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, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

This circular appears 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)

MAJOR TRANSACTION

A notice convening the Extraordinary General Meeting ("**EGM**") to be held at 30/F China United Centre, 28 Marble Road, North Point, Hong Kong on Monday, 3 August 2009 at 9:00 a.m. is set out on pages N-1 to N-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the appointed time for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting and any adjourned meeting (as the case may be) should you so wish.

17 July 2009

CONTENTS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Acquisition"	the proposed acquisition by the Company of the Sale Shares pursuant to the Agreement;
"Agreement"	the share purchase agreement dated 8 June 2009 entered into between Welltodo and Coupeville in respect of the Sale Shares;
"Announcement"	the announcement of the Company dated 11 June 2009 in relation to the Acquisition;
"associate(s)"	has the meaning ascribed to it in the Listing Rules;
"Audited Accounts"	the audited balance sheet of Double Smart as at 31 March 2009 and the audited income statement of Double Smart for the year ended 31 March 2009 prepared by a firm of accountants appointed by Coupeville and agreed by Welltodo;
"Best Purpose"	Best Purpose Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Coupeville prior to Completion;
"Board"	the board of Directors;
"Business Day"	a day (other than Saturday and Sunday and any day on which a tropical cyclone warning no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which banks are generally open for banking business in Hong Kong;
"Company"	Willie International Holdings Limited 威利國際控股有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange;
"Completion"	completion of the sale and purchase of the Sale Shares;
"Completion Date"	the date on which Completion will take place, being the third Business Day after the day on which the last condition precedent is fulfilled or waived or such other date as Welltodo and Coupeville may agree in writing;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Consideration"	the consideration of HK$180 million for the Acquisition;

"Conversion Shares"	the Shares to be issued by the Company under the Convertible Note upon the exercise of the conversion rights attached to the Convertible Note;
"Convertible Note"	the Convertible Note in the principal amount of HK$180 million to be issued on Completion;
"Coupeville"	Coupeville Limited, a company incorporated in the British Virgin Islands with limited liability;
"Directors"	directors of the Company;
"Double Smart"	Double Smart Finance Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Heritage International prior to Completion;
"EGM"	the extraordinary general meeting of the Company to be held on Monday, 3 August 2009 at 30/F China United Centre, 28 Marble Road, North Point, Hong Kong at 9:00 a.m. for the purpose of approving, among other things, the Acquisition and the issue of the Convertible Note;
"Enlarged Group"	the Group together with the Target Group immediately after Completion;
"Group"	the Company and its subsidiaries;
"Heritage International"	Heritage International Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Last Trading Day"	8 June 2009, being the last trading day prior to the suspension of trading in Shares pending the release of the Announcement;
"Latest Practicable Date"	15 July 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"PRC"	the People's Republic of China;

"Sale Shares"	the 2 ordinary shares of US$1.00 each in the share capital of Best Purpose, representing 50% of the entire issued share capital of Best Purpose;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shareholder(s)"	holder(s) of Shares;
"Share(s)"	share(s) of HK$0.10 each in the share capital of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"substantial shareholder"	has the same meaning ascribed to it under the Listing Rules;
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers;
"Target Group"	Best Purpose and Double Smart;
"US$"	United States dollar, the lawful currency of the United States of America;
"Welltodo"	Welltodo Investments Limited, a company incorporated in the British Virgin Islands with limited liability; and
"%"	per cent.

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

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

Executive Directors:
Dr. 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. Wen Louis
Mr. Yau Yan Ming, Raymond

Registered office and head office:
32/F, China United Centre
28 Marble Road
North Point
Hong Kong

17 July 2009

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION

INTRODUCTION

The Board announced that on 8 June 2009, Welltodo, a wholly-owned subsidiary of the Company, and Coupeville entered into the Agreement, pursuant to which Coupeville has conditionally agreed to sell the Sale Shares to Welltodo at a consideration of HK$180 million, which will be satisfied in full by the issue of the Convertible Note to Coupeville (or its nominees).

As the applicable percentage ratios (as defined in the Listing Rules) are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules. The Agreement and transactions contemplated thereunder are conditional upon, among other things, the approval by the Shareholders at the EGM by poll. As at the Latest Practicable Date, Heritage International, the ultimate beneficial owner of Coupeville, indirectly held 38,002,000 Shares, representing approximately 9.75% of the existing issued share capital of the Company, and is therefore required to abstain from voting in the EGM. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other party and/or its associate has any material interest in the Acquisition and is therefore required to abstain from voting in the EGM.

The purpose of this circular is to give you, among other things, (i) further details about the Acquisition; (ii) financial information on the Group; (iii) financial information on Double Smart; and (iv) a notice of the EGM to consider and, if thought fit, to approve the Agreement and transactions contemplated thereunder.

THE AGREEMENT

Date

8 June 2009

Parties

Vendor: Coupeville

Purchaser: Welltodo

The principal activity of Coupeville is investment holding. Based on the information provided by Coupeville to the Company, one of the principal assets held by Coupeville is the holding of the shares of Best Purpose. Coupeville is a wholly-owned subsidiary of Heritage International. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, Coupeville and its associates were not connected persons of the Company within the meanings of the Listing Rules and were thus considered to be independent of the Company and the connected persons of the Company. There is no common director between Heritage International and the Company.

Asset to be Acquired

Pursuant to the Agreement, Welltodo has agreed to acquire, and Coupeville has agreed to sell the Sale Shares, representing 50% of the entire share capital of Best Purpose as at the Latest Practicable Date. Best Purpose is an investment holding company and the principal asset held by Best Purpose is its investment in Double Smart. Double Smart is licensed under the Money Lenders Ordinance (Cap.163 of the Laws of Hong Kong) to carry on business as a money lender and it is principally engaged in money lending business in Hong Kong.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, certain directors of the Company and its subsidiaries had entered into personal loan transactions in an aggregate outstanding loan amount of HK$34 million with Double Smart and had agreed with Double Smart to repay such outstanding loans in full in or around end of June 2009. As at the Latest Practicable Date, the outstanding loan amount of HK$34 million had been fully settled by such directors of the Company and its subsidiaries. Such loan transactions were entered into in the ordinary course of business of Double Smart and on normal commercial terms. Save for the loan transactions, as at Latest Practicable Date, none of the Directors had any other business transactions with Double Smart.

Consideration

The consideration for the acquisition of the Sale Shares shall be HK$180 million, which will be satisfied in full by the issue of the Convertible Note by the Company to Coupeville (or its nominees).

The Consideration was determined after arm's length negotiations between Welltodo and Coupeville with reference to, among other things, (1) the net asset value of the Target Group per its unaudited consolidated balance sheet as at 3 June 2009 of approximately HK$360 million after taking into account (i) the net amount of interest and loan receivables of approximately HK$359.3 million in Double Smart; and (ii) the shareholder's loan amounted to approximately HK$377.8 million owed by Double Smart to Coupeville on 3 June 2009, which was then assigned to Best Purpose and subsequently capitalized by Best Purpose by mean of the issue of new shares to Coupeville; and (2) the recoverability of the existing loans receivables balances of Double Smart and historical impairment loss made.

The Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Principal terms of the Convertible Note

Set out below are the principal terms of the Convertible Note:-

Aggregate principal amount:	HK$180 million
Conversion price:	HK$1.39 per Conversion Share, subject to customary anti-dilutive adjustments upon the occurrence of the following events:- (i) any alteration to the nominal value of the Shares as a result of consolidation or subdivision of the Shares; (ii) any issue of Shares to the Shareholders by way of capitalisation of profits or reserves, other than Shares issued in lieu of the whole or any part of a cash dividend; (iii) any capital distribution to the Shareholders; (iv) any issue of Shares to all or substantially all Shareholders as a class by way of rights, or the issue or grant to all or substantially all Shareholders as a class, by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 90 per cent. of the market price per Share on the last dealing day preceding the date of the announcement of the terms of the issue or grant;

(v) any issue of securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class by way of rights or grant to all or substantially all Shareholders as a class by way of rights of any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares);

(vi) any issue (otherwise than as mentioned in sub-paragraph (iv) above) wholly for cash any Shares (other than Shares issued on the exercise of conversion rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or on the issue or grant of (otherwise than as mentioned in sub-paragraph (iv) above) options, warrants or other rights to subscribe for or purchase Shares in each case at a price per Share which is less than 90 per cent. of the market price on the dealing day last preceding the date of announcement of the terms of such issue;

(vii) save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves, if and whenever the Company or any subsidiary or any other person shall issue wholly for cash any securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares (or grant any such rights in respect of any existing securities so issued) to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 90 per cent. of the market price per share on the last dealing day preceding the date of announcement of the terms of issue of such securities;

(viii) any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in sub-paragraph (vii) above (other than in accordance with the terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 90 per cent. of the market price per share on the last dealing day preceding the date of announcement of the proposals for such modification; or

(ix) if and whenever the Company or any subsidiary or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary) any other person issues, sells or distributes any securities in connection with an offer by or on behalf of the Company or any subsidiary or such other person pursuant to which offer the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the conversion price falls to be adjusted under sub-paragraphs (iv) to (vii) above)

provided that the conversion price shall not be less than the par value of a Share, which is presently HK$0.10.

Interest rate:	2% per annum on the principal amount of the Convertible Note outstanding from time to time payable on a semi-annually in arrear on 30 June and 31 December in each year.
Maturity date:	The third anniversary of the date of issue of the Convertible Note.
Redemption:	Unless previously converted, the Convertible Note shall be redeemed by the Company at its principal amount outstanding on the maturity date. At any time up to (and excluding) the commencement of the seven (7) calendar day period ending on the maturity date, the Company may by written notice to the holder of the Convertible Note, redeem all or part of the then outstanding principal amount of the Convertible Note at a redemption price equal to 100% of the principal amount of the Convertible Note. The holder of the Convertible Note does not have a right to request the Company to redeem all or part of the outstanding principal amount of the Convertible Note prior to the maturity date.

Transferability:	The Convertible Note may be assigned or transferred to any third party (whether or not he/she/it is a connected person of the Company), subject only to compliance of the conditions hereunder or further subject to the conditions, approvals, requirements and any other provisions of or under (i) the Stock Exchange or any other stock exchange on which the Shares may be listed at the relevant time or their rules or regulations (including any approval that may be required from the Stock Exchange in case the Convertible Note (or part thereof) is transferred or assigned to a connected person of the Company; (ii) the approval for listing in respect of the Conversion Shares; and (iii) all applicable laws and regulations.
Conversion rights and conversion period:	Holder(s) of the Convertible Note shall have the right to convert the whole or any part of the outstanding principal amount of the Convertible Note into Shares at any time commencing on the Business Day after the date of issue of the Convertible Note(s) until the Business Day before (and excluding) the maturity date of the Convertible Note at the initial conversion price of HK$1.39 per Conversion Share, subject to adjustment provided always that if the issue of such Conversion Shares will result in an insufficiency of the public float of Shares, the Company will not issue such Conversion Shares and the Convertible Note will continue until redeemed on the maturity date.
Conversion Shares and restriction on conversion:	Upon full conversion of the Convertible Note at the initial conversion price of HK$1.39 per Conversion Share (subject to adjustment), an aggregate of 129,496,402 Conversion Shares will be issued, representing approximately (i) 33.21% of the existing issued share capital of Company; and (ii) 24.93% of the entire issued share capital of Company as enlarged by the issue of the Conversion Shares. Notwithstanding the conversion right attaching to the Convertible Note, the Company shall not issue any Shares if, upon such issue, the holder of the Convertible Note and parties acting in concert with it (within the meaning under the Takeovers Code) will at the material time beneficially hold 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Company at the relevant date of conversion of the relevant Convertible Note.

Voting:	Holder of the Convertible Note shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the holder of the Convertible Note.
Listing:	No application will be made for the listing of the Convertible Note on the Stock Exchange or any other stock exchange. An application will be made for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Note.
Ranking:	The Convertible Notes constitute direct, unsubordinated and unconditional obligations of the Company, and shall at all time rank pari passu and without any preference or priority among themselves.

Conversion price of Conversion Shares

The initial conversion price of the Convertible Note of HK$1.39 per Conversion Share represents:-

(i) the closing price of the Shares of HK$1.39 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 0.71% to the average of the closing prices of the Shares of HK$1.40 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;

(iii) a discount of approximately 2.80% to the average of the closing prices of the Shares of approximately HK$1.43 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 15.83% over the closing price per Share of HK$1.20 as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a discount of approximately 64.81% to the audited net asset value per Share of approximately HK$3.95 as at 31 December 2008.

The Conversion Shares will be issued under a specific mandate to be sought from the Shareholders at the EGM.

Conditions precedent

Completion shall be conditional upon the fulfilment (or waiver, as the case may be) of the following conditions:

(i) Welltodo having notified Coupeville that it is reasonably satisfied with its due diligence review on the financial, legal, commercial and taxation aspects of the Target Group and its title to assets;

(ii) the approval by the Shareholders in general meeting of (a) the acquisition by Welltodo of the Sale Shares and the transactions contemplated under the Agreement; and (b) the issue of the Convertible Note and the Conversion Shares by the Company to Coupeville (or its nominees);

(iii) if required by the Listing Rules, the approval by the shareholders of Heritage International in general meeting of the disposal by Coupeville of the Sale Shares and the transactions contemplated under this Agreement;

(iv) if applicable, the obtaining of all consents by Coupeville from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Agreement and any of the transactions contemplated under the Agreement;

(v) there having been no breach by Coupeville of any obligations, undertakings, representations and warranties under the Agreement;

(vi) there having been no breach by Welltodo of any obligations, undertakings, representations and warranties under the Agreement; and

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

Welltodo may waive the above conditions (i) and (v). Coupeville may waive the above condition (vi). If the above conditions are not fulfilled or waived (as the case may be) on or before 30 September 2009 or such other date as Welltodo and Coupeville may agree in writing, the Agreement will be terminated, and all obligations of Welltodo and Coupeville under the Agreement shall cease, provided that rights and liabilities of the parties hereto which have accrued prior to termination shall subsist.

