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 and the accompanying form of proxy 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.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

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)

(Warrant Code: 614)

MAJOR TRANSACTION INVOLVING ISSUE OF CONSIDERATION SHARES AND TERMINATION OF NOTES INVOLVING ISSUE OF SETTLEMENT SHARES

A notice convening the EGM to be held on Thursday, 16 October 2008 at Function Room I & II, Ground Floor, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong at 9:30 a.m. is set out on pages 125 to 127 of this circular. 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 share registrar of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, 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.

30 September 2008

CONTENTS

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

"Acquisition"	the purchase by the Purchaser of the Sale Shares and the Shareholders Loan
"Acquisition Completion"	completion of the Acquisition in accordance with the terms and conditions of the Agreement
"Agreement"	the conditional agreement entered into on 8 September 2008 between the Vendor, Mascotte, the Purchaser and the Company in relation to, inter alia, the Acquisition
"associate(s)"	the same meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday or Sunday) on which banks are open for business in Hong Kong
"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 to it under the Listing Rules
"Consideration"	the aggregate consideration of HK$112 million payable by the Purchaser to the Vendor for the Acquisition and which is to be satisfied by the issue of the Consideration Shares by the Company to the Vendor
"Consideration Shares"	means 800,000,000 new Shares at a par value of HK$0.10 each in the Company to be issued to the Vendor (or its nominees) in satisfaction of the Consideration for the Acquisition
"Consideration Shares Issue Price"	HK$0.14 per Share, being the issue price for the Consideration Shares
"Directors"	the director(s) of the Company
"Dollar Group"	Dollar Group Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Heritage

"EGM"	an extraordinary general meeting of the Company to be held on Thursday, 16 October 2008 at Function Room I & II, Ground Floor, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong at 9:30 a.m. for the purpose of considering, and if thought fit, approving the Agreement and the transactions contemplated thereunder, including the issue of the Consideration Shares and the Termination Deed and the transactions contemplated thereunder including the issue of the Settlement Shares
"Enlarged Group"	the Group, including Target Company
"First Announcement"	the announcement in relation to the Acquisition dated 9 September 2008
"First Announcement Last Trading Day"	8 September 2008 the last trading day prior to the date of suspension of dealings in Shares pending the release of the First Announcement
"Group"	the Company and its subsidiaries
"Heritage"	Heritage International Holdings Limited (Stock Code: 412), a company incorporated in Bermuda, whose shares are listed on the Stock Exchange
"Heritage Group"	Heritage and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party"	a person who, to the best of the directors' knowledge, information and belief having made all reasonable enquiry, is a third party independent of the Company and Connected Persons of the Company
"Latest Practicable Date"	25 September 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mascotte"	means Mascotte Holdings Limited, a company incorporated in Bermuda whose shares are listed on the Stock Exchange

“Notes”	non-interest bearing convertible notes in the aggregate principal amount of HK$86,882,392.88 issued by the Company to Dollar Group on 7 July 2008 pursuant to the transactions described in announcements dated 21 May 2008 and 27 June 2008 and the Company’s circular dated 6 June 2008 respectively
“Notes Completion”	completion of the termination of the Notes in accordance with the terms and conditions of the Termination Deed
“PRC”	the People’s Republic of China
“Property”	a 20 storey building situated at No. 103 Shibapu Road, Liwan District, Guangzhou City, Guangdong Province, PRC
“Purchaser”	Perfect Time Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	998 ordinary shares of HK$1 each and 2 non voting deferred shares of HK$1 each in the Target Company, representing the entire issued share capital of the Target Company
“Second Announcement”	the announcement of the Company dated 17 September 2008 in relation to the Termination Deed
“Second Announcement Last Trading Day”	11 September 2008, being the date of the Termination Deed and the last trading day prior to the date of suspension of dealings in Shares pending the release of the Second Announcement
“Settlement Shares”	650,000,000 new Shares of par value of HK$0.10 each in the Company to be issued to Dollar Group pursuant to the Termination Deed
“Settlement Shares Issue Price”	HK$0.14 per Share, being the issue price for the Settlement Shares
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shareholder(s)”	holders of existing Shares
“Shareholders Loan”	an unsecured interest free shareholders loan due from Target Company to the Vendor which is repayable on demand, which amounts to approximately HK$35 million as at 31 July 2008

"Share(s)"	ordinary shares of HK$0.10 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Jet Star Industries Limited, a company incorporated in Hong Kong
"Termination Deed"	the termination deed dated 11 September 2008 entered into between the Company and Dollar Group to terminate the parties' obligations under the Notes
"Vendor"	Mascotte Group Limited, a wholly-owned subsidiary of Mascotte
"%"	per cent
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

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

(Incorporated in Hong Kong with limited liability)
(Stock Code: 273)
(Warrant Code: 614)

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

Independent Non-executive Directors
Ms. Lin Wai Yi
Mr. Liu Jian
Mr. Shum Ming Choy
Mr. Yau Yan Ming, Raymond

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

30 September 2008

To the Shareholders and holders of warrants of the Company

Dear Sir/Madam,

MAJOR TRANSACTION INVOLVING ISSUE OF CONSIDERATION SHARES AND TERMINATION OF NOTES INVOLVING ISSUE OF SETTLEMENT SHARES

INTRODUCTION

It was stated in the First Announcement that on 8 September 2008, the Company and the Purchaser entered into the Agreement with Mascotte and the Vendor pursuant to which, amongst other things, the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing the entire issued share capital of Target Company and the Shareholders Loan at an aggregate consideration of HK$112 million. Target Company holds the Property.

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

This circular contains further information on the Acquisition and the Termination Deed as required under the Listing Rules.

THE AGREEMENT

8 September 2008

Parties

(1) Mascotte

(2) the Vendor

(3) the Company

(4) the Purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mascotte and the Vendor are third parties independent of the Company and Connected Persons of the Company.

The Purchaser is a wholly-owned subsidiary of the Company and an investment holding company set up for the sole purpose of acquiring the Target Company.

Assets to be acquired

The Sale Shares, representing the entire issued share capital of the Target Company, and the Shareholders Loan. Target Company holds the Property.

Consideration

The Consideration of HK$112 million in aggregate, is to be satisfied by the issue of 800,000,000 Consideration Shares credited as fully paid at the Consideration Shares Issue Price of HK$0.14 per Share to the Vendor (or its nominees) on Acquisition Completion.

The Consideration (including the Consideration Shares Issue Price) was determined after arm's length negotiations with reference to the unaudited net assets value of the Target Company as at 31

July 2008 in an amount of approximately HK$76.1 million; the Shareholders Loan in an amount of approximately HK$35 million; and the average closing prices of the Share as quoted on the Stock Exchange for the last five trading days immediately preceding the First Announcement Last Trading Day.

The 800,000,000 Consideration Shares represent (i) approximately 32.66% of the existing issued share capital of the Company and (ii) approximately 24.62% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. An EGM will be convened by the Company at which resolution(s) will be proposed to the Shareholders for the approval of the Acquisition and a specific mandate for the issue of the Consideration Shares.

The Consideration Shares Issue Price represents:-

(i) a premium of approximately 6.87% to the closing price of HK$0.131 per Share as quoted on the Stock Exchange on the First Announcement Last Trading Day;

(ii) a premium of approximately 2.19% to the average closing prices of HK$0.137 per Share as quoted on the Stock Exchange for the last five trading days immediately preceding and including the First Announcement Last Trading Day; and

(iii) a premium of approximately 27.27% to the closing price of HK$0.110 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Based on the average closing prices of the Share as quoted on the Stock Exchange for the last five trading days immediately preceding the First Announcement Last Trading Day at approximately HK$0.14, the value of the Consideration Shares represents a sum of HK$112 million.

The Agreement does not contain any restrictions on the sale of the Consideration Shares after the Acquisition Completion.

Conditions precedent to the Agreement

Completion of the Agreement is subject to the following conditions precedent:-

(i) if required pursuant to the Listing Rules, the passing at a duly convened and held general meeting of Mascotte of resolutions by its shareholders to approve the Agreement and the transactions contemplated thereunder;

(ii) if required pursuant to the Listing Rules, the passing at a duly convened and held general meeting of the Company of resolutions by its shareholders to approve the Agreement and the transactions contemplated thereunder including the issue of the Consideration Shares;

(iii) the warranties given by the Vendor and Mascotte in the Agreement remaining true and accurate in all material respects;

(iv) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares to be issued pursuant to the terms thereof;

(v) all relevant consents and approvals for the Acquisition including any third parties and the Stock Exchange or other relevant regulatory bodies and government approvals having been obtained; and

(vi) completion of a due diligence review on the Target Company and the Property to the sole satisfaction of the Purchaser in its absolute discretion.

If the conditions above have not been fulfilled (or waived (except for (i), (ii), (iv) and (v) above) by the Purchaser) on or before 5:00 p.m. on 17 November 2008 or such other date as the Vendor and the Purchaser may agree in writing, the Agreement shall terminate save whereupon the parties shall have no further claims against each other under the Agreement save for accrued rights.

Acquisition Completion

Acquisition Completion is to take place on the fifth Business Day after all conditions precedent to the Agreement have been satisfied or waived (except for (i), (ii), (iv) and (v) above) by the Purchaser (or such other time and date as the parties to the Agreement may agree).

Upon the Acquisition Completion, the Company will allot and issue the Consideration Shares to the Vendor (or its nominees).

Other terms:

Mascotte and the Company have guaranteed the performance of the obligations of the Vendor and the Purchaser respectively under the Agreement.

INFORMATION ON THE TARGET COMPANY AND THE PROPERTY

Mascotte is principally engaged in the (i) manufacturing and sale of accessories for photographical, electrical and multimedia products; (ii) property investment and (iii) investment in securities. The Vendor is a wholly-owned subsidiary of Mascotte and an investment holding company with various investments.

The Target Company is wholly-owned by the Vendor and an investment holding company whose principal asset is the Property.

The Property comprises the whole of a 20-storey composite building. The total gross floor area of the Property is approximately 10,000 square metres. The land use right of the Property was granted for a term of 50 years commencing on 24 April 2006 for office use. As at 31 July 2008, the Property was subject to various tenancies with the latest expiry date in June 2011 generating a total monthly rent of around RMB390,000 (exclusive of management fee and other operating outgoings).

As at 31 July 2008, the occupancy rate of the Property was over 99%. An agent in the PRC has been appointed by the Target Company to manage the Property and the relevant tenancies. The valuation of the Property was RMB104 million as at 31 July 2008, as referred to in the valuation report in Appendix IV.

AA Property Services Ltd., an independent property valuer, has valued the property interests of the Target Company as at 31st July 2008. The text of the letter and the valuation certificate are set out in Appendix IV of this circular.

The table below shows (i) the reconciliation of the property interests of Target Company from its accountants' report as at 31 March 2008 set out in Appendix II of this circular to the unaudited carrying amount of those property interests as at 31 July 2008; and (ii) the reconciliation of the unaudited carrying amount of the property interests of Target Company and the valuation of those property interests as at 31 July 2008.

	Exchange rate *RMB:HK$*	*HK$'000*	*RMB'000*
Audited carrying amount of property interests of Target Company as at 31 March 2008	1.1095	115,393	
Valuation as at 31 March 2008			104,000
Movement for the four months ended 31 July 2008			
Exchange difference		3,464	
Unaudited carrying amount as at 31 July 2008	1.1428	118,857	
Valuation as at 31 July 2008			104,000

Immediately upon completion of the Acquisition, Target Company will become a wholly-owned subsidiary of the Company and its results will be consolidated into the financial statements of the Group.

The net loss before and after taxation of the Target Company as set out in the audited financial statements for the year ended 31 March 2008 was approximately HK$19.9 million and approximately HK$20.4 million respectively. For the year ended 31 March 2007, the audited net loss before and after taxation of the Target Company was approximately HK$3.4 million and approximately HK$0.5 million respectively. The net assets of the Target Company as set out in its audited financial statements as at 31 March 2008 was approximately HK$71.4 million.

The unaudited net profit before and after taxation of the Target Company for the period from 1 April 2008 to 31 July 2008 was approximately HK$1.4 million and HK$1.2 million respectively. The unaudited net assets of the Target Company was approximately HK$76.1 million as at 31 July 2008.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the account of which will be consolidated with that of the Group.

As the Property is subject to various tenancies generating a total monthly rent of around RMB390,000 and the occupancy rate of the Property has been constantly over 90%, it is expected that the various tenancies of the Property will generate approximately RMB4.5 million rental income to the Group per annum upon Completion.

The valuation of the Property amounted to RMB104 million as at 31 July 2008. The unaudited net assets of the Target Company was approximately HK$76.1 million as at 31 July 2008 and the net assets of the Target Company will be consolidated to the account of the Group. Compared with the Company's unaudited consolidated net assets of approximately HK$1,578 million as at 30 June 2008, the Board considers that the Acquisition would not have a material impact on the assets and liabilities of the Group. There will be no impact on the cashflow of the Group as the Consideration will be wholly satisfied by the Consideration Shares.

REASONS FOR THE ACQUISITION

The Directors consider that the terms of the Acquisition are fair and reasonable and in the best interests of the Company and Shareholders as a whole due to the following reasons.

The Group is principally engaged in the business of property investment, investment in securities trading, money lending and the acquiring, exploring and developing of natural resources. As the Group has been focusing on the business of property investment, the Acquisition provides an opportunity for the Group to build up its property portfolio.

The Property is a commercial building located in the central area of Guangzhou City, Liwan District which has an established traffic network connecting with the railway station, Guangzhou Baiyun International Airport and the Guangzhou Metro. Liwan is thus situated in a strategic location for setting up businesses. The Board has considered the prospects of the real estate market in the PRC and evaluated the occupancy rate, the valuation and the locality of the Property as well as the monthly rental income derived from the Property. The Directors are of the opinion that the Acquisition would provide promising prospects for the Group as the Property is located in Guangzhou, one of the major business hubs in southern China. With the well developed traffic network and infrastructure, the rental of office space in Guangzhou City by local and overseas companies has been growing continuously.

As the consideration of the Acquisition will be wholly satisfied by the Consideration Shares, there will be no financial burden to fund the Acquisition. Taking into account that the Acquisition will diversify the property portfolio of the Group into the real estate market in the PRC and is expected to provide a stable source of rental income, the Board considers that the Acquisition to be in the interests of the Company and its shareholders as a whole.

GENERAL

The Acquisition constitutes a major transaction for the Company under the Listing Rules and is subject to, inter alia, the approval of Shareholders at the EGM.

Shareholders with a material interest in the Acquisition and their respective associates shall abstain from voting on the relevant resolution at the EGM. As at the Latest Practicable Date, the Vendor and its associates holds 48,709,000 shares in the Company, representing approximately 1.99% of the issued share capital of the Company. The Vendor and its associates will abstain from voting on the Acquisition at the EGM. Save for the Vendor and its associates (including Mascotte), as far as the Directors are aware, no Shareholder is required to abstain from voting on the Acquisition at the EGM.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company, (i) as at the Latest Practicable Date and (ii) after the issue of the Consideration Shares.

