables		759	2,617
Interest-bearing borrowings		<u>8,240</u>	<u>4,362</u>
		<u>8,999</u>	<u>6,979</u>
Net current assets		<u>1,637,565</u>	<u>1,168,526</u>
Total assets less current liabilities		<u>2,278,874</u>	<u>1,811,357</u>
Non-current liabilities			
Unsecured bonds	10	10,000	—
Deferred tax liabilities		<u>43</u>	<u>43</u>
		<u>10,043</u>	<u>43</u>
NET ASSETS		<u>2,268,831</u>	<u>1,811,314</u>
Capital and reserves			
Share capital	11	2,400,372	1,505
Reserves		<u>(131,541)</u>	<u>1,809,809</u>
TOTAL EQUITY		<u>2,268,831</u>	<u>1,811,314</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014 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”). The accounting policies applied in preparing these interim condensed consolidated financial statements are consistent with the accounting policies applied in preparing the Group’s annual consolidated financial statements for the year ended 31 December 2013 except for the adoption of the new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) that are relevant to the Group and effective from the current period which are Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12 *Investment Entities*, Amendments to HKAS 32 *Presentation — Offsetting Financial Assets and Financial Liabilities*, Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* and the accounting policies for interest in joint venture. The adoption of the aforesaid amendments to HKFRSs does not have significant effect on these interim condensed consolidated financial statements.

At the date of authorising these interim condensed consolidated financial statements for issue, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current period, which the Group has not early adopted. The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the results of the Group.

2. SEGMENT INFORMATION

The directors consider trading of investments, provision of financial services, property investment and investment holding are the Group’s major operating segments.

(a) Segment revenue and results

The following is an analysis of the Group’s revenue and results from operations by operating segments:

For the six months ended 30 June 2014 (unaudited)

	Trading of investments HK\$’000	Provision of financial services HK\$’000	Property investment HK\$’000	Investment holding HK\$’000	Unallocated HK\$’000	Total HK\$’000
Segment revenue	<u>61,982</u>	<u>5,040</u>	<u>215</u>	<u>—</u>	<u>—</u>	<u>67,237</u>
Profit (Loss) for the period before following items:	457,823	5,138	518	2,772	(11,219)	455,032
Share of results of an associate	—	—	—	(201)	—	(201)
Finance costs	<u>(68)</u>	<u>—</u>	<u>(58)</u>	<u>(78)</u>	<u>—</u>	<u>(204)</u>
Profit (Loss) before taxation	457,755	5,138	460	2,493	(11,219)	454,627
Taxation	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Segment results	<u>457,755</u>	<u>5,138</u>	<u>460</u>	<u>2,493</u>	<u>(11,219)</u>	<u>454,627</u>

For the six months ended 30 June 2013 (unaudited)

	Trading of investments <i>HK\$'000</i>	Provision of financial services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>11,673</u>	<u>4,859</u>	<u>206</u>	<u>—</u>	<u>—</u>	<u>16,738</u>
(Loss) Profit for the period before following items:	(102,992)	11,304	453	(1,881)	(10,002)	(103,118)
Loss on disposal of available-for-sale financial assets	—	—	—	(3,750)	—	(3,750)
Finance costs	—	—	(61)	—	—	(61)
(Loss) Profit before taxation	(102,992)	11,304	392	(5,631)	(10,002)	(106,929)
Taxation	—	—	—	—	—	—
Segment results	<u>(102,992)</u>	<u>11,304</u>	<u>392</u>	<u>(5,631)</u>	<u>(10,002)</u>	<u>(106,929)</u>

Segment revenue reported above represents revenue generated from external customers. There was no inter-segment revenue in both periods.

(b) **Segment assets and liabilities**

An analysis of the Group's assets and liabilities by operating segments is set out below.