As at the Latest Practicable Date, none of the conditions had been fulfilled or waived.

Completion

Completion of the Agreement shall take place on the Completion Date, being the third Business Day after the day on which the last condition precedent is fulfilled or waived or such other date as Welltodo and Coupeville may agree, subject to the conditions precedent being fulfilled or waived in accordance with the Agreement.

Pursuant to the Agreement, Coupeville shall deliver the Audited Accounts to Welltodo 5 Business Days prior to the Completion Date. In the event that the write-offs and provisions for loans receivable of Double Smart as at 31 March 2009 as shown in the Audited Accounts are greater than those as shown in the management accounts of Double Smart as at 31 March 2009, Coupeville shall make up for (i) the shortfall between the write-offs for loans receivable of Double Smart as at 31 March 2009 as shown in the Audited Accounts and the write-offs for loans receivable of Double Smart as at 31 March 2009 as shown in the management accounts of Double Smart as at 31 March 2009; and (ii) any portion of such further provisions as shown in the Audited Accounts which is above and over HK$50 million in cash to Double Smart on the Completion Date. The HK$50 million threshold was agreed by the parties based on the review of the recoverability of the existing loans receivables balances of Double Smart and historical impairment loss made. As the write-offs for loans receivable of Double Smart as at 31 March 2009 as shown in the Audited Accounts are greater than those as shown in the management accounts of Double Smart as at 31 March 2009, Coupeville shall make up the shortfall of HK$15 million on the Completion Date.

EFFECT ON THE SHAREHOLDING STRUCTURE

The following table set out the effects of the issue of the Conversion Shares on the shareholding structure of the Company based on the issued share capital and shareholding structure of the Company as at the Latest Practicable Date and assuming Completion having taking place and conversion to the maximum extent and in full of the Convertible Note into Conversion Shares respectively at the initial conversion price of HK$1.39 per Conversion Share, without taking into account issue of new Shares, if any, after the Latest Practicable Date and prior to Completion:

	As at the Latest Practicable Date		**Upon conversion of the Convertible Note up to 29.99% of the issued Shares**		**Upon full conversion of the Convertible Note at the initial conversion price of HK$1.39 per Conversion Share**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Director *(Note 1)*	23,353,440	5.99	23,353,440	4.65	23,353,440	4.50
Coupeville and its associates *(Note 2)*	38,002,000	9.75	150,767,745	29.99	167,498,402	32.24
Public Shareholders	328,605,541	84.26	328,605,541	65.36	328,605,541	63.26
Total	389,960,981	100.00	502,726,726	100.00	519,457,383	100.00

Notes:

(1) Dr. Chuang Yueheng Henry, being an executive Director and the chairman of the Company.

(2) Coupeville is a wholly-owned subsidiary of Heritage International (stock code: 412), a company listed on the Stock Exchange. As at the Latest Practicable Date, Heritage International, through its associate, was interested in 38,002,000 Shares.

As at the Latest Practicable Date, the Company had no outstanding share options, warrants or other securities which carry rights to subscribe for or be converted into Shares.

The transaction contemplated under the Agreement will not result in a change of control of the Company after the issue of the Convertible Note as pursuant to the terms of the Convertible Note, the Company is restricted to issue any Shares if, upon such issue, the holder of the Convertible Note and parties acting in concert with it (within the meaning under the Takeovers Code) will at the material time beneficially hold 30% (or such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the then enlarged issued share capital of the Company at the relevant date of conversion of the relevant Convertible Note.

INFORMATION ON THE TARGET GROUP

Best Purpose

Best Purpose is wholly-owned by Coupeville. It was incorporated in the British Virgin Islands with limited liability on 12 May 2009. The principal business of Best Purpose is investment holding. The principal assets held by Best Purpose is its investment in Double Smart. Based on the representation of Coupeville to the Company, save for the holding of the entire issued share capital of Double Smart, Best Purpose has no other material assets, nor does it have any material liabilities. As Best Purpose was incorporated on 12 May 2009, no audited accounts have been prepared since its incorporation.

Double Smart

Double Smart is wholly-owned by Best Purpose. It was incorporated in Hong Kong with limited liability on 12 September 2001. Double Smart is licensed under the Money Lenders Ordinance (Cap.163 of the Laws of Hong Kong) to carry on business as a money lender and it is principally engaged in money lending business in Hong Kong.

Financial information of Double Smart

According to the accountants' report of Double Smart as set out in Appendix II to this circular, the financial information of Double Smart for the two audited financial years ended 31 March 2009 is as follows:

	Year ended 31 March 2009 *(audited)* *HK$'000*	**Year ended 31 March 2008** *(audited)* *HK$'000*
Revenue	31,538	19,548
Profit/(loss) before tax	(21,706)	4,572
Profit/(loss) for the year	(21,706)	4,572
Net assets/(liabilities)	(17,311)	4,395

Upon Completion, the Target Group will be treated as a jointly-controlled entity of the Company in accordance with general accepted accounting principles of Hong Kong.

As at 31 March 2009, Double Smart had audited net liabilities of HK$17,310,636 including the amounts due to Heritage International and its subsidiaries of HK$429,520,997. As at 3 June 2009, the Target Group had unaudited net liabilities of approximately HK$18,084,775 including the amount due to Heritage International of approximately HK$377,763,142 and on 3 June 2009, such loan was indebted and assigned to Coupeville which was subsequently settled in full by way of capitalisation, pursuant to which Best Purpose issued two shares of US$1 each in Best Purpose to Coupeville on 3 June 2009.

MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL POSITION AND RESULTS OF OPERATIONS OF THE TARGET GROUP

The following are the management discussion and analysis of the performance of the Target Group:

(1) **Review of Past Performance**

Best Purpose was incorporated on 12 May 2009 and is a sole purpose investment holding vehicle wholly-owned by Coupeville which is a wholly-owned subsidiary of Heritage International. Based on the information provided by Coupeville to the Company, the principal asset held by Best Purpose is its investment in Double Smart. As Best Purpose was incorporated on 12 May 2009, no audited accounts have been prepared since its incorporation. Double Smart is licensed under the Money Lenders Ordinance (Cap.163 of the Laws of Hong Kong) to carry on business as a money lender and it is principally engaged in money lending business in Hong Kong. As such, the business performance of the Target Group was mainly represented by the business performance in Double Smart.

For the three financial years ended 31 December 2007, 2008 and 2009, the revenue of Double Smart was HK$26,907,226, HK$19,548,182 and HK$31,537,969, respectively. Double Smart recorded a net profit of HK$17,625,848 and HK$4,572,034 for the years ended 31 March 2007 and 2008, respectively, while a net loss of HK$21,706,118 for the year ended 31 March 2009. The net loss recorded for the year ended 31 March 2009 was mainly caused by the write-off and impairment of loans receivable of HK$27,550,000 and HK$19,000,000 (of which HK$15,000,000 impairment has been subsequently written off), respectively which was mainly suffered as a result of the global financial turmoil which caused some of the borrowers have defaulted in payment.

As at 31 March 2007, 31 March 2008 and 31 March 2009, Double Smart had outstanding loans and other receivables amounted to HK$311,849,535, HK$584,834,597 and HK$410,831,274, respectively bearing interest rates ranging from Hong Kong dollar prime lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited (the "**Prime**") to Prime+8% per annum, from Prime to 24% per annum and from Prime-2% to 24% per annum, respectively.

(2) **Material Acquisitions and Disposals**

Double Smart did not have any significant investments, material acquisitions and disposals during the three years ended 31 March 2009.

(3) **Financial Resources and Liquidity**

The net liabilities of Double Smart as at 31 March 2007 and 31 March 2009 were HK$176,552 and HK$17,310,636, respectively, while net assets of HK$4,395,482 as at 31 March 2008. Double Smart had bank balances of HK$20,854, HK$131,805 and HK$354,888, respectively but had no bank borrowings as at 31 March 2007, 31 March 2008 and 31 March 2009.

The gearing ratio (bank borrowings less bank balances over shareholders' equity) of Double Smart was nil, as Double Smart had no bank borrowings, and had net liabilities as at 31 March 2007, 31 March 2008 and 31 March 2009.

Net current liabilities of Double Smart as at 31 March 2007 and 31 March 2009 were HK$1,176,552 and HK$20,613,114, respectively, which comprised mainly the outstanding loans and other receivables of HK$311,849,535 and HK$410,831,274, respectively bearing interest rates ranging from Prime to Prime+8% per annum and from Prime-2% to 24% per annum, respectively, and the amounts due to Heritage International and its subsidiaries of HK$312,046,941 and HK$429,520,997, respectively. As at 31 March 2008, Double Smart had net current assets of HK$325,534 which comprised mainly the outstanding loans and other receivables of HK$584,834,597 bearing interest ranging from Prime to 24% per annum and the amounts due to Heritage International and its subsidiaries of HK$580,570,920.

There was no change in capital structure for the three years ended 31 March 2009.

(4) **Contingent Liabilities**

Double Smart did not have any material contingent liabilities as at 31 March 2007, 31 March 2008 and 31 March 2009, respectively.

(5) **Employees and Emoluments Policies**

For each of the three financial years ended 31 March 2009, apart from the directors who received no remuneration, Double Smart did not have any employees as all routine accounting and administrative support had been provided by its ultimate holding company, Heritage International.

(6) **Pledge of Assets**

Double Smart did not charge any of its assets as at 31 March 2007, 31 March 2008 and 31 March 2009, respectively.

(7) **Foreign Exchange Exposure**

As most of the assets and liabilities of Double Smart are denominated in HK$, there is no exposure of Double Smart to foreign currency fluctuation. No financial instrument was used for hedging purposes during the three years ended 31 March 2009.

(8) **Prospect**

As the economy in Hong Kong has started to rebound and the market condition has recently become stable, the Directors form a positive view towards the prospects of the money lending business in Hong Kong.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon completion of the Acquisition, the Target Group will be treated as a jointly-controlled entity of the Company in accordance with general accepted accounting principles of Hong Kong and their results, assets and liabilities will be accounted for and incorporated in the Group's consolidated financial statements by using the equity method of accounting. The Acquisition will increase the Group's non-current assets by HK$180 million. As the consideration of the Acquisition is to be satisfied by the issue of the Convertible Note, which is a financial instrument comprising equity, liability and derivative components, the Group's equity, non-current liabilities and current asset will increase accordingly with the total increase matching the increase in non-current assets of approximately HK$180 million.

As the consideration of the Acquisition is to be satisfied by the issue of the Convertible Note, there will not be any immediate material adverse impact caused to the Group's financial resources.

After completion, the Group will share 50% attributable results of the Target Group by using equity method of accounting. Any positive or negative goodwill arising from Acquisition as included in the interest in a jointly controlled entity will be either tested annually for impairment or credited directly to the consolidated income statement. Upon the issue of the Convertible Note and assuming no conversion of the Convertible Notes, the Company will pay an annual interest expense of HK$3.6 million to the noteholder. Save for the aforesaid, it is expected that there will not be any material effect on the earnings of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

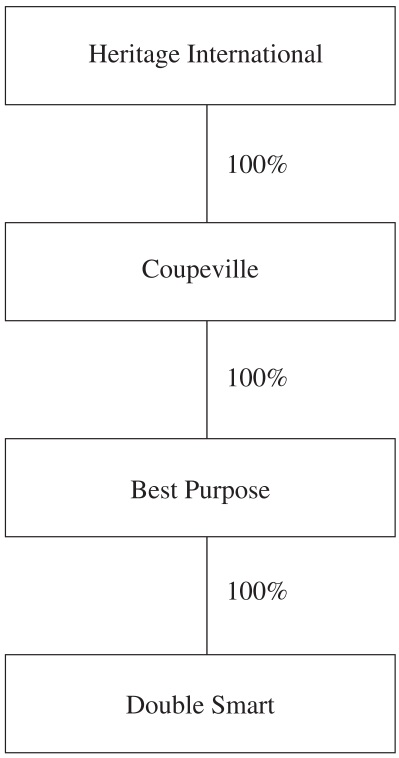
The Company is an investment holding company and its subsidiaries are principally engaged in the business of property investment, investment in securities trading, money lending and investment holding. As money lending is one of the principal businesses of the Group, the Acquisition provides an opportunity for the Group to strengthen and widen its money lending business.

Since the economy in Hong Kong has started to rebound and the market condition has become stable recently, the Board forms a positive view towards the prospects of the money lending business in Hong Kong. The Directors are also of the opinion that the Acquisition would provide a synergy and promising prospects for the Group. As the consideration of the Acquisition will be wholly satisfied by the Convertible Note, there will be no material financial burden to fund the Acquisition. Taking into consideration that the Acquisition will fortify the money lending business of the Group and there will be no cash outlay for the Acquisition, the Directors consider that the terms of the Agreement (including the Consideration) are on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. The Directors consider the issue of Convertible Note as Consideration is fair and reasonable and in the best interest of the Shareholders as a whole as it is the best financing method for the Company given that the Company would not need to use substantial amount of its existing cash resources to fund the Acquisition.