	As at the Latest Practicable Date		After issue of the Consideration Shares	
	Number of Shares	**Approximate percentage**	**Number of Shares**	**Approximate percentage**
Director *(Note 1)*	230,474,400	9.41%	230,474,400	7.09%
Radford Capital Investment Limited and its associates *(Note 2)*	203,430,144	8.30%	203,430,144	6.26%
Unity Investments Holdings Limited and its associates *(Note 2)*	128,494,000	5.25%	128,494,000	3.95%
Vendor and its associates *(Note 3)*	48,709,000	1.99%	848,709,000	26.12%
Other Public shareholders *(Note 2)*	1,838,502,270	75.05%	1,838,502,270	56.58%
Total	2,449,609,814	100.00%	3,249,609,814	100.00%

Notes:

1. Mr. Chuang Yueheng, Henry, being the chairman and executive director of the Company

2. These are all "public" shareholders.

3. Vendor and its associates will become a substantial shareholder of the Company upon the issue of the Consideration Shares.

Based on the above table, as there is no shareholder expected to hold more than 30% of the issued share capital of the Company as a result of the Acquisition Completion and that there is no existing "controlling shareholder" (as such term is defined in the Listing Rules) of the Company, the Acquisition Completion is not expected to result in a change of control of the Company.

TERMINATION OF NOTES AND ISSUE OF SETTLEMENT SHARES

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

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

(1) the acquisition of the entire issued share capital of Glamourous Investments Limited and the shareholders loan extended to Glamourous Investments Limited and its subsidiary;

(2) the acquisition of the entire issued share capital of Best Inspire Limited and the shareholders loan extended to Best Inspire Limited and its subsidiary; and

(3) the acquisition of the entire issued share capital of Bright Majestic Limited and the shareholders loan extended to Bright Majestic Limited and its subsidiary.

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

TERMINATION DEED

Parties

(1) Dollar Group

(2) the Company

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

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

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

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

Conditions precedent

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

(i) approval of the Termination Deed and transactions contemplated thereunder (including the issue of the Settlement Shares) by shareholders of the Company in accordance with the Listing Rules;

(ii) if required, approval of the Termination Deed and transactions contemplated thereunder by shareholders of Heritage in accordance with the Listing Rules; and

(iii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Settlement Shares.

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

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

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

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

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

The Settlement Shares Issue Price represents:-

(i) a premium of approximately 6.87% over the closing price of HK$0.131 per Share as quoted on the Stock Exchange on the Second Announcement Last Trading Day;

(ii) a premium of approximately 6.06% over the average closing prices of HK$0.132 per Share as quoted on the Stock Exchange for the last five trading days immediately preceding the Second Announcement Last Trading Day;

(iii) a discount of approximately 2.10% to the average closing prices of HK$0.143 per Share as quoted on the Stock Exchange for the last ten trading days immediately preceding the Second Announcement Last Trading Day;

(iv) a discount of approximately 78.79% to the proforma net asset value of HK$0.66 per Share as published in the prospectus of the Company dated 5 August 2008; and

(v) a premium of approximately 27.27% over the closing price of HK$0.110 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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

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

PRINCIPAL TERMS OF THE NOTES

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

REASONS FOR ENTERING INTO THE TERMINATION DEED

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

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

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

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

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

SHAREHOLDING STRUCTURE OF THE COMPANY

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

	As at the Latest Practicable Date		Assume full conversion of the Notes at the adjusted conversion price		Upon issue of the Settlement Shares		Upon issue of the Settlement Shares and Consideration Shares	
	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage	Number of Shares	Approximate percentage
Director *(Note 1)*	230,474,400	9.41%	230,474,400	8.41%	230,474,400	7.44%	230,474,400	5.91%
Radford Capital Investment Limited and its associates *(Note 2)*	203,430,144	8.30%	203,430,144	7.42%	203,430,144	6.56%	203,430,144	5.22%
Unity Investments Holdings Limited and its associates *(Note 2)*	128,494,000	5.25%	128,494,000	4.69%	128,494,000	4.15%	128,494,000	3.30%
Heritage and its associates *(Note 3)*	—	—	291,551,654	10.64%	650,000,000	20.97%	650,000,000	16.67%
Vendor and its associates *(Note 4)*	48,709,000	1.99%	48,709,000	1.78%	48,709,000	1.57%	848,709,000	21.76%
Other public shareholders *(Note 2)*	1,838,502,270	75.05%	1,838,502,270	67.06%	1,838,502,270	59.31%	1,838,502,270	47.14%
Total	2,449,609,814	100.00%	2,741,161,468	100.00%	3,099,609,814	100.00%	3,899,609,814	100.00%

Notes:

1. Mr. Chuang Yueheng, Henry, being the chairman and executive director of the Company.

2. These are all "public" shareholders.

3. Heritage will become a substantial shareholder of the Company upon the issue of the Settlement Shares.

4. Mascotte will become a substantial shareholder of the Company upon the issue of the Consideration Shares.

GENERAL

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

As at the Latest Practicable Date, the Company holds (i) 178,884,400 shares of Heritage, representing approximately 7% of the total issued share capital of Heritage and (ii) 30,656,880 warrants of Heritage.

PROCEDURE FOR POLL

Article 81 of the Company's articles of association sets out the following procedure by which the 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.

EGM

The notice of the EGM is set out on page 125 to page 127 of this circular. A form of proxy for use at the EGM is enclosed. At the EGM, resolutions will be proposed, among other things, for shareholders to consider and, if thought fit, to approve the Agreement and transactions contemplated thereunder including the issue of the Consideration Shares and the Termination Deed and transactions contemplated thereunder including the issue of the Settlement Shares.

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 Computershare Hong Kong Investors Services Limited, the share registrar of the Company at Rooms 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, 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.

RECOMMENDATION

The directors (including the independent non-executive directors) are of the opinion that the terms of the Agreement and the Termination Deed as a whole are fair and reasonable in the interests of the Company and Shareholders as a whole and recommends Shareholders to vote in favour of the resolution proposed at the EGM.

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

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

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated results and financial information of the Group for the three years ended 31 December 2007 and the unaudited consolidated results and financial information of the Group for the six months ended 30 June 2008. The figures for the years ended 31 December 2007, 2006 and 2005 are extracted from the 2007, 2006 and 2005 annual reports of the Company, except that the basic losses per share have been restated to reflect the effect of share consolidation effective during December 2007 and August 2008, and rights issue effective during January 2008 and August 2008. The figures for the six months ended 30 June 2008 are extracted from the 2008 interim report of the Company. The Company's auditors have not issued any qualified opinion on the Group's financial statements for the three years ended 31 December 2007.

CONSOLIDATED INCOME STATEMENT

	For the six months ended 30 June	**For the year ended 31 December**		
	2008	**2007**	**2006**	**2005**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)	*(restated)*	*(restated)*
Turnover	405,886	1,448,876	295,508	124,477
Other income	3,002	49,377	2,677	8,605
Cost of investments held for trading sold	(472,823)	(1,343,948)	(293,316)	(133,475)
Depreciation and amortisation expenses	(4,351)	(4,373)	(1,155)	(1,307)
Employee benefits expense	(6,006)	(13,353)	(13,304)	(9,565)
Other operating expenses	(31,370)	(32,193)	(11,084)	(10,806)
Reversal of impairment loss on interest in an associate	—	—	—	75,036
Impairment loss on amount due from an associate	—	—	—	(75,000)
(Loss) Profit on disposal of interests in subsidiaries	545	—	(143)	5,925
Loss on disposal of interests in associates	—	(20,853)	—	—
Loss on disposal of convertible note issued by an associate	—	—	(31,000)	—
Profit on disposal of an unlisted investment	—	—	—	20,528
Net unrealised (loss) gain on investments held for trading	(195,130)	(307,732)	10,017	(16,694)
Net unrealised loss on investments designated as at fair value upon initial recognition	(863)	—	—	—
Profit on deemed disposal of interest in an associate	—	21,087	8,429	1,406
Loss on deemed acquisition of interest in an associate	—	—	—	(13,331)
Share of profit (loss) of associates	—	10,347	(79,010)	(99,351)
Finance costs	(3,409)	(4,817)	(2,380)	(8,163)
Loss before taxation	(304,519)	(197,582)	(114,761)	(131,715)
Taxation	—	—	—	—
Loss for the period/year	(304,519)	(197,582)	(114,761)	(131,715)
Loss attributable to equity holders	(304,519)	(197,582)	(114,761)	(131,715)
Loss per share — Basic	HK$(0.4228)	HK$(0.7750)	HK$(1.4592)	HK$(2.7468)

CONSOLIDATED BALANCE SHEET

	As at 30 June	As at 31 December		
	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Investment properties	360,723	326,500	7,200	9,650
Property, plant and equipment	136,486	35,049	22,977	22,391
Intangible assets	133,252	134,626	—	—
Interests in associates	—	—	98,118	238,549
Other financial asset	—	—	—	7,143
Other investments	135,082	113,965	—	—
Prepayments for acquisition of investment properties	8,656	8,656	—	—
	774,199	618,796	128,295	277,733
Current assets				
Financial assets at fair value through profit or loss	410,947	537,370	118,818	13,626
Loans receivable	442,030	335,637	103,529	40,280
Other receivables	111,080	52,160	1,631	1,138
Cash and cash equivalents	68,088	304,355	8,878	11,420
	1,032,145	1,229,522	232,856	66,464
Current liabilities				
Other payables	2,126	13,290	8,242	14,231
Financial liabilities at fair value through profit or loss	12,917	6,915	—	—
Current portion of interest-bearing borrowings	17,575	160,992	7,507	4,629
	32,618	181,197	15,749	18,860
Net current assets	999,527	1,048,325	217,107	47,604
Total assets less current liabilities	1,773,726	1,667,121	345,402	325,337
Non-current liabilities				
Long-term interest-bearing borrowings	196,011	180,656	15,788	13,770
NET ASSETS	1,577,715	1,486,465	329,614	311,567
CAPITAL AND RESERVES				
Share capital	349,944	151,793	350,649	303,209
Reserves	1,227,771	1,334,672	(21,035)	8,358
TOTAL EQUITY	1,577,715	1,486,465	329,614	311,567

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the six months ended 30 June	For the year ended 31 December		
	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Opening balance — Total equity at 1 January	1,486,465	329,614	311,567	91,451
Issue of new shares, net of expenses	395,769	699,315	66,150	122,464
Issue of shares on exercise of warrants	—	—	—	1,867
Issue of warrants, net of expenses	—	72,278	—	—
Issue of shares on conversion of convertible notes, net of expenses	—	341,250	—	201,690
Issue of shares under share option scheme	—	246,888	60,759	25,810
Equity-settled share-based payment	—	5,656	5,899	—
Capital reserve realised upon disposal of an associate	—	(8,198)	—	—
Capital reorganisation expenses	—	(2,756)	—	—
Loss for the period/year	(304,519)	(197,582)	(114,761)	(131,715)
Closing balance — Total equity at 30 June/31 December	1,577,715	1,486,465	329,614	311,567

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

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

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

CONSOLIDATED BALANCE SHEET
At 31 December 2007

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

BALANCE SHEET

At 31 December 2007

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

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

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

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2007

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

1. GENERAL INFORMATION

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

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

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

HKAS 1 (Amendment): Capital disclosures

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

HKFRS 7: Financial instruments: Disclosures

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

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

Basis of measurement

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

Business combination

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

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

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

Basis of consolidation

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

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

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

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

Subsidiaries

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

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

Associates

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

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

Goodwill

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

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

Intangible assets

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

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

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

Investment properties

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

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

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

Other investments

Other investments are stated at cost less accumulated impairment losses.

Property, plant and equipment

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

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

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

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

Leasehold land	Over the unexpired term of lease
Buildings	4%
Leasehold improvements	10%-20%
Furniture and fixtures	10%-20%
Office equipment	$33^1/_3$%
Motor vehicles	25%

Financial instruments

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

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

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

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

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

Loans and receivables

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

Impairment of financial assets

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

Financial liabilities

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

Equity instruments

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

Convertible notes

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

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

Financial guarantee contracts

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

Revenue recognition

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

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

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

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

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

Borrowing costs

Borrowing costs are recognised as expenses when incurred.

Leasing

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

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

Impairment of non-financial assets

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

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

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

Employee benefits

Defined contribution plans

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

Taxation

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

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

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

Foreign currencies

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

Share-based payment

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

Related parties

A party is related to the Group if

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(b) the party is an associate of the Group;

(c) the party is a joint venture in which the Group is a venturer;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Cash equivalents

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

Segment reporting

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Fair value estimation

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

Impairment of investments

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

Allowance for bad and doubtful debts

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

5. TURNOVER

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

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

6. OTHER INCOME

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

7. SEGMENT INFORMATION

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

Business segments

Business segments of the Group comprise the following:

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

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

Year ended 31 December 2007

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

Year ended 31 December 2006

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

Assets and liabilities as at 31 December 2007

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

Assets and liabilities as at 31 December 2006

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

Other segment information for the year ended 31 December 2007

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

Other segment information for the year ended 31 December 2006

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

8. FINANCE COSTS

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

9. LOSS BEFORE TAXATION

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

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

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

2007

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

2006

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

Employees' emoluments

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

	2007	2006
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	568	1,071
Retirement scheme contributions	12	21
	580	1,092

	2007	2006
Nil to HK$1,000,000	1	2

11. TAXATION

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

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

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

12. LOSS FOR THE YEAR

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

13. LOSS PER SHARE

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

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

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

14. INVESTMENT PROPERTIES

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

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

	2007	2006
	HK$'000	*HK$'000*
Land in Hong Kong:		
Long lease	140,500	4,500
Medium-term lease	186,000	2,700
	326,500	7,200

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

15. PROPERTY, PLANT AND EQUIPMENT

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

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

16. INTERESTS IN SUBSIDIARIES

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

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

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

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

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

All of the above subsidiaries operate principally in Hong Kong.

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

17. INTANGIBLE ASSETS

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

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

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

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

18. INTERESTS IN ASSOCIATES

		2007	2006
	Note	*HK$'000*	*HK$'000*
Share of net assets	(a)	—	14,904
Goodwill	(b)	—	83,214
		—	98,118

Notes:

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

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

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

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

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

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

19. OTHER INVESTMENTS

	2007	**2006**
	HK$'000	*HK$'000*
At cost		
Additions and **at balance sheet date**	113,965	—

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

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

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

Notes:

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

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

21. LOANS RECEIVABLE

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

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

Notes:

(a) At the balance sheet date, loans receivable (1) carry effective interest rates ranging from prime rate to prime rate plus 5% (2006: from prime rate to prime rate plus 2%); (2) are within the respective maturity dates (2006: within maturity dates); and (3) are not secured by any collaterals (2006: None).

(b) The directors assessed the collectability of loans receivable at the balance sheet date individually with reference to borrowers' past collection history and current creditworthiness. An amount of HK$14,000,000 (2006: Nil) in respect of two loans was determined to be impaired as a result of the assessment. In the directors' opinion, there was no indication of deterioration in the collectability of the remaining amount of HK$335,637,000 and thus no additional allowance was considered necessary.