	Trading of investments <i>HK\$'000</i>	Provision of financial services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 30 June 2014 (unaudited)					
Assets					
Segment assets	1,333,167	237,663	11,757	99,584	1,682,171
Interest in an associate	—	—	—	33,552	33,552
Interest in a joint venture	—	—	—	569,778	569,778
Unallocated assets					<u>2,372</u>
Total assets					<u><u>2,287,873</u></u>
Liabilities					
Segment liabilities	(4,061)	(143)	(4,401)	(10,410)	(19,015)
Unallocated liabilities					<u>(27)</u>
Total liabilities					<u><u>(19,042)</u></u>
At 31 December 2013 (audited)					
Assets					
Segment assets	1,012,670	135,349	11,383	619,598	1,779,000
Interest in an associate	—	—	—	35,785	35,785
Unallocated assets					<u>3,551</u>
Total assets					<u><u>1,818,336</u></u>
Liabilities					
Segment liabilities	(93)	(60)	(4,489)	(647)	(5,289)
Unallocated liabilities					<u>(1,733)</u>
Total liabilities					<u><u>(7,022)</u></u>

3. TURNOVER

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

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Net gain from the sale of investments at fair value through profit or loss*	54,611	1,655
Interest income from loans and other receivables	5,040	4,859
Dividend income from investments	4,575	6,098
Interest income from investments	2,796	3,920
Rental income	215	206
	<u>67,237</u>	<u>16,738</u>

* Represents the proceeds from the sale of investments at fair value through profit or loss of HK\$257,198,000 (2013: HK\$157,738,000) less the cost of sales and carrying amount of the investments sold of HK\$202,587,000 (2013: HK\$156,083,000).

4. TAXATION

Hong Kong Profits Tax has not been provided as the Group's estimated assessable profits for the Period are wholly absorbed by unrelieved tax losses brought forward from previous years. Hong Kong Profits Tax was not provided for the period ended 30 June 2013 as the Group did not have estimated assessment profits for that period.

5. EARNINGS (LOSS) PER SHARE

The calculation of earnings (loss) per share is based on profit attributable to equity holders of the Company for the Period of HK\$454,627,000 (2013: loss of HK\$106,929,000) and the weighted average number of 516,542,187 (2013 (adjusted): 746,763,440) ordinary shares in issue during the Period.

The Company had no dilutive potential ordinary shares for the Period. In 2013, there was an anti-dilutive effect after adjusting for the effect of all dilutive ordinary shares. Accordingly, the diluted earnings (loss) per share was same as the basic earnings (loss) per share for both periods.

The calculations of the basic and diluted earnings (loss) per share for the current and prior period have been adjusted as a result of the share subdivision effected on 13 March 2014 (note 11 (c)).

6. INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the Period (2013: nil).

7. INTEREST IN A JOINT VENTURE

	Unaudited	Audited
	30 June	31 December
	2014	2013
	HK\$'000	HK\$'000
At cost	<u>569,778</u>	<u>—</u>

As mentioned in note 8 to these interim condensed consolidated financial statements, upon completion of the JV Contribution (as hereinafter defined), the Group held 34.7% equity interest in Freewill Holdings Limited (“Freewill”, a company incorporated in the Republic of the Marshall Islands with limited liability) which has been classified as interest in a joint venture as Freewill is an entity in which the Group has a long term equity interest and of which the Group shares joint control with another party when certain important decisions of the entity, under contractual arrangement, require unanimous consent of the parties sharing control. The sole purpose of Freewill’s business is to hold shares in HEC Capital Limited (“HEC”) for investment holding purpose.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

		Unaudited	Audited
		30 June	31 December
		2014	2013
	<i>Note</i>	HK\$'000	HK\$'000
Equity securities, listed in Hong Kong, at fair value	<i>(a)</i>	<u>18,595</u>	<u>13,673</u>
Unlisted investments, at cost	<i>(b)</i>	22,000	594,514
Impairment loss	<i>(c)</i>	<u>(13,231)</u>	<u>(15,967)</u>
		<u>8,769</u>	<u>578,547</u>
Club membership, at cost		13,920	13,920
Impairment loss	<i>(c)</i>	<u>(1,520)</u>	<u>(1,520)</u>
		<u>12,400</u>	<u>12,400</u>
		<u>39,764</u>	<u>604,620</u>
Analysed as:			
Non-current		21,169	590,947
Current		<u>18,595</u>	<u>13,673</u>
		<u>39,764</u>	<u>604,620</u>