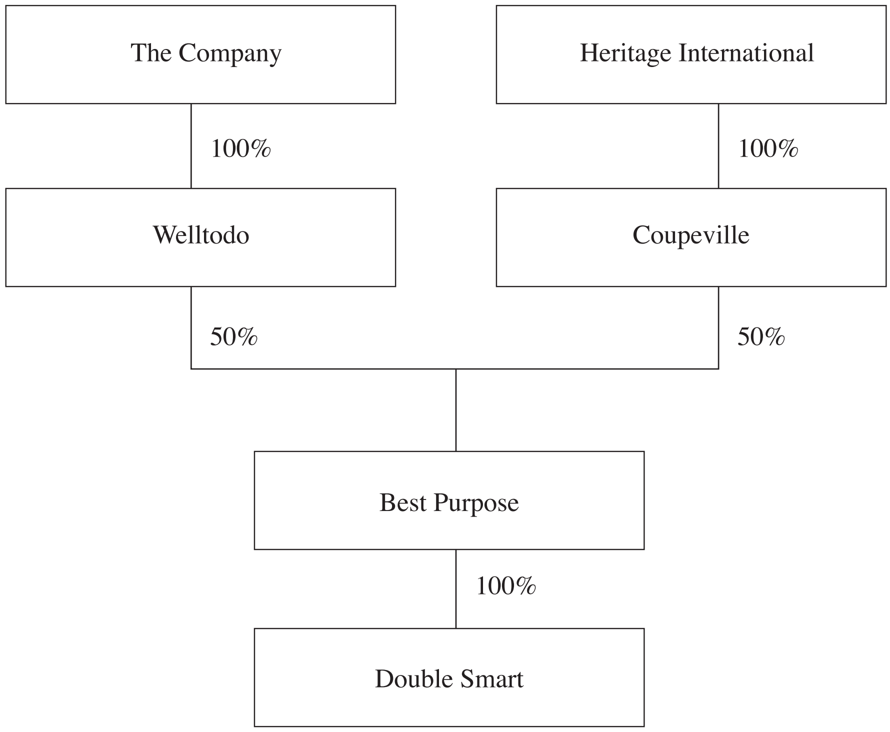
CORPORATE STRUCTURE

Set out below is the corporate structure of the Company and Best Purpose before and after the Completion:

Before Completion



Immediately after Completion



LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the Listing Rules) are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Rule 14.06(3) of the Listing Rules. The Agreement and transactions contemplated thereunder are conditional upon, among other things, the approval by the Shareholders at the EGM by poll. As at the Latest Practicable Date, Heritage International, the ultimate beneficial owner of Coupeville, indirectly held 38,002,000 Shares, representing approximately 9.75% of the existing issued share capital of the Company, and is therefore required to abstain from voting in the EGM. To the best of the Director's knowledge, information and belief and having made all reasonable enquiries, no other party and/or its associate has any material interest in the Acquisition and is therefore required to abstain from voting in the EGM.

As Completion is subject to the fulfillment of a number of conditions precedent, the transactions contemplated under the Agreement may or may not proceed. The Shareholders and potential investors should exercise caution when dealing in the Shares.

EGM

A notice convening the EGM to be held at 30/F China United Centre, 28 Marble Road, North Point, Hong Kong on Monday, 3 August 2009 at 9:00 a.m. is set out on pages N-1 to N-3 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolution as set out therein.

A form of proxy for use by the Shareholders at the EGM is enclosed herewith. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18th Floor, 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 the holding of the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at the EGM must be taken by poll. Accordingly, the Company will procure that the chairman of the EGM shall demand voting on all resolutions set out in the notice of EGM be taken by way of poll.

RECOMMENDATION

The Directors consider that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and accordingly recommend that all Shareholders should vote in favour of the ordinary resolution in the notice of EGM.

GENERAL

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

By Order of the Board
Willie International Holdings Limited
Dr. 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 2008. The figures for the years ended 31 December 2008, 2007 and 2006 are extracted from the 2008, 2007 and 2006 annual reports 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 2008.

Results

	2008	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*
		(restated)	*(restated)*
Turnover	(341,209)	104,928	2,192
Other income	4,952	8,682	2,107
Depreciation and amortisation expense	(15,294)	(4,373)	(1,155)
Employee benefits expense	(11,286)	(13,353)	(13,304)
Other operating expenses	(201,817)	(32,193)	(11,084)
Gain (loss) on disposal of interest in a subsidiary	545	—	(143)
Loss on disposal of interests in associates	—	(20,853)	—
Loss on disposal of convertible notes issued by an associate	—	—	(31,000)
Net unrealised (losses) gains on investments held for trading	(144,341)	(307,732)	10,017
Net unrealised losses on investments designated as at fair value upon initial recognition	(21,344)	—	—
Profit on deemed disposal of interest in an associate	—	21,087	8,429
Share of profit (loss) of associates	—	10,347	(79,010)
Net (losses) gains arising from changes in fair value of investment properties	(47,845)	40,695	570
Finance costs	(9,106)	(4,817)	(2,380)
Loss before taxation	(786,745)	(197,582)	(114,761)
Taxation	(11,083)	—	—
Loss for the year	(797,828)	(197,582)	(114,761)
Loss attributable to equity holders	(797,828)	(197,582)	(114,761)

Assets and Liabilities

	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	609,814	326,500	7,200
Property, plant and equipment	194,961	35,049	22,977
Intangible assets	131,879	134,626	—
Interests in associates	—	—	98,118
Other investments	123,521	113,965	—
Prepayments for acquisition of investment properties	5,304	8,656	—
Loans receivable	15,720	—	—
	1,081,199	618,796	128,295
Current assets			
Financial assets at fair value through profit or loss	369,232	537,370	118,818
Loans receivable	234,238	335,637	103,529
Other receivables	44,396	52,160	1,631
Cash and cash equivalents	167,057	304,355	8,878
	814,923	1,229,522	232,856
Current liabilities			
Financial liabilities at fair value through profit or loss	12,270	6,915	—
Other payables	23,242	13,290	8,242
Tax payables	1,237	—	—
Current portion of interest-bearing borrowings	24,384	160,992	7,507
	61,133	181,197	15,749
Net current assets	753,790	1,048,325	217,107
Total assets less current liabilities	1,834,989	1,667,121	345,402

	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*
Non-current liabilities			
Long-term interest-bearing borrowings	269,037	180,656	15,788
Deferred tax liabilities	25,439	—	—
	294,476	180,656	15,788
NET ASSETS	1,540,513	1,486,465	329,614
CAPITAL AND RESERVES			
Share capital	38,996	151,793	350,649
Reserves	1,501,517	1,334,672	(21,035)
TOTAL EQUITY	1,540,513	1,486,465	329,614

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2008

Set out below is the audited consolidated financial statements of the Group for the year ended 31 December 2008 together with comparative figures, as extracted from the 2008 annual report of the Company.

Consolidated Income Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000 (restated)
Turnover	5	(341,209)	104,928
Other income	6	4,952	8,682
Depreciation and amortisation expense		(15,294)	(4,373)
Employee benefits expense		(11,286)	(13,353)
Other operating expenses		(201,817)	(32,193)
Gain on disposal of interest in a subsidiary	30	545	—
Loss on disposal of interests in associates		—	(20,853)
Net unrealised losses on investments held for trading		(144,341)	(307,732)
Net unrealised losses on investments designated as at fair value upon initial recognition		(21,344)	—
Profit on deemed disposal of interest in an associate		—	21,087
Share of profit of associates		—	10,347
Net (losses) gains arising from changes in fair value of investment properties	14	(47,845)	40,695
Finance costs	8	(9,106)	(4,817)
Loss before taxation	9	(786,745)	(197,582)
Taxation	11	(11,083)	—
Loss for the year	12	(797,828)	(197,582)
Loss attributable to equity holders		(797,828)	(197,582)
Loss per share — Basic	13	HK$(5.09)	HK$(7.75)

Consolidated Balance Sheet
At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	14	609,814	326,500
Property, plant and equipment	15	194,961	35,049
Intangible assets	17	131,879	134,626
Other investments	18	123,521	113,965
Prepayments for acquisition of investment properties		5,304	8,656
Loans receivable	20	15,720	—
		1,081,199	618,796
Current assets			
Financial assets at fair value through profit or loss	19	369,232	537,370
Loans receivable	20	234,238	335,637
Other receivables		44,396	52,160
Cash and cash equivalents		167,057	304,355
		814,923	1,229,522
Current liabilities			
Financial liabilities at fair value through profit or loss	19	12,270	6,915
Other payables	21	23,242	13,290
Tax payables		1,237	—
Current portion of interest-bearing borrowings	22	24,384	160,992
		61,133	181,197
Net current assets		753,790	1,048,325
Total assets less current liabilities		1,834,989	1,667,121

Consolidated Balance Sheet

At 31 December 2008

	Notes	**2008** *HK$'000*	**2007** *HK$'000*
Non-current liabilities			
Long-term interest-bearing borrowings	22	269,037	180,656
Deferred tax liabilities	23	25,439	—
		294,476	180,656
NET ASSETS		1,540,513	1,486,465
CAPITAL AND RESERVES			
Share capital	25	38,996	151,793
Reserves	26	1,501,517	1,334,672
TOTAL EQUITY		1,540,513	1,486,465

Approved and authorised for issue by the Board of Directors on 20 April 2009

King Phillip
Director

Wong Ying Seung, Asiong
Director

Balance Sheet
At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	16	1,490,862	1,255,428
Current assets			
Other receivables		32	25
Cash and cash equivalents		59,605	286,355
		59,637	286,380
Current liabilities			
Other payables		630	2,626
Due to a subsidiary	16	9,518	9,518
		10,148	12,144
Net current assets		49,489	274,236
NET ASSETS		1,540,351	1,529,664
CAPITAL AND RESERVES			
Share capital	25	38,996	151,793
Reserves	26	1,501,355	1,377,871
TOTAL EQUITY		1,540,351	1,529,664

Approved and authorised for issue by the Board of Directors on 20 April 2009

King Phillip
Director

Wong Ying Seung, Asiong
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2008

	2008	2007
	HK$'000	*HK$'000*
Opening balance — Total equity at 1 January	1,486,465	329,614
Exchange movement recognised during the year	(790)	—
Capital reserve realised upon disposal of an associate	—	(8,198)
Total expenses recognised directly in equity	(790)	(8,198)
Loss for the year	(797,828)	(197,582)
Total recognised expenses	(798,618)	(205,780)
Placement of new shares, net of expenses	50,301	699,315
Rights issues, net of expenses	580,001	—
Issue of consideration shares, net of expenses	131,840	—
Issue of warrants, net of expenses	—	72,278
Issue of shares upon termination of convertible notes, net of expenses	90,974	—
Issue of shares under share option scheme	—	246,888
Issue of shares on conversion of convertible notes, net of expenses	—	341,250
Equity-settled share-based payment	—	5,656
Capital reorganisations, net of expenses	(450)	(2,756)
Closing balance — Total equity at 31 December	1,540,513	1,486,465

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		(786,745)	(197,582)
Depreciation and amortisation expense		15,294	4,373
Finance costs		9,106	4,817
Net losses (gains) arising from changes in fair value of investment properties		47,845	(40,695)
Interest income on bank and other institutions		(1,599)	(7,452)
Loss on disposal of property, plant and equipment		254	—
Profit on deemed disposal of interest in an associate		—	(21,087)
Loss on disposal of interests in associates		—	20,853
Equity-settled share-based payment		—	5,656
Share of profit of associates		—	(10,347)
Impairment loss on property, plant and equipment		14,824	—
Impairment losses on other investments		11,575	—
Discount on acquisition of subsidiaries	29	(326)	(74)
Gain on disposal of interest in a subsidiary		(545)	—
Net unrealised losses on investments held for trading		144,341	307,732
Net unrealised losses on investments designated as at fair value upon initial recognition		21,344	—
Allowance for doubtful debts		103,268	14,000
Bad debts		51,932	—
Loss on termination of convertible notes		818	—
Changes in working capital:			
Loans receivable		(69,521)	(246,108)
Other receivables		39,630	(38,328)
Financial assets at fair value through profit or loss		9,566	(719,369)
Other payables		(761)	5,111
Cash used in operations		(389,700)	(918,500)
Tax paid		(31)	—
Interest income received from bank and other institutions		1,599	7,452
Net cash used in operating activities		(388,132)	(911,048)

Consolidated Cash Flow Statement
Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(37,875)	(13,586)
Purchase of investment properties		(82,767)	(143,705)
Prepayments for acquisition of investment properties		—	(8,656)
Purchase of other investments		(21,131)	(113,965)
Acquisition of subsidiaries, net of cash acquired	29	(95,503)	(266,009)
Proceeds from disposal of investment properties		—	2,700
Proceeds from disposal of interests in associates		—	100,501
Proceed from disposal of a subsidiary	30	54	—
Costs of issue and termination of convertible notes		(107)	—
Net cash used in investing activities		(237,329)	(442,720)
FINANCING ACTIVITIES			
Placement of new shares, net of expenses		50,301	699,315
Issue of shares under share option scheme		—	246,888
Issue of shares on conversion of convertible notes, net of expenses		—	341,250
Rights issues, net of expenses		580,001	—
New bank loans raised		40,000	173,048
New other loan raised		—	150,000
Repayment of bank loans		(23,416)	(20,870)
Repayment of other loans		(150,000)	(5,000)
Interests paid on bank and other borrowings		(7,483)	(4,908)
Capital reorganisations, net of expenses		(450)	(2,756)
Issue of warrants, net of expenses		—	72,278
Net cash generated from financing activities		488,953	1,649,245
Net (decrease) increase in cash and cash equivalents		(136,508)	295,477
Cash and cash equivalents at beginning of year		304,355	8,878
Effect of foreign exchange rate changes		(790)	—
Cash and cash equivalents at end of year		167,057	304,355

Notes to the Consolidated Financial Statements

Year ended 31 December 2008

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"). The address of the registered office and the principal place of business of the Company are disclosed in the corporate information of this annual report. The principal activities of the Group are described in note 5 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

These consolidated 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 and the Hong Kong Companies Ordinance. In addition, the consolidated financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2007 consolidated financial statements. The adoption of the new/revised HKFRSs that are effective from the current year has had no significant effects on the Group's results and financial position for the current and prior years. A summary of the principal accounting policies adopted by the Group is set out below.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for investment properties, financial assets 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.