22. OTHER PAYABLES

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

23. INTEREST-BEARING BORROWINGS

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

Maturity of the above borrowings is as follows:

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

Notes:

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

(b) Movements in other loan are as follows:

	The Group		The Company	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year	5,000	—	5,000	—
Addition	150,000	45,000	—	45,000
Repayment	(5,000)	(40,000)	(5,000)	(40,000)
At balance sheet date	150,000	5,000	—	5,000

24. DEFERRED TAXATION

Unrecognised deferred tax assets

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

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

25. SHARE CAPITAL

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

Notes:

(a) Pursuant to the ordinary resolution passed on 12 July 2007, the authorised share capital of the Company was increased to HK$5,000,000,000 by the creation of an additional 30,000,000,000 ordinary shares of HK$0.1 each.

(b) Pursuant to the placing agreements signed during the year, an aggregate of 6,154,218,000 new shares of HK$0.1 each of the Company were issued to certain individuals at the placing prices ranging from HK$0.11 to HK$0.126 each.

(c) Pursuant to the ordinary resolutions passed during the year, an aggregate of 2,018,600,000 new shares of HK$0.1 each of the Company were issued to certain individuals under the share option scheme at the exercise prices ranging from HK$0.103 to HK$0.134 each.

(d) Pursuant to the ordinary resolutions passed during the year, the Company issued two 2-year new convertible notes ("CNs") with an aggregate principal amount of HK$350,000,000 to third parties. The CNs are non-interest bearing and could be converted into ordinary shares of the Company at HK$0.1 per share in whole or any part. During the year, the CNs were fully converted into 3,500,000,000 shares of the Company of HK$0.1 each.

(e) At the extraordinary general meeting of the Company held on 28 December 2007, the resolution in respect of the share consolidation and the capital reduction of the Company (the "Capital Reorganisation") were approved by the shareholders. The effects of the Capital Reorganisation were as follows:

(i) Prior to the effective date of the Capital Reorganisation, the Company acquired 8 issued shares of HK$0.1 each from the market pursuant to the powers granted to the directors under the repurchase mandate for the purpose of rounding down the then 15,179,312,988 issued shares to 15,179,312,980 issued shares so as to facilitate the Capital Reorganisation.

(ii) Under the share consolidation, every 10 issued and unissued shares of HK$0.1 each was consolidated into one issued and unissued consolidated share of HK$1 each. As a result, the number of authorised and issued shares of the Company was reduced from 50,000,000,000 shares of HK$0.1 each and 15,179,312,980 shares of HK$0.1 each to 5,000,000,000 shares of HK$1 each and 1,517,931,298 shares of HK$1 each respectively.

(iii) Immediately after the share consolidation, the capital reduction was effected by cancelling HK$0.9 of the paid up capital on each issued share and by reducing the nominal value of each authorised and issued share from HK$1 to HK$0.1. As a result of the capital reduction, the authorised capital of the Company was reduced from HK$5,000,000,000 divided into 5,000,000,000 shares of HK$1 each to HK$500,000,000 divided into 5,000,000,000 shares of HK$0.1 each while the issued and paid up capital of the Company was reduced from HK$1,517,931,298 divided into 1,517,931,298 shares of HK$1 each to HK$151,793,129.80 divided into 1,517,931,298 shares of HK$0.1 each.

(iv) The amount of HK$1,366,138,000 arising from the capital reduction, after the deduction of expenses related to the Capital Reorganisation amounting to HK$2,756,000, was credited to the share premium account of the Company.

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

26. RESERVES

Group

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

Company

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

Notes:

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

(b) Pursuant to the warrants instrument executed by the Company on 11 October 2007, the Company issued 3,000,000,000 listed warrants conferring rights to subscribe in aggregate for 3,000,000,000 shares of the Company at the subscription price of HK$0.1 each, which was subsequently adjusted to 300,000,000 shares of the Company at the subscription price of HK0.67 each after the Capital Reorganisation and the placing of shares on 21 February 2008. The warrants are exercisable for a 18-month period commencing from 11 October 2007.

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

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

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

27. SHARE OPTION SCHEME

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

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

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

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

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

Notes:

(i) The share price at the date of grant is the closing price on the trading day immediately prior to the date of the grant of the options.

(ii) The share price at the date of exercise is the weighted average closing price of the shares immediately before the dates on which the options were exercised.

(b) **Fair value of share options and assumptions**

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

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

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

28. ACQUISITION OF SUBSIDIARIES

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

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

Note:

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

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

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

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

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

29. COMMITMENTS

Capital expenditure commitments

	2007	**2006**
	HK$'000	*HK$'000*
Contracted but not provided net of deposit paid in the financial statements	58,306	—

Commitments under operating leases — the Group as lessee

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

	2007	2006
	HK$'000	*HK$'000*
Within one year	466	1,434
In the second to fifth years inclusive	178	476
	644	1,910

Commitments under operating leases — the Group as lessor

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

	2007	2006
	HK$'000	*HK$'000*
Within one year	285	—

30. CONTINGENT LIABILITIES

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

31. PLEDGE OF ASSETS

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

	2007	2006
	HK$'000	*HK$'000*
Leasehold land and buildings	19,872	20,531
Investment properties	324,000	7,200
	343,872	27,731

32. RELATED PARTY TRANSACTIONS

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

(a) A property of the Group with net book value of HK$19,872,000 (2006: HK$20,531,000) is occupied by a brother of a director of the Company for free.

(b) Details of the securities margin loans granted by HMIL Group to the executive directors of the Company up to the last disposal date of HMIL are as follows:

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

(c) Compensation of key management personnel

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

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

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

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

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

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

Interest rate risk

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

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

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

Foreign currency risk

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

Equity price risk

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

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

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

Credit risk

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

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

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

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

Liquidity risk

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

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

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

Capital management

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

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

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

34. POST BALANCE SHEET EVENTS

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

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

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

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

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

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

35. COMPARATIVE FIGURES

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

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2008

The following is the reproduction of the unaudited financial statements of the Group for the six months ended 30 June 2008 which is reproduction of pages 2 to 19 of the 2008 interim report of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

		Unaudited Six months ended 30 June	
		2008	**2007**
	Note	*HK$'000*	*HK$'000 (restated)*
Turnover	2	405,886	787,911
Other income	2	3,002	3,349
Cost of investments held for trading sold		(472,823)	(678,411)
Depreciation and amortisation expenses		(4,351)	(1,080)
Employee benefits expense		(6,006)	(5,581)
Other operating expenses		(31,370)	(6,378)
Gain on disposal of interest in a subsidiary		545	—
Profit on deemed disposal of interest in an associate		—	21,087
Loss on disposal of interest in an associate		—	(12,520)
Share of profit of associates		—	7,522
Net unrealised (loss) gain on investments held for trading		(195,130)	42,149
Net unrealised loss on investments designated as at fair value upon initial recognition		(863)	—
Finance costs		(3,409)	(1,067)
(Loss) Profit before taxation		(304,519)	156,981
Taxation	3	—	(21,000)
(Loss) Profit for the period		(304,519)	135,981
(Loss) Profit attributable to equity holders		(304,519)	135,981
(Loss) Earnings per share — Basic	4	HK$(0.4228)	HK$0.8416
(Loss) Earnings per share — Diluted	4	N/A	HK$0.8328

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008	**2007**
	HK$'000	HK$'000
Opening balance — Total equity at 1 January (audited)	1,486,465	329,614
Equity-settled share-based payment	—	1,492
Issue of new shares, net of expenses	395,769	437,860
Issue of shares on conversion of convertible notes	—	350,000
Issue of shares under share option scheme	—	106,148
Realised on disposal of an associate	—	(8,198)
(Loss) Profit for the period	(304,519)	135,981
Closing balance — Total equity at 30 June (unaudited)	1,577,715	1,352,897

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2008 and 31 December 2007

	Note	Unaudited At 30 June 2008 HK$'000	Audited At 31 December 2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		360,723	326,500
Property, plant and equipment		136,486	35,049
Intangible assets		133,252	134,626
Other investments	5	135,082	113,965
Prepayments for acquisition of investment properties		8,656	8,656
		774,199	618,796
Current assets			
Financial assets at fair value through profit or loss	6	410,947	537,370
Loans receivable	7	442,030	335,637
Other receivables	8	111,080	52,160
Cash and cash equivalents		68,088	304,355
		1,032,145	1,229,522
Current liabilities			
Other payables		2,126	13,290
Financial liabilities at fair value through profit or loss	6	12,917	6,915
Current portion of interest-bearing borrowings	9	17,575	160,992
		32,618	181,197
Net current assets		999,527	1,048,325
Total assets less current liabilities		1,773,726	1,667,121
Non-current liabilities			
Long-term interest-bearing borrowings	9	196,011	180,656
NET ASSETS		1,577,715	1,486,465
CAPITAL AND RESERVES			
Share capital	10	349,944	151,793
Reserves	11	1,227,771	1,334,672
TOTAL EQUITY		1,577,715	1,486,465

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Unaudited Six months ended 30 June	
	2008	**2007**
	HK$'000	*HK$'000*
Net cash used in operating activities	(320,981)	(509,406)
Net cash used in investing activities	(124,712)	(182,906)
Net cash from financing activities	209,426	944,100
Net (decrease) increase in cash and cash equivalents	(236,267)	251,788
Cash and cash equivalents at beginning of period	304,355	8,878
Cash and cash equivalents at end of period	68,088	260,666

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2008

1. BASIS OF PREPARATION

The unaudited interim financial statements for the six months ended 30 June 2008 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 the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

These interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2007. They have been prepared on the historical cost basis, except for investment properties and financial assets/liabilities at fair value through profit or loss, which are measured at fair value.

The accounting policies applied in preparing these interim financial statements are consistent with those applied in preparing the Group's financial statements for the year ended 31 December 2007. The new/revised Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, HKAS and Interpretations issued by the HKICPA, that are effective from the current period did not have any significant effect on the financial position or performance of the Group.

The Group has not early adopted the new/revised HKFRS issued by the HKICPA that are not yet effective for the current period. The Group has already commenced an assessment of the impact of these new/revised HKFRS but is not yet in a position to state whether they would have any significant impact on its results of operations and financial position.

2. TURNOVER AND SEGMENT INFORMATION

The analysis of the Group's revenue and results by business segments is as follows:

Six months ended 30 June 2008 (unaudited)

	Trading of investments	Provision of financial services	Property investment	Investment holding	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue						
Turnover	392,937	12,465	451	33	—	405,886
Other income	1,889	182	—	931	—	3,002
Total revenue	394,826	12,647	451	964	—	408,888
Segment results	(274,761)	(10,335)	(3,386)	(2,420)	(10,753)	(301,655)
Gain on disposal of interest in a subsidiary						545
Finance costs						(3,409)
Loss for the Period						(304,519)

Six months ended 30 June 2007 (unaudited)

	Trading of investments	Provision of financial services	Property investment	Investment holding	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(restated)					*(restated)*
Segment revenue						
Turnover	781,482	6,429	—	—	—	787,911
Other income	—	—	—	—	3,349	3,349
Total revenue	781,482	6,429	—	—	3,349	791,260
Segment results	145,215	6,991	(986)	(1,214)	(8,047)	141,959
Profit on deemed disposal of interest in an associate						21,087
Loss on disposal of interest in an associate						(12,520)
Share of profit of associates	240	2,243	—	4,839	200	7,522
Finance costs						(1,067)
Taxation						(21,000)
Profit for the period						135,981

3. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the Period but it has been provided at the rate of 17.5% on the entities' estimated assessable profits for the corresponding period in 2007.

4. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the loss attributable to equity holders of the Company for the Period of HK$304,519,000 (2007: profit of HK$135,981,000) and the weighted average number of ordinary shares of 720,308,212 (2007 (restated): 161,564,825) shares in issue during the Period.

No diluted loss per share is presented for the Period as there were no dilutive potential ordinary shares in issue during the Period. The calculation of diluted earnings per share for the six months ended 30 June 2007 is based on the profit attributable to equity holders of HK$135,981,000 and the weighted average number of ordinary shares of 163,284,200 shares (restated) in issue during the period as adjusted for the number of dilutive potential shares under the share option scheme and the convertible notes of the Company.

Both the weighted average number of ordinary shares adopted in the calculations of the basic and diluted earnings per share for the six months ended 30 June 2008 and 30 June 2007 have been adjusted to reflect the impact of the share consolidation effected in August 2008 and rights issue effected in January and August 2008.

5. OTHER INVESTMENTS

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

6. FINANCIAL ASSETS / LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Analysis of financial assets at fair value through profit or loss:

	Unaudited At 30 June 2008 *HK$'000*	Audited At 31 December 2007 *HK$'000*
Investments held for trading		
Equity securities		
Listed in Hong Kong	377,860	520,530
Listed overseas	18,411	16,840
	396,271	537,370
Investments designated upon initial recognition		
Unlisted investments	14,676	—
	410,947	537,370

Analysis of financial liabilities at fair value through profit or loss:

	Unaudited At 30 June 2008 *HK$'000*	Audited At 31 December 2007 *HK$'000*
Investments held for trading		
Derivative financial instruments	12,917	6,915

7. LOANS RECEIVABLE

Loans granted to borrowers are repayable according to pre-agreed repayment schedules. The balance represents:

	Unaudited At 30 June 2008 *HK$'000*	Audited At 31 December 2007 HK$'000
Loans receivable from third parties	479,030	349,637
Allowance for bad and doubtful debts *(note 7(a))*	(37,000)	(14,000)
	442,030	335,637

An aging analysis of loans receivable, net of allowance for bad and doubtful debts, is set out below:

	Unaudited At 30 June 2008 HK$'000	Audited At 31 December 2007 HK$'000
Within maturity dates	442,030	335,637

7(a) ALLOWANCE FOR BAD AND DOUBTFUL DEBTS

	Unaudited At 30 June 2008 HK$'000	Audited At 31 December 2007 HK$'000
At beginning of period/year	14,000	—
Increase in allowances	23,000	14,000
	37,000	14,000

The directors assessed the collectability of loans receivable at the balance sheet date individually with reference to the borrowers' past collection history and current creditworthiness. An amount of HK$23,000,000 (31 December 2007: HK$14,000,000) was determined to be impaired as a result of the assessment. In the directors' opinion, there was no indication of deterioration in the collectability of the remaining amount of HK$442,030,000 (31 December 2007: HK$335,637,000) and thus, no additional allowance was considered necessary.

8. OTHER RECEIVABLES

Included in other receivables is an aggregate amount of HK$93,126,000 (31 December 2007: HK$36,349,000) deposited in securities brokers for future investment purposes.

9. INTEREST-BEARING BORROWINGS

During the Period, the Group assumed bank loans of two subsidiaries of HK$34,631,000 following the business combinations as detailed in note 12 for the purpose of financing the purchase of investment properties and a yacht.

The Group's interest-bearing borrowings are secured and bear interests at floating rates ranging from prime rate minus 3.15% to prime rate minus 0.5%, or at HIBOR plus 2%.