Notes:

- (a) The board of directors decided that the shares in Freeman Financial Corporation Limited (“Freeman”) held by the Company might be disposed of within the following twelve months; therefore, the investments in Freeman were classified as current assets. During the Period, a fair value gain of HK\$4,922,000 (2013: a fair value loss of HK\$1,645,000) in respect of Freeman shares classified as available-for-sale financial assets held by the Company was recognised as a reserve.
- (b) In June 2014, the Group executed a joint venture agreement with Freeman Financial Services Limited (“FFSL”, a subsidiary of Freeman), pursuant to which the Group and FFSL agreed to contribute all of their HEC shares in exchange for the same respective ordinary shares of a joint venture company, Freewill, a special purpose vehicle formed to hold those HEC shares (“JV Contribution”). Upon completion of the JV Contribution in late June 2014, the Company’s equity interest in HEC (i.e. 92,687,861 HEC shares representing approximately 10.38% of HEC’s issued share capital as at 31 December 2013 and reduced to approximately 9.96% upon completion of the JV Contribution) was exchanged into 34.7% equity interest in Freewill, representing 9.96% indirect beneficial interest in HEC. The Group’s equity interest in Freewill has been classified as interest in a joint venture as mentioned in note 7 to these interim condensed consolidated financial statements.

The directors are of the opinion that the fair value of identifiable assets and liabilities of Freewill, which held approximately 28.7% equity interest in HEC upon completion of the JV Contribution, cannot be reliably measured as the variability in the range of reasonable fair value estimates of the investment is significant and probability of the various estimates within the range cannot be reasonably assessed and used in estimating the fair value. Hence, the interest in joint venture has been stated at the Group’s carrying value of investment in HEC at approximately HK\$569,778,000 (net of impairment loss of HK\$2,736,000). On this basis, there was no gain or loss on deemed disposal of available-for-sale financial assets arising from this JV Contribution recognised during the Period.

The remaining balance represents the Group’s interest in 21% (at 31 December 2013: 21%) of the nominal value of issued non-voting, redeemable participating share capital of VMS Private Investment Partners VI Limited.

- (c) Movement in the provision for impairment loss is as follows:

	Unaudited 30 June 2014 HK\$’000	Audited 31 December 2013 HK\$’000
At beginning of reporting period	17,487	17,487
Derecognition arising from deemed disposal of available-for-sale financial assets	(2,736)	—
At end of reporting period	<u>14,751</u>	<u>17,487</u>

9. LOANS RECEIVABLE

Loans granted to borrowers are repayable according to repayment schedules. The balances comprise loans receivable from:

		Unaudited	Audited
		30 June	31 December
		2014	2013
	<i>Note</i>	HK\$'000	HK\$'000
Third parties		240,056	125,523
Allowance for doubtful debts	<i>(b)</i>	<u>(4,690)</u>	<u>(5,304)</u>
Balances due within one year included in current assets	<i>(a)</i>	<u>235,366</u>	<u>120,219</u>
Short term loans, net of allowance		233,576	116,053
Instalment loans, net of allowance		<u>1,790</u>	<u>4,166</u>
		<u>235,366</u>	<u>120,219</u>

Notes:

- (a) At the end of the reporting period, loans receivable (i) carry at variable and fixed interest rates and have effective interest rates ranging from around 5% to 24% per annum (*at 31 December 2013: from around 5% to 24% per annum*); (ii) include balances of HK\$3,810,000 (*at 31 December 2013: HK\$3,616,000*) which are past due within one year; and (iii) include balances of HK\$236,246,000 (*at 31 December 2013: HK\$121,907,000*) which are within respective maturity dates.
- (b) Movement in the allowance for doubtful debts is as follows:

	Unaudited	Audited
	30 June	31 December
	2014	2013
	HK\$'000	HK\$'000
At beginning of reporting period	5,304	12,792
Increase in allowance	193	3,616
Amount recovered	<u>(807)</u>	<u>(11,104)</u>
At end of reporting period	<u>4,690</u>	<u>5,304</u>

The directors assessed the collectability of loans receivable at the end of the reporting period individually with reference to borrowers' past collection history and current creditworthiness. Outstanding loans receivable of HK\$4,690,000 (*at 31 December 2013: HK\$5,304,000*) in respect of two (*at 31 December 2013: two*) borrowers were determined to be impaired as a result of the assessment. In the directors' opinion, there was no indication of deterioration in the collectability of the remaining amount of HK\$235,366,000 (*at 31 December 2013: HK\$120,219,000*) and thus no additional allowance was considered necessary.

No loan receivable was past due but not impaired as at 30 June 2014 and 31 December 2013. Loans receivable that were neither past due nor impaired related to a wide range of borrowers for whom there was no history of default.

10. UNSECURED BONDS

In May 2014, the Company issued unsecured bonds with the principal amount of HK\$10,000,000 to an independent third party called Mr. Xu Yong with interest bearing at 5% per annum payable annually in arrears. The bonds are repayable in May 2021.

11. SHARE CAPITAL

	<i>Note</i>	Number of ordinary shares	HK\$'000
Issued and fully paid ordinary shares:			
At 1 January 2013 (audited)		125,461,804	1,254
Placing of shares		16,728,240	167
Issue of shares under share option scheme		<u>8,364,120</u>	<u>84</u>
At 31 December 2013 and 1 January 2014 (audited)		150,554,164	1,505
Transfer from share premium upon abolition of nominal value of shares	<i>(b)</i>	—	2,398,867
Share subdivision	<i>(c)</i>	<u>602,216,656</u>	<u>—</u>
At 30 June 2014 (unaudited)		<u>752,770,820</u>	<u>2,400,372</u>

Notes:

- (a) As at 31 December 2013, 2,000,000,000 ordinary shares, with nominal value of HK\$0.01 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap.622), which has been effective since 3 March 2014, the concepts of “authorised share capital” and “nominal value” no longer exist. These changes do not have any impact on the number of shares in issue.
- (b) Under the new Hong Kong Companies Ordinance (Cap.622), the amount standing to the credit of the Company’s share premium account became part of the Company’s share capital and was transferred to the share capital account accordingly.
- (c) Pursuant to an ordinary resolution passed by the shareholders at the extraordinary general meeting of the Company held on 12 March 2014, each existing issued share of the Company was subdivided into five subdivided shares. Immediately upon the share subdivision became effective on 13 March 2014, the Company had 752,770,820 shares in issue and fully paid.

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

12. CAPITAL EXPENDITURE COMMITMENTS

At the end of the reporting period, the Group had the following capital expenditure commitments:

	Unaudited 30 June 2014 <i>HK\$'000</i>	Audited 31 December 2013 <i>HK\$'000</i>
Authorised but not contracted for, net of deposit paid in the interim condensed consolidated financial statements		
Capital contribution to an associate	12,915	—
Others	<u>—</u>	<u>13</u>
	<u>12,915</u>	<u>13</u>

In April 2014, each shareholder of an associate agreed to contribute approximately US\$1,667,000 (equivalent to approximately HK\$12,915,000) as additional capital contribution before the end of September 2014 to finance the increase in estimated project costs. Upon the completion of additional capital contribution, the Group's interest in an associate will remain unchanged. Subsequent to the end of the reporting period and up to the date of authorising these interim condensed consolidated financial statements for issue, the additional capital contribution has not yet been made by the Group.

13. EVENT AFTER THE REPORTING PERIOD

On 28 August 2014, the Board resolved to make a bonus issue to shareholders whose name appear on the register of members of the Company on 17 September 2014 on the basis of one bonus share for every four existing ordinary shares to be held. The bonus shares will rank pari passu in all respects with the existing shares with effect from the date of issue.