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. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceased.

Business combination

Business combination represents transaction which combines two or more separate businesses into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

Business combinations involving entities under common control

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

Assets and liabilities obtained by absorbing party in the business combination are recognised at their carrying amounts at the combination date as recorded by the party being absorbed.

Any costs directly attributable to the combination are recognised as expenses when incurred by the absorbing party.

Business combinations not involving entities under common control

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.

Where the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. Where the cost of a business combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer reassesses the measurement of the fair values of the acquiree's identifiable net assets, liabilities and contingent liabilities and the measurement of the cost of combinations. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the remaining difference is recognised in the profit or loss for the current period.

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.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries. 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, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing and determination of gain or loss on disposal, goodwill is allocated to cash generating units. An impairment loss on goodwill is not reversed.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of businesses at the date of 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 consolidated balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and accumulated impairment losses.

Amortisation of intangible assets with finite useful lives is charged to the consolidated 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 that are held by owner or lessee under finance lease, to earn rental income and/or 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 consolidated 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.

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 consolidated income statement during the year in which they are incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

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%
Yacht	10%

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, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

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 held for trading and financial assets or 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 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 or 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 including 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 consolidated income statement.

Impairment of financial assets

At each balance sheet date, the Group 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 consolidated 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 financial instruments and interest-bearing borrowings. All financial liabilities except for derivatives financial instruments 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.

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.

Convertible notes

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of issue costs. On the issue of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible notes; and this amount 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 that is recognised and included in shareholders' equity, net of issue costs. The value of the conversion option is not changed in subsequent years.

Issue costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Cash equivalents

For the purpose of 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 changes in value.

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.

Net income from the sales of investments at fair value through profit or loss is 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.

Foreign currencies translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (translation reserve). Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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, except where the relevant asset is carried at valuation in which case the impairment loss is treated as a revaluation decrease.

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, except where the relevant asset is carried at valuation, in which case the reversal of impairment loss is treated as a revaluation increase.

Borrowing costs

Borrowing costs are recognised as an expense 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.

As lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

As lessee

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

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

Employee benefits

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in the consolidated income statement as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in an independent administered fund.

Long service payment

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

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 consolidated 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.

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.

Segment reporting

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

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

In respect of geographical segment reporting, turnover is based on the location of investment trading, financial and rental services provided, total assets and capital expenditure are based on where the assets are located.

3. FUTURE CHANGES IN HKFRS

At the date of authorisation of these consolidated financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted. The directors anticipate that the adoption of these new/revised HKFRSs in the future periods will have no material impact on the results of the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidations[1]
HKAS 39 (Amendments)	Eligible Hedged Items[2]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 2 (Amendments)	Share-based Payment — Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) — Int 17	Distributions of non-cash Assets to Owners[2]
HKFRSs (Amendments)	Improvements to HKFRS[3]

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 July 2009

3 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009

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 provisioning 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:

	2008	2007
	HK$'000	*HK$'000*
		(restated)
Net (losses) gains from the sale of investments at fair value through profit or loss *(Note)*	(384,030)	82,816
Interest income from loans receivable	29,032	18,188
Dividend income from listed investments	3,153	3,399
Rental income	10,636	525
	(341,209)	104,928

Note:

The Group's proceeds from the sale of investments at fair value through profit or loss and the corresponding carrying amount were separated into "Turnover" and "Cost of investments held for trading sold" respectively, in the prior year's consolidated income statement. During the current year, the Group changed its presentation, as in the opinion of the directors, it is more appropriate to present the losses or gains from the sale of investments at fair value through profit or loss in "Turnover" on a net basis.

The effect of this change in presentation was to decrease turnover and cost of investments held for trading sold for the year ended 31 December 2008 by HK$902,573,000, representing the carrying amount of investments at fair value through profit or loss disposed of during the year.

To conform with the current year's presentation, the carrying amount of investments at fair value through profit or loss disposed of for the year ended 31 December 2007 of HK$1,343,948,000 has been offset against turnover, resulting in a decrease in turnover and cost of investments held for trading sold for that year by the same amount. This has resulted in no change in the results of the Group in respect of the current and prior years.

6. OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
		(restated)
Bank interest income	1,110	6,920
Other interest income	489	532
Others	3,353	1,230
	4,952	8,682

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 geographical segment is its secondary reporting format as the Group's assets were located in Hong Kong and the Mainland China ("PRC") for the years ended 31 December 2008 and 2007.

Business segments

Business segments of the Group comprise the following:

Trading of investments	:	Purchase and sale of securities and provision of securities services
Provision of financial services	:	Provision of 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 2008 and 2007.

Year ended 31 December 2008

	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	(380,877)	29,032	10,636	—	—	(341,209)
Other income	2,239	1,432	203	1,078	—	4,952
Total revenue	(378,638)	30,464	10,839	1,078	—	(336,257)
Segment results	(543,431)	(123,807)	(58,923)	(8,868)	(16,756)	(751,785)
Gain on disposal of interest in a subsidiary	—	—	—	545	—	545
Impairment losses on other investments	—	—	—	(11,575)	—	(11,575)
Impairment loss on property, plant and equipment	—	—	(14,824)	—	—	(14,824)
Finance costs	—	—	—	—	(9,106)	(9,106)
Loss before taxation						(786,745)
Taxation	—	—	(11,083)	—	—	(11,083)
Loss for the year						(797,828)

Year ended 31 December 2007

	Trading of investments HK$'000 (restated)	Provision of financial services HK$'000	Property investment HK$'000 (restated)	Investment holding HK$'000	Unallocated HK$'000	Total HK$'000 (restated)
Segment revenue						
Turnover	86,366	17,867	525	170	—	104,928
Other income	532	840	4	7,296	10	8,682
Total revenue	86,898	18,707	529	7,466	10	113,610
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 before taxation						(197,582)
Taxation	—	—	—	—	—	—
Loss for the year						(197,582)

Assets and liabilities as at 31 December 2008

	Trading of investments HK$'000	Provision of financial services HK$'000	Property investment HK$'000	Investment holding HK$'000	Total HK$'000
Assets					
Segment assets	383,870	348,974	831,296	320,735	1,884,875
Unallocated assets	—	—	—	—	11,247
Total assets					1,896,122
Liabilities					
Segment liabilities	19,132	7,509	298,016	27,825	352,482
Unallocated liabilities	—	—	—	—	3,127
Total liabilities					355,609

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

Other segment information for the year ended 31 December 2008

	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	—	—	511,462	21,131	7,234	539,827
Amortisation expense	—	—	—	2,747	—	2,747
Depreciation expense	—	—	11,989	—	558	12,547
Net losses arising from changes in fair value of investment properties	—	—	47,845	—	—	47,845
Allowance for doubtful debts	—	103,268	—	—	—	103,268
Bad debts	—	51,932	—	—	—	51,932

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
Net gains arising from changes in fair value of investment properties	—	—	(40,695)	—	—	(40,695)
Allowance for doubtful debts	—	14,000	—	—	—	14,000

Geographical segments

The Group's investment properties are principally located in Hong Kong and PRC. Trading of investments, investment holding and provision of financial services are carried out in Hong Kong.

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the investments services:

	2008	2007
	HK$'000	*HK$'000* *(restated)*
Hong Kong	(342,075)	104,928
PRC	866	—
	(341,209)	104,928

The following is an analysis of the carrying amount of segment assets, additions to property, plant and equipment and investment properties, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment		Additions to investment properties	
	2008	2007	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	1,629,535	1,688,512	162,490	15,071	237,542	281,305
PRC	255,340	134,626	47	—	118,617	—
	1,884,875	1,823,138	162,537	15,071	356,159	281,305

8. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interests on:		
Bank and other borrowings wholly repayable within five years	696	279
Bank and other borrowings wholly repayable over five years	6,787	4,538
Convertible notes	1,623	—
	9,106	4,817

9. LOSS BEFORE TAXATION

	2008	2007
	HK$'000	*HK$'000*
This is stated after charging:		
Auditor's remuneration	1,468	1,372
Contributions to MPF Scheme	309	236
Depreciation of property, plant and equipment	12,547	2,999
Amortisation of intangible assets	2,747	1,374
Operating lease charges on:		
Equipment	68	93
Office premises	759	1,362
Equity-settled share-based payment	—	5,656
Allowance for doubtful debts	103,268	14,000
Bad debts	51,932	—
Loss on termination of convertible notes	818	—
Impairment losses on other investments included in other operating expenses	11,575	—
Impairment loss on property, plant and equipment included in other operating expenses	14,824	—

10. DIRECTORS' AND HIGHEST PAID EMPLOYEES' EMOLUMENTS

Directors' emoluments

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

2008

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Long service payment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Chuang Yueheng, Henry	—	2,400	12	—	2,412
Lo Kan Sun (resigned on 23 April 2008)	—	280	3	298	581
King Phillip	—	540	12	—	552
Wong Ying Seung, Asiong	—	900	12	—	912
Wang Lin	—	240	12	—	252
Independent non-executive directors					
Lin Wai Yi	120	—	—	—	120
Liu Jian	120	—	—	—	120
Nakajima, Toshiharu (resigned on 23 April 2008)	8	—	—	—	8
Shum Ming Choy (resigned on 22 April 2009)	120	—	—	—	120
Yau Yan Ming, Raymond	120	—	—	—	120
	488	4,360	51	298	5,197

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

Highest paid employees' emoluments

The five highest paid employees of the Group during the year included four *(2007: four)* directors, details of whose emoluments are set out above. The emoluments of the remaining one *(2007: one)* highest paid employee is as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	532	568
Retirement scheme contributions	11	12
	543	580

	2008	2007
Nil to HK$1,000,000	1	1

11. TAXATION

No provision for Hong Kong Profits Tax has been made as the individual companies comprising the Group have no estimated assessable profits derived from Hong Kong for both years.

The income tax provision in respect of operations in the PRC is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretations and practices in respect thereof.

	2008	2007
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income Tax	199	—
Deferred taxation		
Origination of temporary differences	24,284	—
Changes in tax rate	(629)	—
Benefit of tax losses recognised	(12,771)	—
	10,884	—
Total tax charge for the year	11,083	—

Deferred tax recognised in the consolidated income statement

	2008	2007
	HK$'000	*HK$'000*
Types of temporary differences:		
Depreciation allowances	9,888	—
Fair value adjustments	5,587	—
Business combination	8,848	—
Tax losses	(12,771)	—
Others	(668)	—
	10,884	—

Reconciliation of tax expense

	2008	2007
	HK$'000	*HK$'000*
Loss before taxation	(786,745)	(197,582)
Income tax at applicable tax rate of 16.5% *(2007:17.5%)*	(129,813)	(34,577)
Non-deductible expenses	34,307	276
Tax exempt revenue	(1,168)	(9,027)
Unrecognised tax losses	98,938	47,280
Unrecognised temporary differences	(1,326)	(1,997)
Utilisation of previously unrecognised tax losses	(461)	(39)
Recognition of previously unrecognised deferred tax assets	(3,155)	—
Recognition of previously unrecognised deferred tax liabilities	14,027	—
Effect of different tax rates of a subsidiary operating in other jurisdictions	437	—
Effect of change in tax rates	(629)	—
Effect on share of profit of associates	—	(1,852)
Others	(74)	(64)
	11,083	—

The applicable tax rate is the Hong Kong profits tax rate of 16.5% *(2007: 17.5%)*.

12. LOSS FOR THE YEAR

Of the Group's loss for the year of HK$797,828,000 *(2007: HK$197,582,000)*, a loss of HK$841,979,000 *(2007: HK$72,258,000)* 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 2008 is based on the loss for the year of HK$797,828,000 *(2007: HK$197,582,000)* and the weighted average number of 156,831,038 ordinary shares *(2007 (restated): 25,498,857 ordinary shares)* in issue during the year.

No diluted loss per share is presented for the year of 2008 as the potential ordinary shares under the warrants have anti-dilutive effect. No diluted loss per share is presented for the year of 2007 as the potential ordinary shares under the convertible notes, warrants and share options have anti-dilutive effect.

Both the weighted average number of ordinary shares adopted in the calculation of the basic and diluted loss per share for the year of 2008 and 2007 have been adjusted to reflect the impact of the share consolidations and rights issues effected during the years.

14. INVESTMENT PROPERTIES

	2008	2007
	HK$'000	*HK$'000*
Fair value		
At beginning of year	326,500	7,200
Additions	86,119	143,705
Additions — acquisition of subsidiaries (note 29)	270,040	137,600
Transfer to property, plant and equipment (note 15)	(25,000)	—
Disposals	—	(2,700)
Net changes in fair value	(47,845)	40,695
At balance sheet date	609,814	326,500

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

	2008	2007
	HK$'000	*HK$'000*
Land in Hong Kong:		
Long lease	317,850	140,500
Medium-term lease	176,000	186,000
	493,850	326,500
Land in PRC:		
Medium-term lease	115,964	—
	609,814	326,500

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

The investment properties are currently or expected to be leased to third parties under operating leases, further summary details of which are included in note 31.