10. SHARE CAPITAL

	Note	Unaudited At 30 June 2008 Number of shares	Unaudited At 30 June 2008 Nominal value HK$'000	Audited At 31 December 2007 Number of shares	Audited At 31 December 2007 Nominal value HK$'000
Authorised ordinary shares of HK$0.1 each:					
At beginning of period/year		5,000,000,000	500,000	20,000,000,000	2,000,000
Increase during the period/year	(a)	45,000,000,000	4,500,000	30,000,000,000	3,000,000
Capital reorganisation		—	—	(45,000,000,000)	(4,500,000)
		50,000,000,000	5,000,000	5,000,000,000	500,000

	Note	Unaudited At 30 June 2008 Number of shares	Unaudited At 30 June 2008 Nominal value HK$'000	Audited At 31 December 2007 Number of shares	Audited At 31 December 2007 Nominal value HK$'000
Issued and fully paid:					
At beginning of period/year		1,517,931,298	151,793	3,506,494,988	350,649
Issue of new shares	(b)	463,580,000	46,358	6,154,218,000	615,422
Issue of shares under share option scheme		—	—	2,018,600,000	201,860
Issue of shares on conversion of convertible notes		—	—	3,500,000,000	350,000
Issue of shares on rights issue	(c)	1,517,931,298	151,793	—	—
Repurchase of share	(d)	(1)	—	(8)	—
Capital reorganisation		—	—	(13,661,381,682)	(1,366,138)
At balance sheet date		3,499,442,595	349,944	1,517,931,298	151,793

Note:-

(a) Pursuant to the ordinary resolution passed on 30 May 2008, the authorised share capital of the Company was increased to HK$5,000,000,000 by the creation of an additional 45,000,000,000 ordinary shares of HK$0.1 each.

(b) Pursuant to the placing agreement signed during the Period, 303,580,000 new ordinary shares of HK$0.1 each of the Company were issued to independent investors at HK$0.17 each.

Pursuant to the sale and purchase agreement dated 14 April 2008, 160,000,000 ordinary shares of HK$0.1 each of the Company were issued to acquire 100% equity interests in and the shareholder's loan to Allied Well Development Limited ("Allied Well"), details of which are set out in note 12.

(c) Pursuant to the ordinary resolutions passed at the extraordinary general meeting held on 28 December 2007, rights shares of 1,517,931,298 were allotted to successful applicants at HK$0.22 each on 29 January 2008.

(d) The Company purchased 1 issued share of HK$0.1 from the market pursuant to the powers granted to the directors under the repurchase mandate for the purpose of rounding down the then 3,499,442,596 issued shares to 3,499,442,595 issued shares so as to facilitate the share consolidation of the Company as set out in note 16.

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

11. RESERVES

	Share premium	**Capital reserve**	**Share option reserve**	**Warrant reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007 (audited)	291,267	18,273	3,315	—	(333,890)	(21,035)
Equity-settled share-based payment	—	—	5,656	—	—	5,656
Shares issued at premium, net of issuing expenses	83,893	—	—	—	—	83,893
Shares issued under share option scheme	53,999	—	(8,971)	—	—	45,028
Issue of warrants, net of expenses	—	—	—	72,278	—	72,278
Capital reorganisation, net of expenses	1,363,382	—	—	—	—	1,363,382
Realised on disposal of an associate	—	(8,198)	—	—	—	(8,198)
Expenses relating to issue and conversion of convertible notes	(8,750)	—	—	—	—	(8,750)
Loss for the year	—	—	—	—	(197,582)	(197,582)
At 31 December (audited)	1,783,791	10,075	—	72,278	(531,472)	1,334,672
At 1 January 2008 (audited)	1,783,791	10,075	—	72,278	(531,472)	1,334,672
Shares issued at premium,net of issuing expenses	197,618	—	—	—	—	197,618
Loss for the Period	—	—	—	—	(304,519)	(304,519)
At 30 June 2008 (unaudited)	1,981,409	10,075	—	72,278	(835,991)	1,227,771

12. BUSINESS COMBINATIONS

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

Acquisition date	Name of acquired companies	Place of incorporation	Principal activities	Cash/Share consideration *HK$*
28 April 2008	Allied Well Development Limited (with its subsidiary, Hostbest Limited)	British Virgin Islands	Investment holding and property investment	20,160,000
3 June 2008	Uprite Limited	British Virgin Islands	Yacht owning	94,000,000

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

	Carrying value *HK$'000*	Fair value *HK$'000*
Investment properties	33,500	34,223
Property, plant and equipment	91,276	94,820
Other receivables	21,393	21,393
Other payables	(109,977)	(1,645)
Interest-bearing borrowings	(34,631)	(34,631)
Total consideration	1,561	114,160
Satisfied by:		
Cash consideration		94,000
Share consideration *(note)*		20,160
		114,160
Net cash outflow		(94,000)

Note: On 14 April 2008, the Group entered into an agreement with a third party to acquire 100% interest in Allied Well at a consideration of HK$20.16 million which was satisfied by the issue and allotment of 160,000,000 ordinary shares of HK$0.1 each of the Company at HK$0.126 per share. The fair value of the shares issued was based on the closing share price as quoted on the Hong Kong Stock Exchange on the date of the agreement.

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

If the acquisition of subsidiaries effected during the Period had been taken place at the beginning of the period, the revenue and loss of the Group would have been HK$406,140,000 and HK$305,903,000 respectively.

13. PLEDGE OF ASSETS

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

	Unaudited At 30 June 2008 *HK$'000*	**Audited At 31 December 2007** *HK$'000*
Leasehold land and buildings	19,543	19,872
Yacht	91,201	—
Investment properties	358,223	324,000
	468,967	343,872

14. RELATED PARTY TRANSACTIONS

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

(a) A property of the Group with net book value of HK$19,543,000 (At 31 December 2007: HK$19,872,000) is occupied by a brother of a director of the Company for free.

(b) Compensation to key management personnel

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

	2008 *HK$'000*	**2007** *HK$'000*
Salaries, allowances and benefits in kind	2,628	2,625
Long service payment	427	—
Contributions to MPF Scheme	27	30
	3,082	2,655

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

(c) During the Period, a continuing personal guarantee of HK$20,000,000 (2007: NIL) was provided by a brother of a director of the Company for banking facilities granted to a subsidiary of the Company.

15. CAPITAL COMMITMENT

	Unaudited At 30 June 2008 *HK$'000*	Audited At 31 December 2007 *HK$'000*
Contracted but not provided for net of deposit paid	60,571	58,306

16. POST BALANCE SHEET EVENTS

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

(a) **Business combinations**

Subsequent to the balance sheet date, the Group acquired the entire equity interests in the following companies.

Acquisition date	Name of acquired companies	Place of incorporation	Principal activities	Consideration *HK$*
7 July 2008	Glamourous Investments Limited (with its subsidiary, Wiseteam Assets Limited)	British Virgin Islands	Investment holding and property investment	20,987,494
7 July 2008	Best Inspire Limited (with its subsidiary, Silver Target Limited)	British Virgin Islands	Investment holding and property investment	31,701,930
7 July 2008	Bright Majestic Limited (with its subsidiary, Wealth Champion Limited)	British Virgin Islands	Investment holding and property investment	34,192,969

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

	Carrying value *HK$'000*	Fair value *HK$'000*
Investment properties	147,000	147,000
Other receivables	776	776
Other payables	(58,002)	(10,335)
Interest-bearing borrowings	(50,559)	(50,559)
Total consideration	39,215	86,882
Satisfied by:		
Convertible notes *(note)*		86,882

Note:—

On 19 May 2008, the Group entered into agreements with third parties to acquire 100% interest in and the shareholders' loans to Glamourous Investments Limited, Best Inspire Limited and Bright Majestic Limited at an aggregate consideration of approximately HK$86,882,393 wholly satisfied by the issue of convertible notes at initial conversion price of HK$0.11 per share. The conversion price was subsequently adjusted to HK$0.298 per share.

If the acquisition of subsidiaries effected during the Period (see note 12) and after the balance sheet date had been taken place at the beginning of the Period, the revenue and loss of the Group would have been HK$408,710,000 and HK$306,954,000 respectively.

(b) At the extraordinary general meeting of the Company held on 4 August 2008, the resolutions approving the share consolidation and the capital reduction of the Company (the "Capital Reorganisation") and the rights issue were duly passed and the Capital Reorganisation have become effective from the close of business on 4 August 2008. The effects of the Capital Reorganisation and the rights issue are as follows:

(i) Under the capital reduction, the authorised capital of the Company was reduced from HK$5,000,000,000 divided into 50,000,000,000 shares of HK$0.10 each to HK$1,000,000,000 divided into 50,000,000,000 reduced shares of HK$0.02 each and the reduction be effected by way of the cancellation of HK$0.08 of the paid up capital on each issued share of HK$0.10 and reducing the nominal value of each issued or unissued share from HK$0.10 to HK$0.02 per reduced share.

(ii) Under the share consolidation, every five reduced issued and unissued shares of HK$0.02 each was consolidated into one adjusted issued or unissued consolidated share of HK$0.10 each.

(iii) Rights issue of 1,749,721,295 rights shares on the basis of five rights shares for every two adjusted shares held at a price of HK$0.15 per rights share. The rights shares have been allotted after 30 June 2008.

(c) Pursuant to the acquisition agreement dated 8 September 2008, the Group agreed to conditionally acquire the 100% issued share capital of and the shareholders' loan to Jet Star Industries Limited ("Jet Star") at a consideration of approximately HK$112 million which will be wholly satisfied by the issue and allotment of 800,000,000 ordinary shares of HK$0.1 each of the Company at HK$0.14 per share. Jet Star is principally engaged in property investment in the People's Republic of China. The acquisition is subject to shareholder's approval at the extraordinary general meeting to be held on or about 16 October 2008.

(d) Pursuant to the termination deed dated 11 September 2008, the Group agreed to terminate the convertible notes in the aggregate principal amount of approximately HK$86,882,393, in consideration of an issue of 650,000,000 settlement shares by the Company at the issue price of HK$0.14 per share, as full and final settlement of the Company's obligations under the convertible notes. The termination is subject to shareholder's approval at the extraordinary general meeting to be held on or about 16 October 2008.

17. COMPARATIVE FIGURES

Certain comparative figures regarding other income, employee benefit expense and other operating expenses in the condensed consolidated incomes statement and turnover and segment information in note 2 have been reclassified to conform with the current period's presentation.

4. INDEBTEDNESS

At the close of business on 31 August 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Enlarged Group amounted to approximately HK$280.7 million, representing (i) unsecured loan from a third party of HK$20 million and (ii) bank borrowings of approximately HK$260.7 million secured by certain land and building, investment properties and a yacht of the Group.

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

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

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

5. WORKING CAPITAL

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

6. MATERIAL ADVERSE CHANGE

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

7. BUSINESS REVIEW AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group has remained focus on its principal business of property investment, investment in securities trading, money lending and acquiring, exploring and developing of nature resources since 2008. The Group has acquired various real estate properties since the second quarter of 2008. In April 2008, the Company announced to acquire the entire interests in Allied Well Development Limited for the principal assets of its subsidiary, being the Room 2201 to 2203 and Room 2205 to 2209 on the 22nd Floor of China United Centre, 28 Marble Road, North Point, Hong Kong at the consideration of HK$20,160,000 which was satisfied by the issue and allotment of 160,000,000 consideration shares of the Company. In May 2008, the Group entered into three sale and purchase agreements to acquire the entire interests in Glamourous Investments Limited, Best Inspire Limited and Bright Majestic Limited for the principal assets of their subsidiaries, being the entire of 30th, 31st and 32nd Floor of China United Centre, 28 Marble Road, North Point, Hong Kong at the consideration of approximately HK$86.9 million which was satisfied by issue of the Notes. In September 2008, the Company announced to acquire a property, being the entire of 29th Floor of China United Centre, 28 Marble Road, North Point, Hong Kong at the cash consideration of HK$58,880,000, completion of which is expected to be carried out in December 2008. Moreover, the Company announced the Acquisition (subject to shareholder's approval) of the Target Company in September 2008. It is expected that the Acquisition will diversify the property portfolio of the Group into the PRC and upon completion of the Acquisition, stable source of rental income in an amount of approximately RMB4.5 million per annum will be derived by the Property.

In April 2008, the Group also acquired the entire interests in Uprite Limited for a yacht and certain marine facilities at the cash consideration of HK$94 million in order to generate rental income by leasing of the yacht and marine facilities on time sharing basis. Through the acquisitions and the subsequent lease of properties, the Group has strengthened its income base. As most of the properties were acquired without using internal funds, the Company remains strong in cash and liquid asset and we believe that we are still in a good position to take advantage of opportunities as they may arise.

Since 2008, the Company has been fortunate to have successfully strengthened the Company through various financial arrangements and instruments. The Company has increased its capital base by approximately HK$667.7 million (before issue expenses) since 2008. In September 2008, the Company announced to terminate the Notes (subject to shareholder's approval) in the aggregate principal amount of approximately HK$86.9 million in consideration of an issue of 650,000,000 shares of the Company at an issue price of HK$0.14 per share in order to reduce the liabilities of the Company and in turn to improve the financial position of the Company.

The Board believes that the rental income derived by various properties of the Company will generate a stable source of income to the Group. The year ahead is full of uncertainties, the economy will grow thanks to various economic stimulus packages offered by the government. However, in the face of high inflation and credit crunch, the economy will grow but sluggishly. The Board will proceed with caution for the remainder of the year.

1. ACCOUNTANTS' REPORT ON TARGET COMPANY

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

M MAZARS

The Board of Directors
Willie International Holdings Limited

30 September 2008

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Jet Star Industries Limited (hereinafter referred to as the "Target Company") for the years ended 31 March 2006, 2007 and 2008 (the "Relevant Periods"), for inclusion in the circular of Willie International Holdings Limited (the "Company") dated 30 September 2008 (the "Circular") in connection with the proposed acquisition of the Target Company by the Company. The Financial Information comprises the balance sheets of the Target Company as at 31 March 2006, 2007 and 2008, and the income statements, the statements of changes in equity and the cash flow statements of the Target Company for each of the Relevant Periods and a summary of significant accounting policies and other explanatory notes.

The Target Company is a limited liability company incorporated in Hong Kong on 8 October 2003 and was principally engaged in leasing of property during the Relevant Periods. The Target Company has adopted 31 March as its financial year end for statutory financial reporting purposes.

The financial statements of the Target Company for the years ended 31 March 2006 and 2007 were audited by Deloitte Touche Tohmatsu Certified Public Accountants, and for the year ended 31 March 2008 was audited by Mazars CPA Limited. These financial statements were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong.

The directors of the Target Company are responsible for preparing the Financial Information which gives a true and fair view in accordance with HKFRS. In preparing the Financial Information of the Target Company which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable, and that the reasons for any significant departure/non-applicable accounting standards are stated. It is our responsibility to form an independent opinion, on such information in respect of the Relevant Periods, and to report our opinion to you.

PROCEDURES PERFORMED IN RESPECT OF THE RELEVANT PERIODS

For the purpose of this report, we have examined the audited financial statements of the Target Company for the Relevant Periods and carried out such additional procedures as we considered necessary in accordance with Auditing Guideline No. 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION OF THE RELEVANT PERIODS

In our opinion, the Financial Information of the Target Company, for the purpose of this report, gives a true and fair view of the results and cash flows of the Target Company for each of the Relevant Periods and of the state of affairs of the Target Company as at 31 March 2006, 2007 and 2008 in accordance with HKFRS.