CHAIRMAN'S STATEMENT

BONUS ISSUE OF SHARES

The Board is pleased to announce that a bonus issue will be made on the basis of one bonus share for every four existing shares held on the register of members on Wednesday, 17 September 2014, and share certificates will be posted on Thursday, 25 September 2014. Further details of this bonus issue are set out in a separate announcement to be published by the Company.

CLOSURE OF REGISTER OF MEMBERS

In order to determine shareholders who qualify for the issue of bonus shares, the register of members of the Company will be closed from Monday, 15 September 2014 to Wednesday, 17 September 2014, both days inclusive, during which period no share transfer will be effected. In order to qualify for the bonus issue, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, for registration no later than 4:30 p.m. on Friday, 12 September 2014.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (2013: *nil*).

RESULTS

During the Period, the Group reported a turnover of approximately HK\$67 million compared with a turnover of approximately HK\$17 million for the corresponding period in 2013. The increase in turnover was mainly attributable to the net gain from sale of investments at fair value through profit or loss in the first half year of 2014.

The Group reported a profit of approximately HK\$455 million attributable to shareholders for the Period (2013: *a loss of approximately HK\$107 million*). The overall profit was mainly due to the net fair value gain on investments held for trading of approximately HK\$405 million (2013: *a net fair value loss of approximately HK\$113 million*). The amount of earnings per share for the Period was approximately HK\$0.88 (2013: *adjusted loss per share of HK\$0.14*).

BUSINESS REVIEW AND PROSPECTS

Investors' concerns about the U.S. Federal Reserve's tapering of bond purchases and possible defaults of financial products in China contributed to the lackluster performance by the local stock market in the first quarter of 2014. Stock prices rebounded generally in the second quarter of 2014 when the market sentiment turned optimistic. In spite of the fluctuation during the Period, the Group was able to achieve impressive performance in its securities trading segment by realizing a net gain from sale of investments of almost HK\$55 million and a net fair value gain on investments held for trading of approximately HK\$405 million, resulting in a profit to the securities trading segment of approximately HK\$458 million (2013: *loss of approximately HK\$103 million*).

For the property investment segment, the Group has generated a stable rental income of approximately HK\$0.22 million (2013: *approximately HK\$0.21 million*). This segment reported a profit of approximately HK\$0.46 million during the Period (2013: *approximately HK\$0.39 million*) including the net fair value gain on investment properties of approximately HK\$0.4 million (2013: *approximately HK\$0.3 million*).

During the Period, the Group maintained its portfolio of loans targeted at low credit risk borrowers. The money lending business generated an interest income of approximately HK\$5 million (2013: *approximately HK\$5 million*). The performance of loans receivable warranted a reversal of allowance for doubtful debt for approximately HK\$0.6 million (2013: *approximately HK\$7 million*) resulted in a profit of approximately HK\$5 million during the Period (2013: *approximately HK\$11 million*).

After reaching contracts with various consultants, engineers, suppliers and service providers, construction work for the hotel development project in the Kingdom of Bhutan commenced during the Period, ahead of the initial schedule date in year 2015. This hotel development project is owned by the project company called "Bhutan Ventures Hospitality Private Limited", of which the Group holds one-third of the equity capital. According to the construction cost consultant, the estimated sum of costs of construction would be higher than the initial estimate by around US\$5 million. The shareholders of the project company have agreed to finance the additional cost by way of additional equity capital contribution by the end of September 2014. On top of the previous equity capital injection for US\$5 million (equivalent to approximately HK\$39 million), the Group will further contribute equity capital for approximately US\$1.67 million (equivalent to approximately HK\$13 million) into the project company. Apart from equity capital, the project company is procuring a long-term project loan for US\$30 million (equivalent to

approximately HK\$234 million) from a bank without shareholders' guarantee to finance the construction costs. With the active participation of our Bhutan partner (namely, Dasho Sangay Wangchuk) and the renowned hotel operator (namely, Sustainable Luxury Management (Thailand) Limited trading as "Six Senses Resorts and Spas") in this hotel development project, the Board believes that the construction work and the bank loan being procured by the project company can go ahead in full swing.