Further particulars of the Group's investment properties are included in pages 124 to 127.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improve-ments	Furniture and fixtures	Office equipment	Motor vehicles	Yacht	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reconciliation of carrying amount — year ended 31 December 2007							
At beginning of year	20,531	1,314	894	238	—	—	22,977
Additions	—	3,455	1,730	220	8,181	—	13,586
Additions — acquisition of subsidiaries	—	—	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
Reconciliation of carrying amount — year ended 31 December 2008							
At beginning of year	19,872	4,357	3,391	269	7,160	—	35,049
Additions	—	23,605	5,062	2,793	6,410	5	37,875
Additions — acquisition of subsidiaries (note 29)	29,800	29	328	3,303	—	91,202	124,662
Transfer from investment properties (note 14)	25,000	—	—	—	—	—	25,000
Disposals	—	(254)	—	—	—	—	(254)
Depreciation	(1,755)	(1,109)	(1,260)	(605)	(3,435)	(4,383)	(12,547)
Impairment loss	—	—	—	—	—	(14,824)	(14,824)
At balance sheet date	72,917	26,628	7,521	5,760	10,135	72,000	194,961
At 1 January 2008							
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
At 31 December 2008							
Cost	80,558	28,661	10,338	8,400	14,588	91,207	233,752
Accumulated depreciation and impairment losses	(7,641)	(2,033)	(2,817)	(2,640)	(4,453)	(19,207)	(38,791)
	72,917	26,628	7,521	5,760	10,135	72,000	194,961

The leasehold land and buildings with a net book value of HK$43,713,000 *(2007: HK$19,872,000)* and HK$29,204,000 *(2007:Nil)* at the balance sheet date are held by the Group under medium-term and long-term lease respectively in Hong Kong.

16. INTERESTS IN SUBSIDIARIES

	The Company	
	2008	**2007**
	HK$'000	*HK$'000*
Unlisted shares, at cost	1,226,612	776,612
Due from subsidiaries	1,382,021	760,819
	2,608,633	1,537,431
Impairment losses	(1,117,771)	(282,003)
	1,490,862	1,255,428

The amounts due from subsidiaries and amount due to a subsidiary are unsecured, interest-free and have no fixed repayment term. 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 US$50,000	—	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 holding
Bright Majestic Limited	British Virgin Islands	1 share of US$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	450,078,008 shares of HK$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
Glamourous Investments Limited	British Virgin Islands	1 share of US$1 each	—	100	Investment holding
Hostbest 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
Jet Star Industries Limited	Hong Kong	1,000 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
Silver Target Limited	British Virgin Islands	1 share of US$1 each	—	100	Property investment
Uprite Limited	British Virgin Islands	1 share of US$1 each	—	100	Yacht owning
Wealth Champion Limited	British Virgin Islands	1 share of US$1 each	—	100	Property holding and investment
Wealth Elegant Investments Limited	British Virgin Islands	1 share of US$1 each	—	100	Property investment
Wellhand Limited	Hong Kong	2 shares of HK$1 each	—	100	Property investment
Willie Financing Limited	Hong Kong	1 share of HK$1 each	100	—	Money lending

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
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
Wiseteam Assets Limited	British Virgin Islands	100 shares of US$1 each	—	100	Property investment

All of the above subsidiaries operate principally in Hong Kong except for Jet Star Industries Limited which operates principally in the PRC.

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

17. INTANGIBLE ASSETS

	Total
	HK$'000
Reconciliation of carrying amount — year ended 31 December 2007	
At beginning of year	—
Additions	136,000
Amortisation	(1,374)
At balance sheet date	134,626
Reconciliation of carrying amount — year ended 31 December 2008	
At beginning of year	134,626
Amortisation	(2,747)
At balance sheet date	131,879
At 1 January 2008	
Costs	136,000
Accumulated amortisation	(1,374)
	134,626
At 31 December 2008	
Costs	136,000
Accumulated amortisation	(4,121)
	131,879

The intangible assets represents the rights to (i) obtain the 50% of forestry land use rights and forestry trees entitlement of three forestry sites in Simao District, Puer City, Yunnan Province, the PRC and (ii) share 50% of distributable profits of these forests.

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

18. OTHER INVESTMENTS

	2008	2007
	HK$'000	*HK$'000*
At cost		
At beginning of year	113,965	—
Additions	21,131	113,965
Impairment losses	(11,575)	—
At balance sheet date	123,521	113,965

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

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

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

		2008	2007
	Notes	*HK$'000*	*HK$'000*
Investments held for trading			
Equity securities			
Listed in Hong Kong		293,065	520,530
Listed overseas		12,613	16,840
	(a)	305,678	537,370
Investments designated as at fair value upon initial recognition			
Unlisted derivative financial instruments	(b)	9,612	—
Unlisted convertible bonds	(c)	53,942	—
		63,554	—
		369,232	537,370

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

Investments held for trading			
Unlisted derivative financial instruments	(b)	12,270	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 unlisted derivative financial instruments is measured by reference to open market value at the balance sheet date provided by a securities broker.

(c) The fair value of unlisted convertible bonds at the balance sheet date has been measured by an independent qualified professional valuer, Roma Appraisals Limited, based on reliable estimates of prices obtained in actual market transactions.

20. LOANS RECEIVABLE

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

		2008	**2007**
	Notes	*HK$'000*	*HK$'000*
Third parties	(a)	367,226	349,637
Allowance for doubtful debts	(b)	(117,268)	(14,000)
		249,958	335,637
Less: Balances due within one year included in current assets		(234,238)	(335,637)
Non-current portion		15,720	—

	2008	**2007**
	HK$'000	*HK$'000*
Short term loans, net of provision	230,781	335,637
Instalment loans	19,177	—
	249,958	335,637

Notes:

(a) At the balance sheet date, loans receivable (1) carry effective interest rates ranging from prime rate to 8% per annum *(2007: from prime rate to prime rate plus 5%)*; (2) include loan balance of HK$8,000,000 which is past due for three months *(2007: Nil)*; (3) include loan balances of HK$359,226,000 *(2007: HK$349,637,000)* which are within the respective maturity dates and (4) an aggregate amount of HK$153,635,000 are secured by collaterals or under personal guarantee *(2007: are not secured by any collaterals)*.

(b) The movement in the allowance for doubtful debts is as follows:

	2008	2007
	HK$'000	*HK$'000*
At beginning of year	14,000	—
Increase in allowance	103,268	14,000
At balance sheet date	117,268	14,000

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$117,268,000 *(2007: HK$14,000,000)* in respect of nine 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$249,958,000 and thus no additional allowance was considered necessary.

21. OTHER PAYABLES

Included in other payables is an amount of HK$6,774,000 *(2007: HK$7,393,000)* payable to a securities broker of which the settlement term is two days after trade date.

22. INTEREST-BEARING BORROWINGS

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank loans *(Note a)*	293,421	191,648	—	—
Unsecured other loan *(Note a & b)*	—	150,000	—	—
	293,421	341,648	—	—

Maturity of the above borrowings is as follows:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	24,384	160,992	—	—
In the second year	24,776	11,356	—	—
In the third year	25,180	11,735	—	—
In the forth year	23,097	12,131	—	—
In the fifth year	21,026	12,545	—	—
Over five years	174,958	132,889	—	—
	269,037	180,656	—	—
	293,421	341,648	—	—

Notes:

(a) Bank loans are variable rate borrowings which carry interest rates ranging from prime rate minus 3.15% to prime rate or at HIBOR plus 2% for the year of 2008 *(2007: prime rate minus 3.15% to prime rate minus 0.5%)*.

Other loan has one month loan period and interest rates at 5% for the year of 2007.

(b) Movements in other loans are as follows:

	The Group		The Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of year	150,000	5,000	—	5,000
Additions	—	150,000	—	—
Repayment	(150,000)	(5,000)	—	(5,000)
At balance sheet date	—	150,000	—	—

23. DEFERRED TAXATION

The movement for the year in the Group's net deferred tax liabilities is as follows:

	2008	2007
	HK$'000	*HK$'000*
At beginning of year	—	—
Acquisition of subsidiaries	14,555	—
Charge to the consolidated income statement	10,884	—
At balance sheet date	25,439	—

Recognised deferred tax assets and liabilities at the balance sheet date represent the following:

	Assets		Liabilities	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation allowances	846	—	(10,734)	—
Fair value adjustments	—	—	(5,587)	—
Business combinations	—	—	(22,572)	—
Tax losses	12,771	—	—	—
Others	—	—	(163)	—
Deferred tax assets (liabilities)	13,617	—	(39,056)	—
Offsetting	(13,617)	—	13,617	—
Net deferred tax liabilities	—	—	(25,439)	—

Unrecognised deferred tax assets arising from

	2008	2007
	HK$'000	*HK$'000*
Deductible temporary differences	10,821	1,568
Tax losses	1,044,220	467,804
At balance sheet date	1,055,041	469,372

24. CONVERTIBLE NOTES

On 19 May 2008, the Company entered into agreements with third parties pursuant to which convertible notes with a principal amount of approximately HK$86,882,000 (the "Convertible Notes") were issued on 7 July 2008 for the acquisition of 100% interest in and the shareholders' loan to Glamourous Investments Limited, Best Inspire Limited and Bright Majestic Limited at an aggregate consideration of approximately HK$86,882,000. The Convertible Notes are non-interest bearing with maturity date on 6 July 2011. The initial conversion price was HK$0.11 per share which was adjusted to HK$0.298 with effective from 5 August 2008.

The Company would repay the holder of the Convertible Notes on the maturity date of the outstanding principal amount of Convertible Notes. In addition, the holder of the Convertible Notes shall has the right to convert the outstanding principal amount of each Convertible Notes in whole or in part into shares of the Company at any time from issue date until a date falling seven days prior to (and excluding) maturity date.

The Company shall have the right to redeem the whole or part of the outstanding Convertible Notes at any time after first anniversary of the issue date subject to the redemption premium at 10% on the aggregate principal redemption amount to be paid by the Company.

The Convertible Notes contain liability component, equity component (i.e. conversion option) and early redemption option derivative. The early redemption option derivative is not closely related to the host contract as the early redemption amount is not close to the amortised cost of the liability on the redemption date. Early redemption option derivative is measured at fair value with change in fair value recognised in profit or loss.

On 11 September 2008, the Company and the holder of the Convertible Notes entered into a termination deed to terminate the Convertible Notes and the holder of the Convertible Notes accepted the issuance of 650,000,000 ordinary shares at HK$0.14 per share by the Company as full and final settlement of the Company's obligations under the Convertible Notes.

(a) Valuation of liability component

At the date of issue, the liability component was recognised at fair value. The fair value of liability component was calculated based on the present value of the initial recognition contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the average yield of other non-convertible notes with similar credit rating, structure and investment characteristics. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The effective interest rate of the liability component is 19.09% per annum.

(b) Valuation of early redemption option derivative

Binomial model is used for valuation of early redemption option derivative. The following table lists the key inputs into the model used on the date of issuance and termination:

	Date of issuance	**Date of termination**
Stock price	HK$0.05	HK$0.131
Expected volatility	78%	82%
Expected dividend yield	0%	0%
Risk free rate	2.908%	2.155%

The movement of the Convertible Notes for the year is set out below:

Group and Company

	Liability component *HK$'000*	**Equity component** *HK$'000*	**Derivative component** *HK$'000*	**Total** *HK$'000*
At 1 January 2008	—	—	—	—
Upon issuance	51,519	38,246	(2,883)	86,882
Less: Direct costs	(81)	—	—	(81)
	51,438	38,246	(2,883)	86,801
Effective interest expenses included in finance costs	1,623	—	—	1,623
Change in fair value	—	—	1,758	1,758
	53,061	38,246	(1,125)	90,182
Termination	(53,061)	(38,246)	1,125	(90,182)
At 31 December 2008	—	—	—	—

25. SHARE CAPITAL

	Notes	**Number of ordinary shares**	**Nominal value** *HK$'000*
Authorised ordinary shares of HK$0.10 each:			
At 1 January 2007		20,000,000,000	2,000,000
Increase during the year		30,000,000,000	3,000,000
Capital reorganisation		(45,000,000,000)	(4,500,000)
At 31 December 2007		5,000,000,000	500,000
Increase during the year	(d)	45,000,000,000	4,500,000
First Capital Reorganisation	(e)(iv)	(40,000,000,000)	(4,000,000)
Second Capital Reorganisation	(h)(iv)	(9,000,000,000)	(900,000)
At 31 December 2008		1,000,000,000	100,000

	Notes	Number of ordinary shares in issue	Issued capital	Share premium	Total
			HK$'000	*HK$'000*	*HK$'000*
Issued and fully paid ordinary shares of HK$0.10 each:					
At 1 January 2007		3,506,494,988	350,649	291,267	641,916
Placement of new shares, net of expenses		6,154,218,000	615,422	83,893	699,315
Issue of shares under share option scheme		2,018,600,000	201,860	53,999	255,859
Issue of shares on conversion of convertible notes		3,500,000,000	350,000	—	350,000
Repurchase of share		(8)	—	—	—
Capital reorganisation, net of expenses		(13,661,381,682)	(1,366,138)	1,363,382	(2,756)
Expenses relating to the issue and conversion of convertible notes		—	—	(8,750)	(8,750)
At 31 December 2007		1,517,931,298	151,793	1,783,791	1,935,584
Rights issue, net of expenses	(a)	1,517,931,298	151,793	173,360	325,153
Placement of new shares, net of expenses	(b)	303,580,000	30,358	19,943	50,301
Issue of consideration shares, net of expenses	(c)	160,000,000	16,000	4,086	20,086
Repurchase of shares, net of expenses	(e)(i)	(1)	—	—	—
First Capital Reorganisation, net of expenses	(e)(v)	(2,799,554,076)	(279,955)	279,718	(237)
Rights issue, net of expenses	(e)(vi)	1,749,721,295	174,972	79,876	254,848
Issue of consideration shares, net of expenses	(f)	800,000,000	80,000	31,754	111,754
Issue of shares upon termination of convertible notes, net of expenses	(g)	650,000,000	65,000	25,974	90,974
Repurchase of shares, net of expenses	(h)(i)	(4)	—	—	—
Second Capital Reorganisation, net of expenses	(h)(v)	(3,509,648,829)	(350,965)	350,752	(213)
At 31 December 2008		389,960,981	38,996	2,749,254	2,788,250

Notes:

(a) Pursuant to the ordinary resolutions passed at the extraordinary general meeting of the Company held on 28 December 2007, rights shares of 1,517,931,298 on the basis of 1 rights share for every adjusted share held at a price of HK$0.22 each were issued and allotted to successful applicants on 29 January 2008.