Without qualifying our opinion we draw attention to note 1 to the Financial Information concerning the adoption of going concern basis on which the Financial Information has been prepared. At 31 March 2008, the Target Company had net current liabilities of HK$37,192,314. The validity of the going concern basis depends on the Target Company's future profitable operation and the continuing financial support from the holding company. The immediate holding company, Mascotte Group Limited, has confirmed in writing their intention to provide continuing financial support to the Target Company. The Company has confirmed in writing their intention to provide continuing financial support to the Target Company on condition that the proposed major transaction is successful. The Financial Information does not include any adjustments that would result from a failure to obtain the necessary finance. We consider that appropriate disclosures have been made in this respect.

I. FINANCIAL INFORMATION

Balance Sheets

The following is a summary of the balance sheets of the Target Company as at the end of each of the Relevant Periods which have been prepared on the basis set out in Section II below.

		At 31 March		
		2006	**2007**	**2008**
	Note	*HK$*	*HK$*	*HK$*
Non-current assets				
Investment properties	5	125,619,000	125,000,000	115,392,944
Property, plant and equipment	6	19,148	51,128	46,523
		125,638,148	125,051,128	115,439,467
Current assets				
Trade and other receivables, deposits and prepayments	7	408,579	1,338,100	3,129,594
Due from a fellow subsidiary	8	–	31,053,111	–
Bank balance		1,010	65,706	281,677
		409,589	32,456,917	3,411,271
Current liabilities				
Other payables, deposits received and accruals		10,174,848	1,920,270	5,837,668
Due to a director	8	–	–	117,234
Due to immediate holding Company	8	–	26,851,098	34,186,060
Due to a shareholder		25,278,799	–	–
Income tax payable		211,968	494,635	462,623
Bank borrowing	9	–	3,920,221	–
		35,665,615	33,186,224	40,603,585
Net current liabilities		(35,256,026)	(729,307)	(37,192,314)
Total assets less current liabilities		90,382,122	124,321,821	78,247,153

		At 31 March		
		2006	2007	2008
	Note	*HK$*	*HK$*	*HK$*
Non-current liabilties				
Bank borrowing	9	–	34,449,840	–
Deferred taxation	10	8,914,329	6,107,653	6,866,020
		8,914,329	40,557,493	6,866,020
NET ASSETS		81,467,793	83,764,328	71,381,133
Capital and reserves				
Share capital	11	1,000	1,000	1,000
Reserves		81,466,793	83,763,328	71,380,133
TOTAL EQUITY		81,467,793	83,764,328	71,381,133

Income Statements

The following is a summary of the income statements of the Target Company for the Relevant Periods which have been prepared on the basis set in Section II below.

		Year ended 31 March		
		2006	**2007**	**2008**
	Note	*HK$*	*HK$*	*HK$*
Turnover	2	1,717,085	2,829,165	4,465,002
Net increase (decrease) in fair value of investment property		16,371,925	(5,000,000)	(28,150,014)
Exchange gain, net		–	–	5,363,478
Other income		543,201	584,563	1,649,547
Administrative expenses		(1,217,337)	(1,187,961)	(1,349,275)
Finance costs		–	(612,737)	(1,863,855)
Profit (loss) before taxation	3	17,414,874	(3,386,970)	(19,885,117)
Taxation	4	(1,786,141)	2,842,291	(517,069)
Profit (loss) for the year		15,628,733	(544,679)	(20,402,186)

Statements of Changes in Equity

The movements in the statements of changes in equity of the Target Company for the Relevant Periods which have been prepared on the basis set out in Section II below are as follows:

	Share capital	Translation reserve	Accumulated Profit	Total
	HK$	*HK$*	*HK$*	*HK$*
At 1 April 2005	2	—	64,189,213	64,189,215
Issue of shares	998	–	–	998
Exchange movement on translation into presentation currency recognised directly in equity	–	1,648,847	–	1,648,847
Profit for the year	–	–	15,628,733	15,628,733
At 1 April 2006	1,000	1,648,847	79,817,946	81,467,793
Exchange movement on translation into presentation currency recognised directly in equity	–	2,841,214	–	2,841,214
Loss for the year	–	–	(544,679)	(544,679)
At 1 April 2007	1,000	4,490,061	79,273,267	83,764,328
Exchange movement on translation into presentation currency recognised directly in equity	–	8,018,991	–	8,018,991
Loss for the year	–	–	(20,402,186)	(20,402,186)
At 31 March 2008	1,000	12,509,052	58,871,081	71,381,133

Cash Flow Statements

The cash flow statements of the Target Group for the Relevant Periods which have been prepared on the basis set in Section II below are as follows:

	Year ended 31 March		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
OPERATING ACTIVITIES			
Profit (loss) before taxation	17,414,874	(3,386,970)	(19,885,117)
Adjustment for:			
Depreciation	2,176	7,812	10,207
Interest income	(3,225)	(504,536)	(1,612,776)
Interest expenses	–	612,737	1,951,380
Net (increase) decrease in fair value of Investment property	(16,371,925)	5,000,000	28,150,014
Cash generated from operations before changes in working capital	1,041,900	1,729,043	8,613,708
Trade and other receivables, deposit and prepayments	(165,983)	(915,272)	(1,644,911)
Other payables, deposits received and accruals	352,609	(8,609,427)	(1,142,741)
Due to a director	–	–	117,234
Cash generated from (used in) operations	1,228,526	(7,795,656)	5,943,290
Tax paid	–	–	(513,964)
Interest received	3,225	504,536	1,612,776
Net cash generated from (used in) operating activities	1,231,751	(7,291,120)	7,042,102
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(19,519)	(39,124)	–
Purchase of investment properties	(7,592,316)	–	–
(Advance to) repayment from a fellow subsidiary	–	(31,053,111)	33,876,333
Net cash (used in) generated from investing activities	(7,611,835)	(31,092,235)	33,876,333

	Year ended 31 March		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
FINANCING ACTIVITIES			
New bank borrowing raised	–	39,000,000	–
Repayment of bank borrowings	–	(629,939)	(42,573,325)
Interest paid	–	(612,737)	(1,951,380)
Advance form a shareholder	6,379,075	–	–
Advance from immediate holding Company	–	690,693	3,815,044
Proceeds on issuance of shares	998	–	–
Net cash generated from (used in) financing activity	6,380,073	38,448,017	(40,709,661)
Net (decrease) increase in cash and cash equivalents	(11)	64,662	208,774
Effect of foreign exchange rate changes	26	34	7,197
Cash and cash equivalents at beginning of year	995	1,010	65,706
Cash and cash equivalents at end of year, represented by bank balances	1,010	65,706	281,677
Major non-cash transaction			
Provision for development cost of investment property capitalised	–	–	4,849,781

II. NOTES TO THE FINANCIAL INFORMATION

CORPORATE INFORMATION

The Target Company is a private limited company incorporated in Hong Kong. Its immediate holding company is Mascotte Group Limited, a company incorporated in the British Virgin Islands. Its ultimate holding company is Mascotte Holdings Limited, a company incorporated in Bermuda with its shares listed in The Stock Exchange of Hong Kong Limited. The address of the registered office of the Target Company is 1st Floor, Po Chai Industrial Building, 28 Wong Chuk Hang Road, Hong Kong. The principal place of business of the Target Company is Jifu Building, No. 103 Shibafu road, Liwan District, Guangzhou City, Guangdong Province, the People's Republic of China (the "PRC").

The principal activity of the Target Company is leasing of property in the PRC and therefore, it operates in only one business segment and geographical location.

The functional currency of the Target Company is Renminbi. The financial information is presented in Hong Kong dollars as the Target Company is incorporated in Hong Kong and the directors of the Target Company control and monitor the performance and financial position of the Target Company by using Hong Kong dollars.

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong.

The financial statements have been prepared in conformity with the principles applicable to a going concern. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in the future in view of the excess of current liabilities over current assets. The immediate holding company, Mascotte Group Limited, has confirmed its intention to make available adequate funds to the Target Company as and when required to maintain the Target Company as a going concern. The Company has confirmed in writing their intention to provide continuing financial support to the Target Company on condition that the proposed major transaction is successful.

Adoption of new/revised HKFRS

The HKICPA has issued a number of new and revised HKFRSs, most of which are generally effective for accounting periods beginning on or after 1 January 2005. For the purpose of preparing and presenting the Financial Information, the Target Company has adopted the following new and revised HKFRS throughout the Relevant Periods:

HKAS 1	Presentation of Financial Statements
HKAS 1 (Amendment)	Capital Disclosures
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 12	Income Taxes
HKAS 24	Related Party Disclosures
HKAS 32	Financial Instruments: Presentation
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 7	Financial instruments: Disclosures

A summary of the principal accounting policies adopted by the Target Company is set out below.

Basis of measurement

The measurement basis used in the preparation of these financial statements is historical cost, except for investment property, which is measured at fair value as explained in the accounting policies.

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. Repairs and maintenance costs are charged to the income statement during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the annual rate of 15%.

Investment properties

Investment properties are land and building that are held by owner or lessee under finance lease, to earn rental income and for capital appreciation. These include properties held for a currently undetermined future use and properties that are held under operating lease, which satisfy the definition of investment property and carry at fair value.

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

Financial instruments

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

Loans and receivables

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

Financial liabilities

The Target Company's financial liabilities include mainly the amount due to holding company. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Company and when the revenue can be measured reliably.

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

Impairment of non-financial assets

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

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

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

Leases

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.

Cash equivalents

For the purpose of the 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 changes in value.

Taxation

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

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss, it is not accounted for.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at 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.

Foreign currency translation

Items included in the the Target Company's financial statements are measured using the currency of the primary economic environment in which the Target Company operates ("functional currency").

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The functional currency of the Target Company is Renminbi ("RMB"). The financial statements are presented in Hong Kong dollars as the Target Company is incorporated in Hong Kong and the directors of the Target Company control and monitor the performance and financial position of the Target Company using Hong Kong dollars.

Assets and liabilities for each balance sheet presented are translated at the rates of exchange ruling at the balance sheet date. Income and expenses for each income statement presented are translated at the average rates of exchange ruling during the year, with the resulting exchange differences recognised as a separate component of equity.

Related parties

A party is related to the Target Company if

(a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Target Company; or has an interest in the Target Company that gives it significant influence over the Target Company; or has joint control over the Target Company;

(b) the party is an associate of the Target Company;

(c) the party is a joint venture in which the Target Company is a venturer;

(d) the party is a member of the key management personnel of the Target Company or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Target Company, or of any entity that is a related party of the Target Company.

Critical accounting estimates and judgements

Fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates. In relying on the valuation report, the directors of the Target Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

Future changes in HKFRS

At the date of authorisation of these Financial Information, the HKICPA has issued a number of new/revised HKFRS that are not yet effective for the Relevant Periods, which the Target Company has not early adopted. The directors anticipate that the adoption of these new HKFRS in the future periods will have no material impact on the result of the Target Company.

2. TURNOVER

Turnover represents gross rental income from investment properties during the Relevant Periods.

3. PROFIT/(LOSS) BEFORE TAXATION

	Year ended 31 March		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
This is stated after charging (crediting):			
Finance costs			
Interest on bank loans not wholly repayable within five years	–	612,737	1,863,855
Other items			
Staff costs	–	149,596	161,143
Staff retirement benefits scheme contributions	–	23,291	21,391
Total staff costs	–	172,887	182,534
Auditors' remuneration *(note)*	–	30,000	–
Depreciation	2,176	7,812	10,207
Rental income	(1,717,085)	(2,829,165)	(4,565,002)
Direct operating expenses that generate rental income	575,372	453,336	434,627

Note: Auditors' remuneration for the year ended 31 March 2008 was borne by Mascotte Holdings Limited for which no reimbursement will be sought from the Target Company.

4. TAXATION

Hong Kong Profits Tax has not been provided as the Target Company's profits neither arose in, nor derived from, Hong Kong and therefore were not subject to Hong Kong Profits Tax for the Relevant Periods.

The Target Company is not a tax resident in PRC, the Target Company's income received in PRC is subject to PRC withholding tax. PRC income tax has been provided at the rate range from 7% to 10% on the net amount of gross rental income less 5% business tax for the Relevant Periods.

	Year ended 31 March		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
The charge (credit) comprises:			
PRC income tax	148,949	275,275	427,766
Deferred taxation	1,637,192	(3,117,566)	89,303
	1,786,141	(2,842,291)	517,069

Reconciliation of tax expense (income)

	Year ended 31 March		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Profit (loss) before taxation	17,414,874	(3,386,970)	(19,885,117)
PRC income tax at applicable tax rate	1,741,487	(237,088)	(1,988,512)
Tax effect of expenses not deductible for tax purpose	113,895	103,058	299,820
Tax effect of income not taxable for tax purpose	(69,241)	(13,643)	(729,767)
Increase (Decrease) in opening deferred tax liability resulting from a change in applicable tax rate	–	(2,769,095)	2,904,359
Others	–	74,477	31,169
Tax expense (income) for the year	1,786,141	(2,842,291)	517,069

The applicable tax rate for the years ended 31 March 2006 and 2008 was 10%. The PRC income tax rate was 7% for the year ended 31 March 2007.

5. INVESTMENT PROPERTIES

	At 31 March		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
At fair value			
At beginning of year	98,355,239	125,619,000	125,000,000
Exchange adjustments	2,526,480	4,381,000	13,693,177
Additions	8,365,356	–	–
Development cost capitalized	–	–	4,849,781
Gain (loss) on fair value change	16,371,925	(5,000,000)	(28,150,014)
At balance sheet date	125,619,000	125,000,000	115,392,944

The Target Company's investment properties are situated in the PRC and held under medium-term leases.

The fair values of the investment property at the balance sheet dates have been arrived at on the basis of a valuation carried out on those dates by Vigers Appraisal & Consulting Limited at 31 March 2006, Chung, Chan & Associates, Chartered Surveyors at 31 March 2007 and RHL Appraisal Limited at 31 March 2008, which are independent professional qualified valuers not connected with the Target Company. Vigers Appraisal & Consulting Limited, Chung, Chan & Associates, Chartered Surveyors and RHL Appraisal Limited are members of the Hong Kong Institute of Surveyors and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations, which conforms to Hong Kong Institute of Surveyors Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties for the year ended 31 March 2006, and using two primary methods, namely the direct comparison approach and the income capitalisation approach for the years ended 31 March 2007 and 2008.

6. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures	Office equipment	Leasehold improvement	Total
	HK$	*HK$*	*HK$*	*HK$*
Reconciliation of carrying amount - year ended 31 March 2006				
At beginning of year	795	965	–	1,760
Additions	8,262	11,257	–	19,519
Depreciation	(560)	(1,616)	–	(2,176)
Exchange differences	21	24	–	45
At balance sheet date	8,518	10,630	–	19,148
Reconciliation of carrying amount - year ended 31 March 2007				
At beginning of year	8,518	10,630	—	19,148
Additions	—	—	39,124	39,124
Depreciation	(1,425)	(1,906)	(4,481)	(7,812)
Exchange differences	297	371	—	668
At balance sheet date	7,390	9,095	34,643	51,128
Reconciliation of carrying amount - year ended 31 March 2008				
At beginning of year	7,390	9,095	34,643	51,128
Depreciation	(1,581)	(2,114)	(6,512)	(10,207)
Exchange differences	810	997	3,795	5,602
At balance sheet date	6,619	7,978	31,926	46,523
At 31 March 2006				
Cost	9,180	12,275	—	21,455
Accumulated depreciation	(662)	(1,645)	—	(2,307)
	8,518	10,630	—	19,148
At 31 March 2007				
Cost	9,500	12,703	39,124	61,327
Accumulated depreciation	(2,110)	(3,608)	(4,481)	(10,199)
	7,390	9,095	34,643	51,128

	Furniture and fixtures	Office equipment	Leasehold improvement	Total
	HK$	*HK$*	*HK$*	*HK$*
At 31 March 2008				
Cost	10,541	14,095	43,410	68,046
Accumulated depreciation	(3,922)	(6,117)	(11,484)	(21,523)
	6,619	7,978	31,926	46,523

7. TRADE AND OTHER RECEIVABLES

		At 31 March		
		2006	2007	2008
	Note	*HK$*	*HK$*	*HK$*
Trade receivables				
From third parties		76,455	31,036	143,116
Allowance for doubtful debts	7(a)	—	(8,987)	(9,972)
		76,455	22,049	133,144
Other receivables				
Deposits, prepayments and other receivables		332,124	1,316,051	2,996,450
		408,579	1,338,100	3,129,594

7(a) ALLOWANCE FOR DOUBTFUL DEBTS

	2006	2007	2008
	HK$	*HK$*	*HK$*
Allowance for doubtful debts			
Balance at beginning of year	—	—	8,987
Exchange adjustment	—	—	985
Increase in allowance	—	8,987	—
	—	8,987	9,972

At the balance sheet date, the Target Company's trade receivables of 2006: Nil, 2007: HK$8,987 and 2008: HK$9,972 were individually determinated to be impaired.

7(b) TRADE RECEIVABLES THAT ARE NOT IMPAIRED

Included in the Target Company trade receivable balance are debtors with a carrying amount of HK$76,455, HK$22,049 and HK$133,144 at 31 March 2006, 2007 and 2008 respectively, which are past due at the balance sheet date for which the Target Company has not impaired as there has not been a significant change in credit quality and the directors believe that the amounts are still considered receivable. The Target Company held deposit over these balances. The average age of these receivables is 30 days for the Relevant Periods.

8. AMOUNT DUE FROM A FELLOW SUBSIDIARY/AMOUNT DUE TO IMMEDIATE HOLDING COMPANY/ AMOUNT DUE TO A DIRECTOR

The amount is unsecured, interest-free and repayable on demand.

9. BANK BORROWING

		At 31 March	
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
The secured borrowing is repayable as follows:			
On demand or within one year	—	3,920,221	—
More than one year, but not exceeding two years	—	4,172,377	—
More than two year, but not exceeding three years	—	4,440,752	—
More than three year, but not exceeding four years	—	4,726,389	—
More than four year, but not exceeding five years	—	5,030,399	—
More than five years	—	16,079,923	—
	—	38,370,061	—
Less: amounts due within one year show under current liabilities	—	(3,920,221)	—
Amount due after one year	—	34,449,840	—

The average interest rate of the borrowing is 6.25% per annum.

The above bank borrowing was denominated in Hong Kong dollars which was not the functional currency of the Target Company.

10. DEFERRED TAXATION

The movement for the Relevant Periods in the Target Company's net deferred tax position was as follows:

	At 31 March		
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Deferred tax arising from revaluation of investment property			
At beginning of year	7,094,889	8,914,329	6,107,653
Exchange adjustments	182,248	310,890	669,064
Debited (Credited) to income statement	1,637,192	(3,117,566)	89,303
At the balance sheet date	8,914,329	6,107,653	6,866,020

11. SHARE CAPITAL

	Ordinary	**Non-voting deferred share**	**Total**
	HK$	*HK$*	*HK$*
Ordinary share and non-voting deferred share of HK$1 each:			
Authroised:			
At 31 March 2006, 2007 and 2008	9,998	2	10,000
Issued and fully paid:			
At 31 March 2006, 2007 and 2008	998	2	1,000

On 22 December 2005, 2 ordinary shares of HK$1 each were converted into non-voting deferred shares of HK$1 each. These non-voting deferred shares practically carry no right to dividends and no rights to receive notice of or to attend or vote at any general meeting of the Target Company. On winding up, the holders of the deferred shares are entitled to distribution out of the remaining assets of the Target Company only after the distribution of substantial amounts as specified in the Articles of Associations to holders of ordinary shares of the Target Company.

12. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in this financial information, during the Relevant Periods, the Target Company received HK$Nil, HK$504,536, and HK$1,612,776 interest income from a fellow subsidiary of the Company for the years ended 31 March 2006, 2007 and 2008, respectively.

13. COMMITMENTS UNDER OPERATING LEASES

The Target Company leases out its investment property under operating leases with average lease terms of 1-5 years and with options to renew the leases upon expiry at new terms. The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

		At 31 March	
	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Within one year	2,627,952	2,103,658	3,318,555
In the second to fifth years inclusive	1,502,872	757,696	595,252
	4,130,824	2,861,354	3,913,807

14. CAPITAL MANAGEMENT

The Target Company's objective in managing capital is to safeguard the Target Company's ability to continue as a going concern and to provide returns for its shareholders. The Target Company defines its capital as the total shareholders equity. The Target Company does not have specific policy or procedures for managing its capital and is not subject to externally imposed capital requirements.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments comprise other receivables, other payables, cash and amount due to immediate holding company. The main purpose of these financial instruments is to raise and maintain finance for the Target Company's operations.

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

Foreign exchange risk

The Target Company's foreign currency exposures arise mainly from the exchange rate movements of the Renminbi against Hong Kong dollars. The Target Company currently does not have policies to hedge this exposure.

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the Target Company to which they relate:

	2006	**2007**	**2008**
	HK$	*HK$*	*HK$*
Due from a fellow subsidiary	—	31,053,111	—
Due to immediate holding company	—	(26,851,098)	(34,186,060)
Due to a shareholder	(25,278,799)	—	—
Bank borrowing	—	(38,370,061)	—
Overall net exposure	(25,278,799)	(34,168,048)	(34,186,060)

The sensitivity analysis has been determined assuming that the change in foreign exchange rate had occurred at the balance sheet date and had been applied to the Target Company's exposure to currency risk for all financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date.

	Increase (Decrease) in net loss	
	RMB had weakened by 10% against	**RMB had strengthened by 10% against**
	HK$	*HK$*
As at 31 March 2006	2,527,880	(2,527,880)
As at 31 March 2007	3,416,805	(3,416,805)
As at 31 Match 2008	3,418,606	(3,418,606)

Liquidity risk

The Target Company's objective is to maintain continuity of funding and flexibility through financing from related parties. Maturity profile of the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments is summarised below:

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Year ended 31 March 2006					
Other payables, deposits received and accruals	10,174,848	—	—	—	10,174,848
Due to immediate holding company	25,278,799	—	—	—	25,278,799
Income tax payable	211,968	—	—	—	211,968
	35,665,615	—	—	—	35,665,615
Year ended 31 March 2007					
Other payables, deposits received and accruals	1,920,270	—	—	—	1,920,270
Due to immediate holding company	26,851,098	—	—	—	26,851,098
Income tax payable	494,635	—	—	—	494,635
Bank borrowing	6,207,312	6,207,312	18,621,936	17,593,453	48,630,013
	35,473,315	6,207,312	18,621,936	17,593,453	77,896,016
Year ended 31 March 2008					
Other payables, deposits received and accruals	5,837,668	—	—	—	5,837,668
Due to a director	117,234	—	—	—	117,234
Due to immediate holding company	34,186,060	—	—	—	34,186,060
Income tax payable	462,623	—	—	—	462,623
	40,603,585	—	—	—	40,603,585

The Target Company will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

The immediate holding company has confirmed its intention to made available adequate funds to the Target Company as and when required.

Fair values

The directors consider that the carrying amounts of financial assets and financial liabilities approximate their fair values.

16. PLEDGE OF ASSETS

As at 2007 and 2008, the Company pledged its investment property with carrying value of HK$125,000,000 and HK$115,392,944 respectively to secure general banking facilities granted to the Target Company. The relevant bank borrowing was fully repaid in November 2007 and the charge was subsequently released in April 2008.

III. SUBSEQUENT EVENTS

Save as disclosed elsewhere in this report, there was no other significant event took place subsequent to 31 March 2008.

IV. SUBSEQUENT FINANCIAL INFORMATION

No audited Financial Information has been prepared by the companies comprising the Target Company in respect of any period subsequent to 31 March 2008.

Yours faithfully,
Mazars CPA Limited
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY

For the year ended 31 March 2008

Business Review

The Target Company was principally engaged in property investment. The turnover recognized represented gross rental income from investment property. For the year ended 31 March 2008, the Target Company recorded a turnover of approximately HK$4.5 million (2007: HK$2.8 million), representing an increase of approximately 61% when compared with previous corresponding year.

Loss after taxation for the year ended 31 March 2008 amounted to approximately HK$20.4 million (2007: loss of HK$0.5 million). The loss was mainly resulted from the fall in the fair value of the Property for the year ended 31 March 2008 of approximately HK$28.2 million, compared to the fall in the fair value of the Property for the year ended 31 March 2007 of approximately HK$5.0 million.

The principal investment held by the Target Company was the Property. The average occupancy rate of the Property for the year ended 31 March 2008 was approximately 99% (2007: 77%). Such increase was mainly due to the continuing strong economic performance of Guangzhou during the year. It was expected that an amount of approximately HK$4.5 million annual rental income will be generated by the leasing of the Property.

The Target Company did not have material acquisition or disposal for the year and it did not have future plan for material investment or capital assets for the forthcoming financial year.

As at 31 March 2008, the Target Company had no employee (2007: nil).

Financial Review

The Target Company maintained a positive cashflow of HK$281,677 as at 31 March 2008 (2007: HK$65,706), representing an increase of approximately 329%. As at 31 March 2008, there was no outstanding bank borrowing (2007: HK$38.4 million) and the net asset value of the Target Company was approximately HK$71.4 million (2007: HK$83.8 million). The gearing ratio, calculated with reference to the total liabilities of approximately HK$47.5 million (2007: HK$73.7 million) and total assets of approximately HK$118.9 million (2007: HK$157.5 million), was approximately 39.9% (2007: 46.8%). As at 31 March 2008, the Target Company pledged its investment property with carrying value of approximately HK$115 million (2007: HK$125 million) to secure general banking facilities granted to the Target Company. The relevant bank borrowing was fully repaid in November 2007 and the charge was subsequently released in April 2008.

Foreign currency exposures arose mainly from the exchange rate movements of the Renminbi against Hong Kong dollars. The Target Company did not have policies to hedge this exposure. As at 31 March 2008, the Target Company had no contingent liability (2007: nil).

For the year ended 31 March 2007

Business Review

The Target Company was principally engaged in property investment. The principal investment held by the Target Company was the Property. The turnover represented rental income received and receivable. The average occupancy rate of the Property for the year ended 31 March 2007 was approximately 77%. For the year ended 31 March 2007, the Target Company recorded a turnover of approximately HK$2.8 million (2006: HK$1.7 million), representing an increase of approximately 64.8% when compared with previous corresponding year. It was expected that an amount of approximately HK$4 million annual rental income will be generated by the leasing of the Property.

Loss after taxation for the year ended 31 March 2007 amounted to approximately HK$0.5 million (2006: profit of HK$15.6 million). The loss was mainly resulted from the fall in the fair value of the Property for the year ended 31 March 2007 of approximately HK$5.0 million, compared to the rise in the fair value of the Property for the year ended 31 March 2006 of approximately HK$16.4 million.

The Target Company did not have material acquisition or disposal for the year and it did not have future plan for material investment or capital assets for the forthcoming financial year.

As at 31 March 2007, the Target Company had no employee (2006: nil).

Financial Review

The Target Company maintained a positive cashflow of HK$65,706 (2006: HK$1,010) as at 31 March 2008, representing a significant increase of approximately 6,406%. As at 31 March 2007, there was approximately HK$38.4 million outstanding bank borrowing (2006: nil) and the net asset value of the Target Company was approximately HK$83.8 million (2006: HK$81.5 million). The gearing ratio, calculated with reference to the total liabilities of approximately HK$73.7 million (2006: HK$44.6 million) and total assets of approximately HK$157.5 million (2006: HK$126.0 million), was approximately 46.8% (2006: 35.4%). The Target Company had pledged its investment property with carrying value of HK$125 million (2006: HK$125 million) to secure general banking facilities granted.

Foreign currency exposures arose mainly from the exchange rate movements of the Renminbi against Hong Kong dollars. The Target Company did not have policies to hedge this exposure. As at 31 March 2007, the Target Company had no contingent liability (2006: nil).

For the year ended 31 March 2006

Business Review

The Target Company was principally engaged in leasing of property. The principal investment held by the Target Company was the Property. The turnover represented the rental income received and receivable. For the year ended 31 March 2006, the Target Company recorded a turnover of approximately HK$1.7 million (2005: HK$0.8 million), representing an increase of approximately 112.5% when compared with previous corresponding year. The occupancy rate of the Property for the year ended 31 March 2006 was approximately 41%. It was expected that an amount of approximately HK$3 million annual rental income will be generated by the leasing of the Property.

Profit after taxation for the year ended 31 March 2006 amounted to approximately HK$15.6 million (2005: profit of HK$64.2 million). The drop in profit was mainly resulted from the fall in the net increase in the fair value of the Property for the year ended 31 March 2006 to approximately HK$16.4 million, compared to approximately HK$70.9 million for the year ended 31 March 2005.

The Target Company did not have material acquisition or disposal for the year and it did not have future plan for material investment or capital assets for the forthcoming financial year.

As at 31 March 2006, the Target Company had no employee (2005: nil).

Financial Review

The Target Company maintained a positive cashflow of HK$1,010 (2005: HK$995) as at 31 March 2008, representing a slight increase of approximately 1.5%. As at 31 March 2006, there was no outstanding bank borrowing (2005: nil) and the net asset value of the Target Company was approximately HK$81.5 million (2005: HK$64.2 million). The gearing ratio, calculated with reference to the total liabilities of approximately HK$44.6 million (2005: HK$35.2 million) and total assets of approximately HK$126.0 million (2005: HK$99.3 million), was approximately 35.4% (2005: 35.4%). No pledge of asset was recorded for the year ended 31 March 2006.

Foreign currency exposures arose mainly from the exchange rate movements of the Renminbi against Hong Kong dollars. The Target Company did not have policies to hedge this exposure. As at 31 March 2006, the Target Company had no contingent liability (2005: nil).

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "Statement") has been prepared to illustrate the effect of the Acquisition of Target Company by the Group assuming the Acquisition been completed on 30 June 2008. The Statement has been prepared by the Directors in accordance with paragraph 29 Chapter 4 of the Listing Rules. The Statement is for the purpose of illustration only and does not form part of the accountant's report prepared by the reporting accountants of the Company as set out in Appendix II to this circular.