As a concrete step to develop the strategic alliance with Freeman Financial Corporation Limited ("Freeman", stock code: 279), Co-Lead Holdings Limited (an indirect wholly-owned subsidiary of the Company) entered into an agreement with Freeman Corporation Limited ("FCL", an indirect wholly-owned subsidiary of Freeman) in May 2014 to subscribe 300 million FCL shares at the aggregate subscription price of HK\$879 million, which would be financed by the Group's internal resources. This transaction requires approval by shareholders of the Company in a general meeting to be convened on 4 September 2014 and a circular setting out details of the transaction has been sent to shareholders for review.

In June 2014, Willie Link Limited (an indirect wholly-owned subsidiary of the Company) entered into a joint venture arrangement with Freeman Financial Services Limited ("FFSL", an indirect wholly-owned subsidiary of Freeman) to jointly hold both parties' investment in HEC Capital Limited ("HEC") through a joint venture company called Freewill Holdings Limited ("Freewill") aiming at exercising more influence on HEC's financial and operational policies with the combined shareholding in HEC. This joint venture arrangement is not related to the Group's proposed subscription of FCL shares mentioned above because FCL and FFSL are fellow subsidiaries under different arms of Freeman. The Group's exchange of 92,687,861 shares in HEC for the same number of shares in Freewill was completed in late June 2014. Hence, the Group's direct investment in HEC shares previously classified as available-for-sale financial assets has become an indirect investment in HEC shares held through Freewill while the Group's investment in Freewill has been classified as interest in a joint venture.

In March 2014, the shareholders of the Company approved the subdivision of each issued share into five subdivided shares effective on 13 March 2014; hence, the issued share capital of the Company has been increased from 150,554,164 shares to 752,770,820 shares. The reduction in the market value per board lot of 10,000 shares in the Company as a result of the share subdivision has improved the trading liquidity of the shares in the Company, apart from enabling the Company to broaden its shareholders' base. Meanwhile, under the new Companies Ordinance effective from 3 March 2014, the authorised share capital and the nominal value of shares of all companies incorporated in Hong Kong including the Company have been abolished.

Accordingly, the Company transferred the balance of share premium to the paid-up share capital account, the balance of which currently stands at approximately HK\$2,400 million. In May 2014, the shareholders of the Company approved the amendment of the Company's articles of association so as to be in line with provisions under the new Companies Ordinance.

Taking advantage of the Group's low gearing ratio and credit-worthiness, the Company has attempted to raise long-term debt finance to strengthen the Group's working capital. In May 2014, the Company successfully issued an unsecured bond with principal amount of HK\$10 million to an independent third party investor. The bond would last for 7 years and would accrue interest at 5% per annum payable to the investor.

Recent foreign fund inflows to Hong Kong have boosted the local stock market with Hang Seng Index rallied to hit 6-year high closing above 25,000 points. Downside risks such as the rolling back of quantitative easing measures in the U.S. would not be underestimated when trading the Group's listed investments. Upon completion of the subscription of FCL shares in the 2nd half of 2014, the Group would merge financial resources, experience and expertise with Freeman group to develop the business with diversified financial services. Having considered the improving financial performance of the Group and in recognition of the continual support of the shareholders, the Board decides to make the bonus issue in September 2014. In addition, the Board believes that the bonus issue will enhance the liquidity of the Company's shares in the market and thereby enlarging the shareholders' base of the Company. Save as disclosed above, there has been no important event affecting the Company and its subsidiaries since the end of the Period.

FINANCIAL REVIEW

Liquidity and Capital Resources

During the Period, the Company did not issue any new shares but successfully raised long-term debt finance by issuing a bond. In May 2014, the Company issued an unsecured bond in the principal amount of HK\$10 million to an independent third party investor. The bond would last for 7 years and would accrue interest at 5% per annum payable to the investor.