(b) On 21 February 2008, the Company allotted and issued 303,580,000 ordinary shares of HK$0.10 each for cash to independent investors at a price of HK$0.17 per share.

(c) On 14 April 2008, the Group entered into an agreement with a third party to acquire 100% interest in Allied Well Development Limited ("Allied Well") at a consideration of HK$20,160,000 which was satisfied by the issue and allotment of 160,000,000 ordinary shares of HK$0.10 each of the Company at HK$0.126 per share. The fair value of the shares issued was based on the closing price as quoted on the Stock Exchange on the date of agreement.

(d) Pursuant to the ordinary resolution passed at the annual general meeting of the Company 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$0.10 each.

(e) 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 "First Capital Reorganisation") and the rights issue were duly passed and the First Capital Reorganisation had become effective from the close of business on 4 August 2008. The effects of the First Capital Reorganisation and the rights issue are as follows:

(i) Prior to the effective date of the First Capital Reorganisation, the Company purchased 1 ordinary share of HK$0.10 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 First Capital Reorganisation.

(ii) 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 by reducing the nominal value of each authorised and issued share from HK$0.10 to HK$0.02 per reduced share.

(iii) Under the share consolidation, every 5 reduced issued and unissued shares of HK$0.02 each was consolidated into 1 adjusted issued and unissued consolidated share of HK$0.10 each.

(iv) As the result of the First Capital Reorganisation, the number of authorised ordinary shares 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 10,000,000,000 adjusted shares of HK$0.10 each while the issued and paid up capital of the Company was reduced from HK$349,944,259.50 divided into 3,499,442,595 shares of HK$0.10 each to HK$69,988,851.90 divided into 699,888,519 adjusted shares of HK$0.10 each.

(v) An amount of HK$279,955,000 arising from the capital reduction, after the deduction of expenses related to the First Capital Reorganisation amounting to HK$237,000, was credited to the share premium account of the Company.

(vi) 1,749,721,295 rights shares on the basis of 5 rights shares for every 2 adjusted shares held at a price of HK$0.15 per rights share were issued and allotted to successful applicants on 27 August 2008.

(f) On 8 September 2008, the Group entered into an agreement with a third party to acquire 100% interests in Jet Star Industries Limited ("Jet Star") at a consideration of HK$112,000,000 which was satisfied by the issue and allotment of 800,000,000 ordinary shares of HK$0.10 each of the Company at HK$0.14 per share. The fair value of the shares issued was based on the closing price as quoted on the Stock Exchange on the date of agreement.

(g) At the extraordinary general meeting of the Company held on 16 October 2008, a resolution was passed for the termination of the convertible notes in the aggregate principal amount of approximately HK$86,882,000, in consideration of an issue of 650,000,000 ordinary shares of HK$0.10 each of the Company at HK$0.14 per share which were issued and allotted on 21 November 2008.

(h) At the extraordinary general meeting of the Company held on 4 December 2008, a special resolution in respect of the share consolidation and the capital reduction of the Company (the "Second Capital Reorganisation") were approved by the shareholders. The effects of the Second Capital Reorganisation were as follows:

(i) Prior to the effective date of the Second Capital Reorganisation, the Company purchased 4 ordinary shares of HK$0.10 each from the market pursuant to the powers granted to the directors under the repurchase mandate for the purpose of rounding down the then 3,899,609,814 issued shares to 3,899,609,810 issued shares so as to facilitate the Second Capital Reorganisation.

(ii) Under the capital reduction, the authorised capital of the Company was reduced from HK$1,000,000,000 divided into 10,000,000,000 shares of HK$0.10 each to HK$100,000,000 divided into 10,000,000,000 reduced shares of HK$0.01 each and the reduction be effected by way of cancellation of HK$0.09 of the paid up capital on each issued share of HK$0.10 and by reducing the nominal value of each authorised and issued share from HK$0.10 to HK$0.01 per reduced share.

(iii) Under the share consolidation, every 10 reduced issued and unissued shares of HK$0.01 each was consolidated into 1 adjusted issued and unissued consolidated share of HK$0.10 each.

(iv) As a result of the Second Capital Reorganisation, the authorised capital of the Company was reduced from HK$1,000,000,000 divided into 10,000,000,000 shares of HK$0.10 each to HK$100,000,000 divided into 1,000,000,000 adjusted shares of HK$0.10 each while the issued and paid up capital of the Company was reduced from HK$389,960,981 divided into 3,899,609,810 shares of HK$0.10 each to HK$38,996,098.10 divided into 389,960,981 adjusted shares of HK$0.10 each.

(v) An amount of HK$350,965,000 arising from the capital reduction, after the deduction of expenses related to the Second Capital Reorganisation amounting to HK$213,000, 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	Capital reserve	Convertible notes equity reserve	Share option reserve	Warrant reserve	Translation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note a)				*(Note b)*			
At 1 January 2007	291,267	18,273	—	3,315	—	—	(333,890)	(21,035)
Equity-settled share-based payment	—	—	—	5,656	—	—	—	5,656
Issue of shares under share option scheme	53,999	—	—	(8,971)	—	—	—	45,028
Placement of new shares, net of expenses	83,893	—	—	—	—	—	—	83,893
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 the 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

Group

	Notes	Share premium HK$'000 (Note a)	Capital reserve HK$'000	Convertible notes equity reserve HK$'000	Share option reserve HK$'000	Warrant reserve HK$'000 (Note b)	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2008		1,783,791	10,075	—	—	72,278	—	(531,472)	1,334,672
Rights issues, net of expenses	25(a) & (e)(vi)	253,236	—	—	—	—	—	—	253,236
Placement of new shares, net of expenses	25(b)	19,943	—	—	—	—	—	—	19,943
Issue of consideration shares net of expenses	25(c) & (f)	35,840	—	—	—	—	—	—	35,840
Issue of shares upon termination of convertible notes, net of expenses	25(g)	25,974	—	—	—	—	—	—	25,974
Issue of convertible notes, net of expenses	24	—	—	38,246	—	—	—	—	38,246
Termination of convertible notes	24	—	—	(38,246)	—	—	—	—	(38,246)
Capital reorganisations, net of expenses	25(e)(v) & (h)(v)	630,470	—	—	—	—	—	—	630,470
Exchange movement recognised during the year		—	—	—	—	—	(790)	—	(790)
Loss for the year		—	—	—	—	—	—	(797,828)	(797,828)
At 31 December 2008		2,749,254	10,075	—	—	72,278	(790)	(1,329,300)	1,501,517

Company

	Share premium	Share option reserve	Convertible notes equity reserve	Warrant reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note a)			*(Note b)*		
At 1 January 2007	291,267	3,315	—	—	(405,940)	(111,358)
Equity-settled share- based payment	—	5,656	—	—	—	5,656
Issue of shares under share option scheme	53,999	(8,971)	—	—	—	45,028
Placement of new shares, net of expenses	83,893	—	—	—	—	83,893
Issue of warrants, net of expenses	—	—	—	72,278	—	72,278
Expenses relating to the 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

Company

	Notes	**Share premium**	**Share option reserve**	**Convertible notes equity reserve**	**Warrant reserve**	**Accumulated losses**	**Total**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Note a)			*(Note b)*		
At 1 January 2008		1,783,791	—	—	72,278	(478,198)	1,377,871
Rights issues, net of expenses	25(a) & (e)(vi)	253,236	—	—	—	—	253,236
Placement of new shares, net of expenses	25(b)	19,943	—	—	—	—	19,943
Issue of consideration shares, net of expenses	25(c) & (f)	35,840	—	—	—	—	35,840
Issue of shares upon termination of convertible notes, net of expenses	25(g)	25,974	—	—	—	—	25,974
Issue of convertible notes, net of expenses	24	—	—	38,246	—	—	38,246
Termination of convertible notes	24	—	—	(38,246)	—	—	(38,246)
Capital reorganisations, net of expenses	25(e)(v) & (h)(v)	630,470	—	—	—	—	630,470
Loss for the year		—	—	—	—	(841,979)	(841,979)
At 31 December 2008		2,749,254	—	—	72,278	(1,320,177)	1,501,355

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 ordinary shares of the Company at the subscription price of HK$0.10 each, which was subsequently adjusted to 6,000,000 ordinary shares of the Company at an adjusted subscription price of HK18.20 each as a result of the exercises of rights issues and capital reorganisations in the year of 2007 and 2008. The warrants were lapsed on 14 April 2009.

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$5,000,000 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 highest 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.

No share option has been granted and exercised during the year or outstanding at the balance sheet date.

28. MAJOR NON-CASH TRANSACTIONS

(a) As detailed in note 25(c) to the consolidated financial statements, the Group's acquisition of 100% equity interest in Allied Well at a consideration of HK$20,160,000 was satisfied by the issuance of 160,000,000 new ordinary shares of the Company at HK$0.126 per share on 28 April 2008.

(b) As detailed in note 25(f) to the consolidated financial statements, the Group's acquisition of 100% equity interest in Jet Star at a consideration of HK$112,000,000 was satisfied by the issuance of 800,000,000 new ordinary shares of the Company at HK$0.14 per share on 28 October 2008.

(c) As detailed in note 25(g) to the consolidated financial statements, 650,000,000 new ordinary shares of the Company were issued as full and final settlement for the termination of Convertible Notes on 11 September 2008.

29. 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	Purchase consideration *Notes*
28 April 2008	Allied Well Development Limited (with its subsidiary, Hostbest Limited)	British Virgin Islands	Investment holding and property investment	25(c)
3 June 2008	Uprite Limited	British Virgin Islands	Yacht owning	(a)
7 July 2008	Glamourous Investments Limited (with its subsidiary Wiseteam Assets Limited)	British Virgin Islands	Investment holding and property investment	24
7 July 2008	Best Inspire Limited (with its subsidiary Silver Target Limited)	British Virgin Islands	Investment holding and property investment	24
7 July 2008	Bright Majestic Limited (with its subsidiary Wealth Champion Limited)	British Virgin Islands	Property investment	24
27 August 2008	The Lost & Found Store Limited	Hong Kong	Property investment	(b)
28 October 2008	Jet Star Industries Limited	Hong Kong	Property investment	25(f)
18 November 2008	Fast Speed International Limited	British Virgin Islands	Investment holding	(c)

Notes:

(a) On 30 April 2008, the Group entered into an agreement with a third party to acquire 100% interest in Uprite Limited at a consideration of HK$94,000,000 which was satisfied by cash.

(b) On 27 August 2008, the Group entered into an agreement with a third party to acquire 100% interest in The Lost & Found Store Limited at a consideration of HK$450,000 which was satisfied by cash.

(c) On 18 November 2008, the Group entered into an agreement with a third party to acquire 100% interest in Fast Speed International Limited at a consideration of HK$1,030,000 which was satisfied by cash.

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 combination are as follows:

	Carrying value	Fair value
	HK$'000	*HK$'000*
Investment properties	268,636	270,040
Property, plant and equipment	121,118	124,662
Other receivables	31,866	31,866
Cash and cash equivalents	297	297
Other payables	(203,942)	(11,204)
Tax payables	(827)	(1,069)
Deferred tax liabilities	(14,571)	(14,555)
Interest-bearing borrowings	(85,189)	(85,189)
	117,388	314,848
Discount on acquisition		(326)
Total consideration		314,522
Satisfied by:		
Cash		95,480
Issue of shares (Note 25(c) and (f))		132,160
Issue of convertible notes (Note 24)		86,882
		314,522
Cash consideration		(95,480)
Shares consideration expenses		(320)
Net cash acquired from the subsidiaries		297
Net cash outflow		(95,503)

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 turnover and loss attributable to the Group would have been HK$13,551,000 and HK$23,071,000 respectively.

30. DISPOSAL OF A SUBSIDIARY

	2008	2007
	HK$'000	*HK$'000*
Net liabilities disposed of:		
Other payables	(491)	—
Gain on disposal of a subsidiary	545	—
Total consideration	54	—
Satisfied by cash	54	—

Analysis of net inflow of cash and cash equivalents in respect of disposal of a subsidiary is as follows:

	2008	2007
	HK$'000	*HK$'000*
Cash consideration	54	—

31. COMMITMENTS

Capital expenditure commitments

At the balance sheet date, the Group had the following capital commitments:

	2008	2007
	HK$'000	*HK$'000*
Contracted but not provided, net of deposit paid in the consolidated financial statements	36,310	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:

	2008	2007
	HK$'000	*HK$'000*
Within one year	79	466
In the second to fifth years inclusive	95	178
	174	644

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:

	2008	2007
	HK$'000	*HK$'000*
Within one year	16,838	285
In the second to fifth years inclusive	5,058	—
	21,896	285

32. CONTINGENT LIABILITIES

At the balance sheet date, the Company had provided corporate guarantees for banking facilities amounting to HK$296,488,000 *(2007: HK$216,920,000)* granted to its subsidiaries, which were utilised to the extent of HK$250,951,000 *(2007: HK$191,648,000)*. 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 to the financial statements of the Company.