The Statement is prepared by the Directors based on a number of assumptions, estimates, uncertainties and currently available information for illustrative purposes only. Accordingly, the Statement does not purport to give a true picture of the actual financial position of the Enlarged Group had the Acquisition occurred on 30 June 2008. Furthermore, the Statement does not purport to predict the Enlarged Group's future financial position.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is prepared based on the unaudited consolidated balance sheet of the Group as at 30 June 2008 extracted from the interim report of the Company for the six months ended 30 June 2008, the audited financial information of the Target Company as at 31 March 2008 extracted from the accountant's report on the Target Company as set out in this circular, and after taking into account of the unaudited pro forma adjustments as described in the notes thereto to demonstrate the effect of the Acquisition and the financing arrangements for the Acquisition might have affected the historical financial assets and liabilities in respect of the Group as if the Acquisition had been completed on 30 June 2008.

	The Group as at 30th June 2008 (Unaudited)	**Target Company as at 31st March 2008 (Audited)**	**Total**	**Pro forma Adjustments**	*Notes*	**Pro forma Enlarged Group (Unaudited)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
ASSETS AND LIABILITIES						
Non-current assets						
Investment properties	360,723	115,393	476,116			476,116
Property, plant and equipment	136,486	47	136,533			136,533
Intangible assets	133,252	—	133,252			133,252
Goodwill	—	—	—	6,433	1	6,433
Other investments	135,082	—	135,082			135,082
Prepayments for acquisition of investment properties	8,656	—	8,656			8,656
	774,199	115,440	889,639			896,072
Current assets						
Financial assets at fair value through profit or loss	410,947	—	410,947			410,947
Loan receivable	442,030	—	442,030			442,030
Trade and other receivables	111,080	3,129	114,209			114,209
Cash and cash equivalents	68,088	282	68,370			68,370
	1,032,145	3,411	1,035,556			1,035,556

	The Group as at 30th June 2008 (Unaudited) *HK$'000*	Target Company as at 31st March 2008 (Audited) *HK$'000*	Total *HK$'000*	Pro forma Adjustments *HK$'000*	*Notes*	Pro forma Enlarged Group (Unaudited) *HK$'000*
Current liabilities						
Other payables	2,126	5,838	7,964			7,964
Due to a director	—	117	117			117
Due to immediate holding company	—	34,186	34,186	(34,186)	1	—
Income tax payable	—	463	463			463
Financial liabilities at fair value through profit and loss	12,917	—	12,917			12,917
Current portion of interest-bearing borrowings	17,575	—	17,575			17,575
	32,618	40,604	73,222			39,036
Net current assets (liabilities)	999,527	(37,193)	962,334			996,520
Total assets less current liabilities	1,773,726	78,247	1,851,973			1,892,592
Non-current liabilities						
Long-term interest-bearing borrowings	196,011	—	196,011			196,011
Deferred taxation	—	6,866	6,866			6,866
NET ASSETS	1,577,715	71,381	1,649,096			1,689,715
CAPITAL AND RESERVES						
Share capital	349,944	1	349,945	80,000	2	429,944
				(1)	3	
Reserves	1,227,771	71,380	1,299,151	32,000	2	1,259,771
				(71,380)	3	
TOTAL EQUITY	1,577,715	71,381	1,649,096			1,689,715

Notes:

(1) The adjustments represent goodwill arising from the acquisition of the Target Company as if the Acquisition had taken place on 30 June 2008. The goodwill of approximately HK$6,433,000 arising from the acquisition of the Target Company is derived from the Consideration of HK$112,000,000 minus the net assets of the Target Company acquired which amounted to approximately HK$71,381,000 as at 31 March 2008 minus the Shareholder's loan (i.e. amount due by the Target Company to its immediate holding company, Mascotte Group Limited) to be acquired by the Company of approximately HK$34,186,000 as at 31 March 2008.

(2) The pro forma adjustment represents the total consideration of the Acquisition satisfied by the issuance of 800,000,000 ordinary shares at HK$0.14 each.

(3) The adjustments represent the elimination of share capital of HK$1,000 and pre-acquisition results and reserves of the Target Company.

2. REPORT FROM ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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

MAZARS

30 September 2008

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

Dear Sirs,

We report on the unaudited pro forma financial information of Willie International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 107-108 under the heading of statement of unaudited pro forma financial information of the Enlarged Group in Appendix III of the Company's Circular dated 30 September 2008 (the "Circular") in connection with the proposed major transaction (the "Major Transaction") of the Company. The unaudited pro forma financial information has been prepared by the directors of the Company (the "Directors") for illustrative purposes only to provide information about how the Major Transaction might have affected the financial information of the Group as at 30 June 2008. The basis of preparation of the pro forma statement of assets and liabilities is set out on pages 107-108 to the Circular.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND REPORTING ACCOUNTANTS

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

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

BASIS OF OPINION

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

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

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2008 or any future date.

OPINION

In our opinion:

a. the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Mazars CPA Limited
Certified Public Accountants
Hong Kong

The following is the text of a letter together with valuation certificate, prepared for the purpose of incorporation in this circular issued by AA Property Services Limited, an independent property valuer, in connection with its valuation of the Properties to be acquired by the Company as at 31 July 2008.

AA Property Services Ltd.
環亞物業顧問有限公司
Valuation . Agency . Auction . Investment Consultancy . Project & Building Management

Room 602 on 6th Floor
Mirror Tower
No.61 Mody Road
Tsimshatsui East
Kowloon

30 September 2008

Willie International Holdings Limited
32nd Floor
China United Centre
No.28 Marble Road
North Point
Hong Kong

Dear Sirs,

In accordance with your instruction for us to value the property interests to be acquired by Willie International Holdings Limited or its subsidiary (together referred to hereinafter as "the Group") located in Guangzhou in the People's Republic of China ("the PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31st July, 2008.

Our valuation is our opinion of the Market Value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Unless otherwise stated, the property interests have been valued on open market basis assuming sale with the benefit of vacant possession by the market approach whereby sales of property of nature and character similar to the property under consideration are collated and analysed in order to arrive at a value appropriate to the property interests and where appropriate on the basis of capitalization of the net rental income receivable with due allowance for reversionary potential. Comparisons are made in respect of the locations, sizes and characters between the property and the comparable property in order to arrive at a value appropriate to the property interests.

Our valuation has been made on the assumption that the owner sells the property interests in the open market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to increase the value of such property interests. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property interests and no allowance has been made for the property interests to be sold in one lot or to a single purchaser.

The property is situated in the PRC. In valuing the property interests, we have assumed that the land use right under which the property interests are held is transferable for the residue of the term as granted. We have further assumed that the property interests are freely disposable and transferable in their existing conditions in the open market to both local and overseas purchasers. The owner has the right to transfer the land use right to any third parties at nominal land use fees and no premium or any fee of substantial amount has to be made to the relevant authority.

We have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, particulars of occupation, site area, floor area and all other relevant matters which can affect the value of the property interests.

We have not carried out detailed on-site measurement to verify the site area and floor area of the property. We have assumed that the site area and floor area supplied to us or as shown on the documents handed to us are correct. We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

We have been provided with copies of agreements and title documents regarding the title of the property interests under consideration. However, no investigations have been made to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us. All documents and title deeds have been used as reference only. All dimensions, measurements and areas are approximate.

We have relied upon the legal opinion furnished by Global Law Office, the legal adviser on the law of PRC, regarding the title of the owner to the property interests. Based on the legal opinion as supplied, the owner has proper legal title to the property interests and has a free and uninterrupted right to sell the property interests in their existing condition to any third parties for the residue of the term of the land use right granted in respect of the property interests.

We have inspected the property included in the attached valuation certificate, in respect of which we have been provided with such information as we have required for the purpose of our valuation.

No structural survey has been made. However, in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their value.

In this valuation, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 of the rules governing the listing of securities issued by the Stock Exchange of Hong Kong Limited; and the HKIS Valuation Standards on Properties (1st Edition) published by the Hong Kong Institute of Surveyors and effective from 1st January, 2005.

Our Valuation Certificate is attached.

Yours faithfully,
For and on behalf of
A A PROPERTY SERVICES LIMITED

Patrick W. C. Lai,
MRICS, MHKIS, MCIArb., RPS
Executive Director

Note: Patrick W C Lai, Chartered Valuation Surveyor, has been a qualified valuer with A A Property Services Ltd. since 1991 and has over 15 years of experience in the valuation of property located in Hong Kong and the People's Republic of China. Mr. Lai is on the List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in connection with Takeovers and Mergers under the listing rules of the Hong Kong Stock Exchange.

VALUATION CERTIFICATE

Property to be acquired by the Group for Investment:

Property	Description	Particulars of Occupancy	Capital value in existing state as at 31st July, 2008
Jifu Plaza No.103 Shibapu Road, Liwan District, Guangzhou City, Guangdong Province, The People's Republic of China	The property comprises a 20-storeyed composite building. The ground floor is occupied for commercial use whilst the upper floors are occupied for office use. The building was completed in the 1980's and was renovated in recent years. The property has a total gross floor area of approximately 113,251.5 square feet (or approximately 10,521.32 square metres). The land use right was granted for a term of 50 years commencing on 24th April, 2006 for office use.	The property was, as at 31st July, 2008, subject to various tenancies with the latest expiry date on 30th June, 2011 at a total monthly rent of about RMB390,000 exclusive of management fees and other operating outgoings. The property was occupied for commercial and office purposes.	RMB104,000,000

Notes:

1. Pursuant to the Certificate of Real Estate Ownership No.Yue Fang Di Zheng Zi Di C4813431 Hao dated 8th August 2006 issued by the Guangzhou Municipal Bureau of Land Resources and Housing Management, the land use right in respect of the property interests was granted to Jet Star Industries Limited "捷勝實業有限公司" for a term of 50 years commencing on 24th April 2006.

2. Pursuant to the abovementioned Certificate, the ownership of the property with a gross floor area of 10,521.32 square metres is vested in Jet Star Industries Limited "捷勝實業有限公司". Furthermore, the property contains certain unauthorized structures with a total area of 160.76 square metres.

3. We have been provided with the legal opinion on the title to the property by Global Law Office, a professional PRC registered legal adviser on the law of the People's Republic of China. The legal opinion contains, inter alia, the following information:

   a) The land use right in respect of the property interests is held by Jet Star Industries Limited "捷勝實業有限公司", which is a company incorporated in Hong Kong;

   b) Jet Star Industries Limited "捷勝實業有限公司" has a full and uninterrupted right to sell the property interests to any third parties without the payment of any sums substantial in nature;

   c) the property interests are free from all legal encumbrances, mortgages and orders which may adversely affect the title of the property interests.

4. According to information supplied to us, Jet Star Industries Limited "捷勝實業有限公司" is a company incorporated in Hong Kong on 8th October, 2003.

5. The status of title and major approvals in accordance with the information provided to us and the opinion of the legal adviser on the law of the People's Republic of China is as follows:

Type of Document	**Status**
Certificate of Real Estate Ownership	Obtained

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the Acquisition Completion and Notes Completion (assuming no further issue of Shares from the Latest Practicable Date to immediately before the Acquisition Completion and Notes Completion) were/is expected to be as follows:

(i) As at the Latest Practicable Date

Authorised:		*HK$*
10,000,000,000	Shares	1,000,000,000
Issued and fully paid:		
2,449,609,814	Shares	244,960,981.40

(ii) Immediately following the Acquisition Completion and Notes Completion (assuming no further issue of Shares from the Latest Practicable Date to immediately before the Acquisition Completion and Notes Completion)

Authorised:		*HK$*
10,000,000,000	HK$0.1 each	1,000,000,000
Issued and to be issued:		
2,449,609,814	Shares in issue as at the Latest Practicable Date	244,960,981.40
800,000,000	Consideration Shares to be allotted and issued under the Agreement	80,000,000.00
650,000,000	Settlement Shares to be allotted and issued under the Termination Deed	65,000,000.00
3,899,609,814	Shares in issue immediately after Acquisition Completion and Notes Completion	389,960,981.40

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

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

As at the Latest Practicable Date, (i) there were warrants to subscribe up to an aggregate of 60,000,000 Shares outstanding; (ii) there were Notes in the aggregate principal amount of HK$86,882,392.88 outstanding and carrying the rights to convert into 291,551,654 Shares at the conversion price of HK$0.298, subject to adjustments; (iii) the Company has authority to grant options to subscribe up to 69,988,851 Shares under the existing scheme mandate limit under the Share Option Scheme but no options are outstanding; and (iv) the Directors have authority to issue up to 139,977,703 Shares under the issue mandate granted to directors at the annual general meeting of the Company dated 30 May 2008. Save for the above, the Company has no derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares.

3. DISCLOSURE OF INTERESTS BY DIRECTORS

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

Long position in the Shares

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
Chuang Yueheng, Henry	Beneficial owner	230,474,400	9.41

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

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

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

(i) **Long positions in the Shares**

Name of Shareholders	**Capacity**	**Number of Shares**	**Approximate percentage of shareholding**
Radford Capital Investment Limited	Interest of controlled corporation	203,430,144	8.30%
Winning Horsee Limited	Beneficial owner	203,430,144	8.30%
Heritage International Holdings Limited	Interest of controlled corporation	650,000,000 *(Note 1)*	26.53%
Coupeville Limited	Interest of controlled corporation	650,000,000 *(Note 1)*	26.53%
Dollar Group Limited	Beneficial owner	650,000,000 *(Note 1)*	26.53%
Unity Investments Holdings Limited	Interest of controlled corporation	128,494,000	5.25%
Gufalore Investments Limited	Interest of controlled corporation	128,494,000	5.25%
Great Panorama International Limited	Beneficial owner	128,494,000	5.25%

Notes:

1. These are the Settement Shares falling to be issued by the Company upon the Notes Completion.

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

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

As at the Latest Practicable Date:-

(i) none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to any member of the Enlarged Group, respectively, since 31 December 2007, the date to which the latest published audited financial statements of the Group were made up.

(ii) there is no contract or arrangement entered into by any member of the Enlarged Group, subsisting as at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group as a whole.

6. EXPERTS

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

Name	Qualification
Mazars CPA Limited	Certified Public Accountants, Hong Kong
AA Property Services Limited (collectively, the "Experts")	an independent professional property valuer

As at the Latest Practicable Date, none of the Experts had any direct or indirect shareholdings in any member of the Enlarged Group, nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Enlarged Group; nor any interests, directly or indirectly, in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to any member of the Enlarged Group, respectively, since 31 December 2007, the date to which the latest published audited financial statements of the Group were made up.

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

7. SERVICE CONTRACTS

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

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in a business which competed with the businesses of the Group.