As at 30 June 2014, the Group's total equity amounted to approximately HK\$2,269 million, an increase of 25% as compared with approximately HK\$1,811 million as at 31 December 2013. The Group had net current assets of approximately HK\$1,638 million including cash and cash equivalents of approximately HK\$88 million as compared to approximately HK\$1,169 million including cash and cash equivalents of approximately HK\$50 million as at 31 December 2013. As at 30 June 2014, a bank

loan of approximately HK\$4 million (*at 31 December 2013: approximately HK\$4 million*) carrying floating interest rates by reference to the Hong Kong Inter-bank Offer Rate and containing a repayment on demand clause. The Group continued to maintain nil gearing ratio as computed on the basis of net borrowings to total equity and with a current ratio of 183 times (*at 31 December 2013: 168 times*).

PLEDGE OF ASSETS

As at 30 June 2014, the Group's financial assets at fair value through profit or loss and certain available-for-sale financial assets with an aggregate carrying amount of approximately HK\$1,035 million (*as at 31 December 2013: financial assets at fair value through profit or loss, certain available-for-sale financial assets and bank balance with an aggregate carrying amount of approximately HK\$1,011 million*) were pledged to certain financial institutions and securities brokers to secure certain margin financing and loan facilities amounted to approximately HK\$454 million (*as at 31 December 2013: approximately HK\$483 million*) granted to the Group of which approximately HK\$4 million of the amount (*as at 31 December 2013: none*) was utilised at the end of the Period.

As at 30 June 2014, the Group's investment properties were pledged to secure a bank loan facility of approximately HK\$5 million (*as at 31 December 2013: HK\$5 million*) granted to the Group of with approximately HK\$4 million of the amount (*as at 31 December 2013: HK\$4 million*) was utilised at the end of the Period.

CAPITAL EXPENDITURE COMMITMENTS

As at 30 June 2014, the Group had capital expenditure commitments authorised but not contracted for (net of deposit paid) amounting to approximately HK\$13 million (*as at 31 December 2013: commitments contracted but not provided for amounting to approximately HK\$13,000*).

CONTINGENT LIABILITIES

As at 30 June 2014, the Company has provided corporate guarantees for banking facilities amounting to approximately HK\$14 million (*as at 31 December 2013: approximately HK\$14 million*) granted to an ex-subsiary, which was utilised to the extent of approximately HK\$14 million (*as at 31 December 2013: approximately HK\$14 million*).

EMPLOYEES

As at 30 June 2014, the Group employed 20 (*as at 31 December 2013: 20*) employees excluding directors. The Group remunerates its employees based on their performance, working experience and prevailing market standards. Employee benefits include medical insurance coverage, mandatory provident fund and share option scheme.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financing reporting matters. The Group's interim results for the six months ended 30 June 2014 have been reviewed by the Audit Committee.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Corporate Governance Code under Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Period. In this connection, the Board considers that one out of four Independent Non-executive Directors of the Company being unable to attend the annual general meeting of the Company held on 30 May 2014 due to his sickness would not constitute a deviation from the code provision A.6.7 in the Corporate Governance Code as there was already a majority of Independent Non-executive Directors present at the meeting to ensure a balanced understanding of the views of shareholders.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Following specific enquiry by the Company, all directors confirmed that they have complied with the Model Code throughout the Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the Company's website at <http://www.willie273.com> and the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk>. The 2014 interim report of the Company will be despatched to the shareholders of the Company who have selected to have a printed copy and available on the above websites in due course.

APPRECIATION

I would like to take this opportunity to thank Mr. Wen Louis for his contribution to the Board until his resignation by the end of August 2014.

The Board would like to express its sincere gratitude to our business partners, employees, and shareholders for their continuous support.

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

Hong Kong, 28 August 2014

As at the date of this announcement, the Board comprises:-

Executive Directors:

Dr. Chuang Yueheng, Henry
Mr. Wong Ying Seung, Asiong
Mr. Cheung Wing Ping
Ms. Cheung Ka Yee
Mr. Man Wai Chuen

Independent Non-executive Directors:

Mr. Wen Louis
Mr. Yau Yan Ming, Raymond
Mr. Frank H. Miu
Dr. Antonio Maria Santos