33. 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:

	2008	2007
	HK$'000	*HK$'000*
Leasehold land and buildings	72,917	19,872
Investment properties	491,050	324,000
Yacht	72,000	—
	635,967	343,872

34. RELATED PARTY TRANSACTIONS

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

(a) Properties of the Group with net book value of HK$43,713,000 *(2007: HK$19,872,000)* are occupied by a brother of a director of the Company for free.

(b) Compensation of key management personnel

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

	2008	2007
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	4,360	4,713
Long service payment	298	—
Contributions to MPF Scheme	51	60
	4,709	4,773

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

(c) During the year, a personal guarantee of HK$20,000,000 *(2007: Nil)* was provided by a brother of a director of the Company for a banking facility granted to a subsidiary of the Company.

35. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise of interest-bearing bank and other 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, and financial assets and 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 loans receivable. 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 points higher or lower while all other variables were held constant, the Group's net loss would increase or decrease by approximately HK$736,000 and HK$3,450,000 respectively *(2007: approximately HK$2,664,000)*.

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 points 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 2007.

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 a broker, 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 and unlisted convertible bonds classified as investments held for trading and investments designated as at fair value upon initial recognition in the consolidated 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 of the trading securities had been 15% higher or lower while all other variables were held constant, the Group's net loss would decrease or increase by approximately HK$53,943,000 *(2007: approximately HK$80,605,000)* 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 2007.

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 money 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 customers 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 36% *(2007: 57%)* 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 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 2008						
Interest-bearing borrowings	—	5,409	26,902	119,382	197,623	349,316
Derivative financial instruments						
— Securities derivatives	—	14,903	12,444	—	—	27,347
Other payables	14,768	6,974	1,500	—	—	23,242
Tax payables	—	—	1,237	—	—	1,237
	14,768	27,286	42,083	119,382	197,623	401,142
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

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 2008 and 2007.

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:

	2008	**2007**
	HK$'000	*HK$'000*
Interest-bearing borrowings	293,421	341,648
Less: Cash and cash equivalents	(167,057)	(304,355)
Net debt	126,364	37,293
Total equity	1,540,513	1,486,465
Gearing ratio	8.2%	2.5%

36. COMPARATIVE FIGURES

Certain comparative figures regarding the turnover and other income in the consolidated income statement, have been reclassified to conform with the current year's presentation.

3. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the business of property investment, investment in securities trading, money lending and investment holding. As money lending is one of the principal businesses of the Group, the Board is of the view that the Acquisition provides an opportunity for the Group to strengthen and fortify its money lending business.

By second quarter of 2009, major stock markets have seen to have stabilized and rallied with some rebounces. The Board forms a positive view towards the prospects of the money lending business in Hong Kong. The Directors are of the opinion that the Acquisition would provide a synergy and promising prospects and generate a stable income stream for the Group and are also optimistic that the non-recurring impairment provision made in last financial year of the Target Group will be improved when the worst of downturn was over.

In 2008, the Group acquired some property holding companies to strengthen its property portfolio. As at the Latest Practicable Date, the real estate portfolio held by the Group comprised certain car parking spaces, residential premises and commercial premises in Hong Kong as well as a commercial building in Guangzhou, the PRC. The Board believes that the rental income derived by various properties of the Group will continue to generate a stable source of income to the Group.

Investment in trading securities is one of the principal business activities of the Group. Due to the 2008 financial tsunami, housing prices and stock prices tumbled and consumer spending declined. However, in the recent few months, there are some signs of stabilization in the financial market and the Hang Seng Index reached a high of close to 19,000. The Board will continue to adopt a conservative approach to monitor the investment portfolio and take appropriate actions.

In early July 2009, the Group completed the disposal of Richful Zone International Limited and Allied Loyal International Investments Limited which are the holding companies of a forestry project in Yunnan, the PRC. Following such disposal, the Group will take positive steps to explore other investment opportunities in natural resources sectors and/or energy related sectors.

The Group remains firm in taking a conservative approach to investment opportunities that may arise. While we are principally still engaged in the business of property investment, investment in securities trading, money lending, and investment holding, the Board will continue to search for suitable investments or business opportunities in the energy and natural resources sectors. In looking forward, the Board believes that asset price and project valuations will become more and more attractive and reasonable and now is the time to plant the seeds for the future. We hope through investing in such opportunities with good strategic value will ultimately enhance the Shareholders' value of the Company.

4. INDEBTEDNESS

At the close of business on 31 May 2009, 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$303.1 million, representing bank borrowings secured by certain land and building, investment properties and a yacht of the Enlarged Group.

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

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 May 2009, 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 2008, 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 CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material change in the financial or trading position or outlook of the Enlarged Group since 31 December 2008, being the date of which the latest audited financial statements of the Company were made up.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

ERNST & YOUNG
安 永

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

17 July 2009

The Directors
Willie International Holdings Limited

Dear Sirs

We set out below our report on the financial information (the "Financial Information") regarding Double Smart Finance Limited ("Double Smart") for each of the years ended 31 March 2009, 2008 and 2007 (the "Relevant Periods") for inclusion in a circular issued by Willie International Holdings Limited (the "Company") dated 17 July 2009 (the "Circular") in connection with the proposed acquisition of 50% of the issued share capital of Best Purpose Limited by Welltodo Investments Limited.

Double Smart was incorporated in Hong Kong on 12 September 2001 with limited liability. During the Relevant Periods, Double Smart was primarily involved in money lending.

The directors of Double Smart have prepared the statutory financial statements of Double Smart for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have audited the statutory financial statements of Double Smart for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information of Double Smart as set out in this report, including the income statements, the statements of changes in equity and the cash flow statements of Double Smart for the Relevant Periods, and the balance sheets of Double Smart as at 31 March 2009, 2008 and 2007, together with the notes thereto, has been prepared based on the audited statutory financial statements of Double Smart and is prepared on the basis set out in note 3.1 to the Financial Information. For the purpose of this report, no adjustments were considered necessary in the preparation of the Financial Information.

The directors of Double Smart are responsible for the preparation and the true and fair presentation of the audited statutory financial statements and the Financial Information of Double Smart for the Relevant Periods in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the audited statutory financial statements and the Financial Information of Double Smart for the Relevant Periods that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

For the purpose of this report, we have examined the Financial Information for the Relevant Periods and have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of Double Smart as at 31 March 2009, 2008 and 2007, and of the results and cash flows of Double Smart for each of the Relevant Periods.

INCOME STATEMENTS

		Year ended 31 March		
	Notes	**2009**	**2008**	**2007**
		HK$	*HK$*	*HK$*
REVENUE	5	31,537,969	19,548,182	26,907,226
Bank interest and other income		250,417	5,260	4,080
Management fee		(3,243,213)	(2,836,700)	(2,690,723)
Other income/(expenses), net		(50,251,291)	2,519,035	(6,581,584)
Finance costs	7	—	(14,663,743)	(13,151)
PROFIT/(LOSS) BEFORE TAX	6	(21,706,118)	4,572,034	17,625,848
Tax	8	—	—	—
PROFIT/(LOSS) FOR THE YEAR		(21,706,118)	4,572,034	17,625,848

BALANCE SHEETS

	Notes	31 March 2009 *HK$*	2008 *HK$*	2007 *HK$*
NON-CURRENT ASSETS				
Loans receivable	10	3,302,478	4,069,948	1,000,000
CURRENT ASSETS				
Loans receivable	10	402,187,700	569,498,891	296,850,000
Other receivables	11	5,341,096	11,265,758	13,999,535
Tax recoverable		1,024,199	—	—
Bank balances		354,888	131,805	20,854
Total current assets		408,907,883	580,896,454	310,870,389
CURRENT LIABILITIES				
Due to the ultimate holding company	13(b)	427,520,997	578,570,920	310,046,941
Due to fellow subsidiaries	13(b)	2,000,000	2,000,000	2,000,000
Total current liabilities		429,520,997	580,570,920	312,046,941
NET CURRENT ASSETS/(LIABILITIES)		(20,613,114)	325,534	(1,176,552)
Net assets/(liabilities)		(17,310,636)	4,395,482	(176,552)
EQUITY				
Issued capital	12	2	2	2
Retained profit/(accumulated losses)		(17,310,638)	4,395,480	(176,554)
Total equity		(17,310,636)	4,395,482	(176,552)

STATEMENTS OF CHANGES IN EQUITY

	Issued capital *HK$*	**Retained profit/ (accumulated losses)** *HK$*	**Total equity** *HK$*
At 1 April 2006	2	(17,802,402)	(17,802,400)
Profit for the year	—	17,625,848	17,625,848
At 31 March 2007 and at 1 April 2007	2	(176,554)	(176,552)
Profit for the year	—	4,572,034	4,572,034
At 31 March 2008 and at 1 April 2008	2	4,395,480	4,395,482
Loss for the year	—	(21,706,118)	(21,706,118)
At 31 March 2009	2	(17,310,638)	(17,310,636)

CASH FLOW STATEMENTS

	Notes	2009 HK$	2008 HK$	2007 HK$
		Year ended 31 March		
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) for the year		(21,706,118)	4,572,034	17,625,848
Adjustments for:				
Bank interest income	6	(417)	(5,260)	(4,080)
Impairment of loans receivable	6	19,000,000	4,000,000	10,000,000
Reversal of impairment of loans receivable	6	—	(7,000,000)	(3,750,000)
Impairment of other receivables	6	3,184,256	—	—
Direct write-off of a loan receivable	6	27,550,000	—	—
Finance costs	7	—	14,663,743	13,151
		28,027,721	16,230,517	23,884,919
Decrease/(increase) in loans receivable		121,528,661	(272,718,839)	(101,650,000)
Decrease/(increase) in other receivables		2,740,406	2,733,777	(3,906,524)
Cash generated from/(used in) operations		152,296,788	(253,754,545)	(81,671,605)
Interest received		417	5,260	4,080
Interest paid		—	—	(13,151)
Hong Kong profits tax paid		(1,024,199)	—	—
Net cash inflow/(outflow) from operating activities		151,273,006	(253,749,285)	(81,680,676)
CASH FLOWS FROM FINANCING ACTIVITY				
Increase/(decrease) in amount due to the ultimate holding company, net		(151,049,923)	253,860,236	81,392,306
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		223,083	110,951	(288,370)
Cash and cash equivalents at beginning of year		131,805	20,854	309,224
CASH AND CASH EQUIVALENTS AT END OF YEAR		354,888	131,805	20,854
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Bank balances		354,888	131,805	20,854

NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Double Smart is a limited liability company incorporated in Hong Kong. The registered office of Double Smart is located at 29th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

During the Relevant Periods, Double Smart was primarily involved in money lending.

As at 31 March 2009, Double Smart was a wholly-owned subsidiary of Coupeville Limited ("Coupeville"), a company incorporated in the British Virgin Islands. Subsequent to 31 March 2009, Best Purpose Limited ("Best Purpose"), which is incorporated in the British Virgin Islands, became the immediate holding company of Double Smart. In the opinion of the directors of Double Smart, the ultimate holding company of Double Smart is Heritage International Holdings Limited ("Heritage International"), which is incorporated in Bermuda.

2. FUNDAMENTAL ACCOUNTING CONCEPT

The Financial Information has been prepared on the going concern basis, notwithstanding Double Smart had net current liabilities and a deficiency in assets as at 31 March 2009 and 2007, as Heritage International/Best Purpose (as appropriate for the particular period) has agreed not to demand repayment of the amount due to it by Double Smart until Double Smart is in a position to do so and Heritage International has agreed to provide adequate funds for Double Smart to meet its liabilities as and when they fall due. Subsequent to 31 March 2009, Heritage International assigned the whole amount due to it by Double Smart to Coupeville and Coupeville further assigned such amount to Best Purpose.

3.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Hong Kong dollars, which is also Double Smart's functional currency.

The HKICPA has issued a number of new and revised HKFRSs that are effective for Double Smart's annual financial periods beginning on or after 1 April 2007. For the purpose of preparing the Financial Information, Double Smart has adopted all these new and revised HKFRSs consistently throughout the Relevant Periods, except for those new and revised HKFRSs that are not yet effective for the Relevant Periods.

A summary of the significant accounting policies adopted and consistently applied by Double Smart in the preparation of the Financial Information is set out in note 3.3 to the Financial Information.

3.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

Double Smart has not applied the following new and revised HKFRSs, that have been issued but are not yet effective for the Relevant Periods, in the preparation of the Financial Information.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 1 (Revised)	*First-time Adoption of HKFRSs*[2]

HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*[1]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*[2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement — Embedded Derivatives*[5]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*[1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*[4]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*[2]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers*[6]

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs* and *Improvements to HKFRSs 2009* which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. These amendments are effective for annual periods beginning on or after 1 January 2009, 1 July 2009 or 1 January 2010, as appropriate, although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods ending on or after 30 June 2009
6 Effective for transfers of assets from customers received on or after 1 July 2009

Double Smart is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on Double Smart's results of operations and financial position.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

A party is considered to be related to Double Smart if:

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

(b) the party is a member of the key management personnel of Double Smart or its parent;

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

(d) 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 (b) or (c).