9. LITIGATION

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

10. MATERIAL CONTRACTS

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

(1) On 5 December 2006, the Company and Get Nice Investment Limited ("Get Nice") entered into a placing agreement in relation to the placing of convertible notes in the aggregate principal amount of HK$150 million;

(2) On 26 February 2007, the Company and Get Nice entered into a placing agreement in relation to the placing of 684,000,000 new shares of the Company at HK$0.12 per share;

(3) On 12 March 2007, the Company and Chung Nam Securities Limited ("Chung Nam") entered into a placing agreement in relation to the placing of convertible notes in the aggregate principal amount of HK$200 million;

(4) On 27 March 2007, the Company and Get Nice entered into a placing agreement in relation to the placing of 1,189,000,000 new shares of the Company at HK$0.11 per share;

(5) On 11 April 2007, Grand Wishes Limited, a wholly owned subsidiary of the Company, and Ms. Lo Oi Kwok, Sheree entered into an agreement in relation to the disposal of 150,000,000 shares of Hennabun Management International Limited by Grand Wishes Limited to Ms. Lo Oi Kwok, Sheree at a consideration of HK$5 million;

(6) On 12 April 2007, Trade Well Investments Limited, an indirectly wholly owned subsidiary of the Company, and Mackey Limited entered into a sale and purchase agreement for the acquisition by Trade Well Investments Limited of a property known as House No. 6, Somerset Path, The Royal Oaks, 8 Kam Tsin South Road, Sheung Shui, New Territories from Mackey Limited at a consideration of HK$57,800,000;

(7) On 12 April 2007, Portstar Investments Limited, a wholly owned subsidiary of the Company, and Hong Kong Cyberport (Ancillary Development) Limited entered into a sale and purchase agreement for the acquisition of a property known as Flat A, 39/F, Tower 5, and private cars car park No. 61 on car park level 7, Bel-Air No. 8, Bel-Air on the Peak, Island South by Portstar Investments Limited from Hong Kong Cyberport (Ancillary Development) Limited at a consideration of HK$17,680,000;

(8) On 12 April 2007, Winsy Investments Limited, a wholly owned subsidiary of the Company, and Hong Kong Cyberport (Ancillary Development) Limited entered into a sale and purchase agreement for the acquisition of a property known as Flat A, 40/F, Tower 5, and private cars car park No. 107 on car park level 5, Bel-Air No. 8, Bel-Air on the Peak, Island South by Winsy Investments Limited from Hong Kong Cyberport (Ancillary Development) Limited at a consideration of HK$17,680,000;

(9) On 23 April 2007, Cordoba Homes Limited, a directly wholly owned subsidiary of the Company, and Ms. Lo Ki Yan Karen entered into a sale and purchase agreement for the acquisition of a 10.21 carat, colour D and flawless diamond by Cordoba Homes Limited from Ms. Lo Ki Yan Karen at a consideration of HK$10 million;

(10) On 24 April 2007, Grand Wishes Limited, a wholly owned subsidary of the Company, and Ms. Tong So Yuet entered into an agreement for the disposal of 159,633,334 shares in Hennabun Management International Limited by Grand Wishes Limited to Ms. Tong So Yuet at a consideration of HK$1 million;

(11) On 4 May 2007, Willie Carpark (N.P.) Limited (formerly known as More Rich Investments Limited), a wholly owned subsidiary of the Company, and E-Garden Properties Limited entered into a sale and purchase agreement for the acquisition of one share of Clear Point Limited at a consideration of HK$998,755 and a deed of assignment of debt for the transfer of a loan owed by Clear Point Limited to E-Garden Properties Limited at a consideration of HK$1,001,245 (the principal assets of Clear Point Limited comprised of three car parking spaces at China United Centre, 28 Marble Road, North Point);

(12) On 4 May 2007, Willie Carpark (N.P.) Limited (formerly known as More Rich Investments Limited), a wholly owned subsidiary of the Company, E-Garden Properties Limited and Righteam Limited entered into a sale and purchase agreement for the acquisition by More Rich Investments Limited of 1,000 shares of Million Regal Investment Limited at a consideration of HK$1 and a deed of assignment of debt for the transfer of a loan owed by Million Regal Investments Limited to E-Garden Properties Limited at a consideration of HK$1;

(13) On 14 May 2007, Wealth Elegant Investments Limited, a wholly owned subsidiary of the Company, and Caricom Limited entered into a sale and purchase agreement for the acquisition by Wealth Elegant Investments Limited of a property known as 26/F, China United Centre, 28 Marble Road, North Point, Hong Kong at a consideration of HK$40,800,000;

(14) On 14 May 2007, Hexham Enterprises Limited, a wholly owned subsidiary of the Company, Charming Profit Investments Limited, and Heritage International Holdings Limited entered into an agreement for the purchase by Hexham Enterprises Limited of 1 share in Top Trinity Assets Limited and a shareholder's loan extended to Top Trinity Assets Limited and Bestford Properties Limited at a consideration of HK$20,828,069.11;

(15) On 22 May 2007, Million Regal Investment Limited, a wholly owned subsidiary of the Company, and First Luck Investment Limited entered into an agreement for the acquisition by Million Regal Investment Limited of certain car parking spaces at China United Centre, 28 Marble Road, North Point at a consideration of HK$42,000,000;

(16) On 29 May 2007, Pearl Decade Limited, a wholly owned subsidiary of the Company, and Radford Capital Investment Limited entered into a subscription agreement for the subscription by Pearl Decade Limited of 284,078,810 shares in Radford Capital Investment Limited at HK$0.120 per share;

(17) On 6 June 2007, Thousand More Investments Limited, a wholly owned subsidiary of the Company, and Mr. Leung Chi Wah entered into an agreement for the sale by Leung Chi Wah of one share in and a shareholder's loan extended to Longtop Enterprises Limited at a consideration of HK$2,234,821;

(18) On 6 June 2007, the Company, Get Nice and Chung Nam entered into a placing agreement in respect of an issue of 1,946,218,000 new shares of the Company at HK$0.126 per share under the general mandate granted by the shareholders at its annual general meeting held on 30 May 2007;

(19) On 15 June 2007, Cordoba Homes Limited, a directly wholly owned subsidiary of the Company, and Hero City Trading Limited entered into an agreement for the acquisition by Cordoba Homes Limited of the entire equity interest in and a shareholder's loan extended to Apex Novel Limited from Hero City Trading Limited at HK$88,000,000. The principal asset of Apex Novel Limited is a property known as Unit 1, Sunshine Villa, No. 48 Mount Kellett Road, The Peak, Hong Kong;

(20) On 28 June 2007, Richful Zone International Limited, an indirectly wholly owned subsidiary of the Company, and Harvest Source Holdings Limited entered into an agreement for the sale by Harvest Source Holdings Limited of the entire equity interest in and a shareholder's loan extended to Allied Loyal International Investments Limited to Richful Zone International Limited at a consideration of HK$136 million. The principal assets of Allied Loyal International Investments Limited comprise 50% of the forestry lands use rights (林地使用權) and forestry trees entitlement (林木所有權) of the forests granted by雲南省普洱市翠雲區人民政府in Simao District (思茅區), Puer City (普洱市), Yunnan Province, the PRC;

(21) On 5 July 2007, the Company and Chung Nam entered into a placing agreement in respect of an issue of 2,335,000,000 new shares of the Company at HK$0.111 per share under the issue mandate granted by the shareholders of the Company at the extraordinary general meeting held on 4 July 2007;

(22) On 3 August 2007, the Company and Chung Nam entered into a conditional placing and underwriting agreement in respect of a private placing of 3,000,000,000 warrants in registered form to selected independent institutional and private investors;

(23) On 3 September 2007, Smart Way Resources Limited, an indirectly wholly owned subsidiary of the Company, China Capital Advisors Corporation, CCEC Ltd., Wang Sing and the Company entered into a sale and purchase agreement for the disposal by Smart Way Resources Limited of a 50% interest in Amerinvest Coal Industry Holding Company Limited to CCEC Ltd. at a consideration of US$12,190,032.50;

(24) On 29 October 2007, Unity Investments Holdings Limited and Pearl Decade Limited, a wholly owned subsidiary of the Company entered into a subscription agreement in respect of the subscription of 410,118,799 shares of Unity Investments Holdings Limited by Pearl Decade Limited at a price of HK$0.11 per share;

(25) On 12 November 2007, the Company and Chung Nam entered into an underwriting agreement relating to an underwriting of not less than 1,517,931,298 and not more than 2,273,310,686 rights shares at HK$0.22 per share on an fully-underwritten basis;

(26) On 15 February 2008, the Company and Get Nice entered into a placing agreement relating to an issue of 303,580,000 new shares of the Company at HK$0.17 per share under the issue mandate granted by the shareholders of the Company at the extraordinary general meeting held on 10 September 2007;

(27) On 14 April 2008, Clear State Investments Limited, a wholly owned subsidiary of the Company and Loyal Fine Limited entered into a sale and purchase agreement for the acquisition of the entire issued share capital of and the shareholder loan to Allied Well Development Limited at the consideration of HK$20,160,000 which was satisfied by the issue and allotment of 160,000,000 consideration shares of the Company;

(28) On 30 April 2008, Easy Era Investments Limited, a wholly owned subsidiary of the Company and Hennabun Capital Group Limited entered into a sale and purchase agreement for the acquisition of the entire issued share capital of and the shareholder loan to Uprite Limited at the consideration of HK$94 million by cash;

(29) On 19 May 2008, Perfectday Investments Limited, a wholly owned subsidiary of the Company and Senstar Limited entered into a sale and purchase agreement for the acquisition of the entire issued share capital of Glamourous Investments Limited and shareholder's loans to Glamourous Investments Limited and its subsidiary at the consideration of approximately HK$20.4 million (subject to adjustments) which was satisfied by issue of the Notes;

(30) On 19 May 2008, Equal Sky Limited, a wholly owned subsidiary of the Company and Power Global Limited entered into a sale and purchase agreement for the acquisition of the entire issued share capital of Best Inspire Limited and the shareholder's loans extended to Best Inspire Limited and its subsidiary at the consideration of approximately HK$32 million (subject to adjustments) which was satisfied by issue of the Notes;

(31) On 19 May 2008, Oasis Choice Limited, a wholly owned subsidiary of the Company and Power Global Limited entered into a sale and purchase agreement for the acquisition of the entire issued share capital of Bright Majestic Limited and the shareholder's loans extended to Bright Majestic Limited and its subsidiary at a consideration of approximately HK$34 million (subject to adjustments) which was satisfied by issue of the Notes;

(32) On 18 June 2008, the Company, Get Nice Securities Limited and Orient Securities Limited entered into an underwriting agreement relating to an underwriting of not less than 1,749,721,295 and not more than 2,294,641,260 rights shares at HK$0.15 per share on an fully-underwritten basis;

(33) On 2 July 2008, Million Regal Investment Limited, a wholly owned subsidiary of the Company, and Aimbest Company Limited entered into a memorandum of agreement for sale and purchase for the acquisition of the car parking space No. 3 and space No. 3A on 5th Floor of No. 28 Marble Road, North Point, Hong Kong by Million Regal Investment Limited from Aimbest Company Limited at a consideration of HK$1,800,000;

(34) the Agreement;

(35) the Termination Deed; and

(36) On 16 September 2008, Bright Majestic Limited, a wholly owned subsidiary of the Company, and Aimbest Company Limited entered into a sale and purchase agreement for the acquisition of the entire of 29th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong by Bright Majestic Limited from Aimbest Company Limited at a consideration of HK$58,880,000.

11. MISCELLANEOUS

(a) The company secretary of the Company is Ms. Chan Mee Sze, being an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

(b) The qualified accountant of the Company is Ms. Lee Kwan Ching, being a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

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

(d) The Company's share registrar is Computershare Hong Kong Investor Services Limited, Rooms 1806-1807, 18/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

12 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the Company at 32nd Floor, China United Centre, 28 Marble Road, North Point, Hong Kong from the date of this circular up to and including 17 October 2008:

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

(b) the annual reports of the Company for the three financial years ended 31 December 2005, 31 December 2006 and 31 December 2007;

(c) the interim report of the Company for the six months ended 30 June 2008;

(d) the copy of the circulars issued by the Company dated 16 May 2008 regarding the acquisition of Uprite Limited, and dated 6 June 2008 regarding the acquisition of Glamourous Investments Limited, Best Inspire Limited and Bright Majestic Limited;

(e) the accountant's report from Mazars CPA Limited on Target Company, set out in Appendix II to this circular;

(f) the letter on the unaudited pro forma financial information of the Enlarged Group issued by Mazars CPA Limited set out in Appendix III to this circular;

(g) the valuation report set out in Appendix IV to this circular;

(h) the material contracts disclosed in the paragraph under the heading "Material Contracts" in this Appendix; and

(i) the written consents referred to in the paragraph under the heading "Experts" in this Appendix.

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)
(Warrant Code: 614)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Willie International Holdings Limited (the "Company") will be held at Function Room I & II, Ground Floor, City Garden Hotel, 9 City Garden Road, North Point, Hong Kong at 9:30 a.m. on Thursday, 16 October 2008 for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as the ordinary resolutions:-

ORDINARY RESOLUTIONS

1. **"THAT:-**

(i) the entering of a conditional agreement (the "Agreement") dated 8 September 2008 between Mascotte Holdings Limited, Mascotte Group Limited (the "Vendor"), Perfect Time Investments Limited (the "Purchaser"), a wholly-owned subsidiary of the Company and the Company pursuant to which, amongst other things, (a) the Vendor agreed to sell and the Purchaser agreed to purchase 998 ordinary shares of HK$1 each and 2 non-voting deferred shares of HK$1 each representing the entire issued share capital of Jet Star Industries Limited ("Target Company") and the Vendor agreed to assign to the Purchaser an unsecured interest free shareholders' loan due from Target Company to it which is repayable on demand in the amount of approximately HK$35 million as at 31 July 2008 at an aggregate consideration of HK$112 million, which to be satisfied by the issue of 800,000,000 new shares of HK$0.10 each in the Company, credited as fully paid at HK$0.14 per share; and (b) the Company agreed to guarantee to the Vendor the performance of obligations by the Purchaser (a copy of the 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, ratified and confirmed;

(ii) the issue and allotment of 800,000,000 new shares of HK$0.10 each in the Company, credited as fully paid at HK$0.14 per share to the Vendor in satisfaction of the consideration payable by the Purchaser to the Vendor under the Agreement be and is hereby approved; and

(iii) the directors of the Company (the "Directors") be and are hereby authorised to implement all the transactions referred to in the Agreement including but not limited to completion thereof, to do all such acts and things and sign all such documents as they shall in their absolute discretion consider necessary or desirable to give effect to the Agreement and completion thereof and the transactions contemplated thereunder."

2. **"THAT:-**

(a) the entering into of a conditional deed ("Termination Deed") of termination deed between the Company and Dollar Group Limited to terminate the non interest bearing convertible notes in the aggregate principal amount of HK$86,882,392.88 due 2011 issued to Dollar Group Limited in consideration of an issue of 650,000,000 new shares of a par value of HK$0.10 in the Company, credited as fully paid at HK$0.14 per share, be and is confirmed approved and ratified;

(b) the issue of 650,000,000 new shares of a par value of HK$0.10 in the Company, credited as fully paid at HK$0.14 per share, to Dollar Group Limited in satisfaction of the consideration due from the Company to Dollar Group Limited under the Termination Deed be and is hereby approved; and

(c) the directors of the Company (the "Directors") be and are hereby authorised to implement all the transactions referred to in the Termination Deed including but not limited to completion thereof, to do all such acts and things and sign all such documents as they shall in their absolute discretion consider necessary or desirable to give effect to the Termination Deed and completion thereof and the transactions contemplated thereunder."

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

Dated 30 September 2008

Registered Office:
32nd Floor, China United Centre
No. 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) To be valid, the instrument appointing a proxy must be in writing under the hand of the appointer or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized.

(4) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at office of the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting, and in default the instrument of proxy shall not be treated as valid.

(5) Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.

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