Financial assets

Financial assets of Double Smart in the scope of HKAS 39 are classified as loans and receivables. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs. Double Smart determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that Double Smart commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

Double Smart assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to Double Smart.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to loans and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that Double Smart will not be able to collect all of the amounts due under the original terms of the underlying agreement. The carrying amount of the receivables is reduced either directly or through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- Double Smart retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- Double Smart has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where Double Smart has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of Double Smart's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that Double Smart could be required to repay.

Financial liabilities at amortised cost

Financial liabilities including amounts due to the ultimate holding company and fellow subsidiaries are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of Double Smart's cash management.

For the purpose of the balance sheet, bank balances comprise cash at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority.

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 for financial reporting purposes.

Deferred tax liabilities are recognised for all significant taxable temporary differences while deferred tax assets are recognised for all significant deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Double Smart and when the revenue can be measured reliably. Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of Double Smart's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at each balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of loans and receivables

Double Smart assesses at each balance sheet date whether there is any objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, Double Smart considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Double Smart maintains an allowance for estimated loss arising from the inability of its debtors to make the required payments. Double Smart makes its estimates based on the ageing of its debtor balances, debtors' creditworthiness, repayment history, historical write-off experience and other relevant information. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, Double Smart would be required to revise the basis of making the allowance and its future results would be affected.

5. REVENUE AND SEGMENT INFORMATION

Revenue, which is also Double Smart's turnover, represents interest income earned from Double Smart's money lending operations during the Relevant Periods.

Business segment

No business segment information is presented for the Relevant Periods as Double Smart was engaged solely in the money lending business during the Relevant Periods.

Geographical segment

No geographical segment information is presented as over 90% of Double Smart's revenue is derived from customers based in Hong Kong, and over 90% of Double Smart's assets are located in Hong Kong.

6. PROFIT/(LOSS) BEFORE TAX

Double Smart's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	**2009**	**2008**	**2007**
		HK$	*HK$*	*HK$*
Auditors' remuneration		450,000	400,000	284,000
Impairment of loans receivable*#	10	19,000,000	4,000,000	10,000,000
Reversal of impairment of loans receivable*	10	—	(7,000,000)	(3,750,000)
Impairment of other receivables*	11	3,184,256	—	—
Direct write-off of a loan receivable*		27,550,000	—	—
Bank interest income		(417)	(5,260)	(4,080)

* These items are included in "Other income/(expenses), net" on the face of the respective income statement.

\# Included in the amount is an impairment of a loan receivable of HK$15,000,000, Nil and Nil during the years ended 31 March 2009, 2008 and 2007, respectively, which was subsequently written-off as at 31 March 2009. Accordingly, total loans receivable written-off during the year ended 31 March 2009, either directly or through the use of an allowance account, amounted to HK$42,550,000.

None of the directors received any fees or emoluments in respect of their services rendered to Double Smart during the Relevant Periods.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

Double Smart did not have any non-director employees during the Relevant Periods.

7. FINANCE COSTS

	2009	**2008**	**2007**
	HK$	*HK$*	*HK$*
Interest on amount due to the ultimate holding company (note 13(b))	—	14,663,743	—
Interest on an other loan wholly repayable within five years	—	—	13,151
	—	14,663,743	13,151

8. TAX

No provision for Hong Kong profits tax was made for the years ended 31 March 2009 and 2008 as Double Smart did not generate any assessable profits arising in Hong Kong during those years. No provision for Hong Kong profits tax was made for the year ended 31 March 2007 as Double Smart had available tax losses brought forward from prior years to offset the assessable profits arising in Hong Kong generated during that year. A reconciliation of the tax charge/(credit) applicable to Double Smart's profit/(loss) before tax using the Hong Kong statutory tax rate to the tax amount at the effective tax rate is as follows:

	2009	**2008**	**2007**
	HK$	*HK$*	*HK$*
Profit/(loss) before tax	(21,706,118)	4,572,034	17,625,848
Tax charge/(credit) at the Hong Kong statutory tax rates of 16.5%#, 17.5% and 17.5% for the years ended 31 March 2009, 2008 and 2007, respectively	(3,581,509)	800,106	3,084,523
Income not subject to tax	(69)	(921)	(714)
Tax losses and temporary differences not recognised	3,581,578	—	—
Tax losses utilised from prior years	—	(30,804)	(3,083,809)
Others	—	(768,381)	—
Tax amount at Double Smart's effective tax rate	—	—	—

\# The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 March 2009.

Double Smart had tax losses arising in Hong Kong of HK$17,315,785 and HK$176,024 as at 31 March 2009 and 2007, respectively, subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of Double Smart arising in Hong Kong. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future taxable profit streams of Double Smart and, accordingly, in the opinion of the directors of Double Smart, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There was no material unprovided deferred tax charge in respect of the Relevant Periods and as at 31 March 2009, 2008 and 2007.

9. EARNINGS/LOSS PER SHARE

No basic or diluted earnings/loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

10. LOANS RECEIVABLE

	2009	2008	2007
	HK$	*HK$*	*HK$*
Loans receivable	423,490,178	587,568,839	314,850,000
Impairment	(18,000,000)	(14,000,000)	(17,000,000)
	405,490,178	573,568,839	297,850,000
Portion classified as current assets	(402,187,700)	(569,498,891)	(296,850,000)
Non-current portion	3,302,478	4,069,948	1,000,000

Loans receivable as at 31 March 2009, 2008 and 2007 represented receivables arising from the money lending business of Double Smart and bore interest at the following rates as at 31 March 2009, 2008 and 2007:

	2009	2008	2007
	HK$	*HK$*	*HK$*
Interest rate	Prime*-2% to 24% per annum	Prime* to 24% per annum	Prime* to Prime*+8% per annum

* Denotes the Hong Kong dollar prime lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited.

The granting of these loans has been approved and monitored by Double Smart's directors in charge of Double Smart's money lending operations. Overdue balances are reviewed regularly by senior management.

The movements in the provision for impairment of loans receivable are as follows:

	2009	2008	2007
	HK$	*HK$*	*HK$*
At beginning of year	14,000,000	17,000,000	10,750,000
Impairment losses recognised (note 6)	19,000,000	4,000,000	10,000,000
Impairment losses reversed (note 6)	—	(7,000,000)	(3,750,000)
Write-off	(15,000,000)	—	—
At end of year	18,000,000	14,000,000	17,000,000

Included in the above provision for impairment of loans receivable is a provision for individually impaired loans receivable of HK$18,000,000, HK$14,000,000 and HK$17,000,000 with carrying amounts of HK$18,000,000, HK$18,000,000 and HK$27,500,000 as at 31 March 2009, 2008 and 2007, respectively. The individually impaired loans receivable relate to borrowers that were in financial difficulties and/or were in default or delinquency in principal payments and/or only a portion of the receivables is expected to be recovered. Double Smart does not hold any collateral or other credit enhancements over these balances, except for a loan receivable as at 31 March 2009 amounting to HK$15,000,000 (before the subsequent write-off), which is secured by an individual's personal guarantee.

The aged analysis of the loans receivable that are not considered to be impaired is as follows:

	2009	2008	2007
	HK$	*HK$*	*HK$*
Neither past due nor impaired	405,490,178	569,568,839	287,350,000

Receivables that were neither past due nor impaired relate to a sizable number of borrowers for whom there was no recent history of default. Based on past experience, the directors of Double Smart are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Double Smart does not hold any collateral or other credit enhancements over these balances, except for a loan receivable as at 31 March 2009 amounting to HK$23,000,000, which is secured by an individual's personal guarantee.

11. OTHER RECEIVABLES

	2009	2008	2007
	HK$	*HK$*	*HK$*
Loan interest receivables	8,525,352	11,265,758	13,999,535
Impairment	(3,184,256)	—	—
	5,341,096	11,265,758	13,999,535

The movement in the provision for impairment of loan interest receivables is as follows:

	2009	2008	2007
	HK$	*HK$*	*HK$*
At beginning of year	—	—	—
Impairment losses recognised (note 6)	3,184,256	—	—
At end of year	3,184,256	—	—

Included in the above provision for impairment of loan interest receivables is a provision for individually impaired loan interest receivables of HK$3,184,256, Nil and Nil with carrying amounts of HK$3,184,256, Nil and Nil as at 31 March 2009, 2008 and 2007, respectively. The individually impaired loan interest receivables relate to borrowers that were in financial difficulties and/or were in default or delinquency in loan interest payments. Double Smart does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the loan interest receivables that are not considered to be impaired is as follows:

	2009 *HK$*	2008 *HK$*	2007 *HK$*
Neither past due nor impaired	3,998,113	7,766,871	13,999,535
Over one year past due	1,342,983	3,498,887	—
	5,341,096	11,265,758	13,999,535

Loan interest receivables that were neither past due nor impaired relate to a sizable number of borrowers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of borrowers that have a good track record with Double Smart. Based on past experience, the directors of Double Smart are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Double Smart does not hold any collateral or other credit enhancements over these balances.

12. SHARE CAPITAL

	2009 *HK$*	2008 *HK$*	2007 *HK$*
Authorised:			
10,000 ordinary shares of HK$1 each	10,000	10,000	10,000
Issued and fully paid:			
2 ordinary shares of HK$1 each	2	2	2

13. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in this report, Double Smart had the following material transactions with a related party during the Relevant Periods:

	Notes	2009 *HK$*	2008 *HK$*	2007 *HK$*
Management fee charged by the ultimate holding company	(i)	3,243,213	2,836,700	2,690,723
Interest charged by the ultimate holding company	(ii)	—	14,663,743	—

Notes:

(i) The management fee was charged at a rate mutually agreed between Double Smart and the ultimate holding company.

(ii) The interest charged by the ultimate holding company arose from the amount due thereto, details of which are set out in note (b) below.

(b) The amounts due to fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The amount due to the ultimate holding company is unsecured, interest-free, except for the balance outstanding as at 31 March 2008 and during the year then ended, which bore interest at 10% per annum, and has no fixed terms of repayment.

14. NOTE TO THE CASH FLOW STATEMENTS

Major non-cash transaction

During the year ended 31 March 2008, Double Smart incurred interest expense of HK$14,663,743 payable to the ultimate holding company. This amount was settled through the inter-company balance with the ultimate holding company.

15. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 March 2009, 2008 and 2007 are as follows:

	2009	**2008**	**2007**
	HK$	*HK$*	*HK$*
Financial assets			
Loans and receivables			
Loans receivable	405,490,178	573,568,839	297,850,000
Other receivables	5,341,096	11,265,758	13,999,535
Bank balances	354,888	131,805	20,854
	411,186,162	584,966,402	311,870,389
Financial liabilities			
Financial liabilities at amortised cost			
Due to the ultimate holding company	427,520,997	578,570,920	310,046,941
Due to fellow subsidiaries	2,000,000	2,000,000	2,000,000
	429,520,997	580,570,920	312,046,941

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Double Smart's principal financial instruments include bank balances. The main purpose of this financial instrument is to finance the Double Smart's operations. Double Smart has various other financial assets and liabilities such as loans receivable, other receivables and amounts due to the ultimate holding company and fellow subsidiaries, which mainly arise directly from its operations.

The main risks arising from Double Smart's financial instruments are interest rate risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Double Smart's exposure to the risk of changes in market interest rates relates primarily to Double Smart's interest-bearing financial assets. Interest-bearing financial assets are mainly loans receivable primarily at floating interest rates which are mostly short term in nature. Double Smart's policy is to obtain the most favourable interest rate available.

The following table demonstrates the sensitivity to a reasonably possible change in Hong Kong dollar interest rate, with all other variables held constant, of Double Smart's profit/loss before tax (through the impact on floating rate loans receivable).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit/loss before tax**
		HK$
2009		
Hong Kong dollar	25	(955,434)
Hong Kong dollar	(25)	955,434
2008		
Hong Kong dollar	25	837,360
Hong Kong dollar	(25)	(837,360)
2007		
Hong Kong dollar	25	1,248,565
Hong Kong dollar	(25)	(1,248,565)

Credit risk

Double Smart's major exposure to the credit risk relating to its loans receivable, other receivables and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Double Smart's loans receivable and other receivables arise from the ordinary course of business of Double Smart and are closely monitored by the directors on an ongoing basis. The bank balances are deposited with a creditworthy bank with no recent history of default.

Further quantitative data in respect of Double Smart's exposure to credit risk arising from loans receivable and other receivables are disclosed in notes 10 and 11 to the Financial Information, respectively.

Liquidity risk

In the management of liquidity risk, Double Smart monitors and maintains a level of working capital and funding deemed adequate by management to finance Double Smart's operations and mitigate the effects of fluctuations in cash flows. Double Smart's objective is to maintain a balance between continuity of funding and flexibility through the funding from its group companies.

The maturity profile of Double Smart's financial liabilities as at 31 March 2009, 2008 and 2007, based on the contractual undiscounted payments, was as follows:

	No fixed terms of repayment		
	2009	**2008**	**2007**
	HK$	*HK$*	*HK$*
Due to the ultimate holding company	427,520,997	578,570,920	310,046,941
Due to fellow subsidiaries	2,000,000	2,000,000	2,000,000
	429,520,997	580,570,920	312,046,941

Capital management

The primary objective of Double Smart's capital management is to safeguard Double Smart's ability to continue as a going concern.

Double Smart manages its capital structure and makes adjustments to it in light of changes in economic conditions and business strategies. To maintain or adjust the capital structure, Double Smart may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Double Smart is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

Capital of Double Smart comprises all components of shareholders' equity.

17. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

As at 31 March 2009, 2008 and 2007, the carrying amounts of Double Smart's financial assets and financial liabilities approximated to their fair values.

18. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Double Smart in respect of any period subsequent to 31 March 2009.

Yours faithfully

Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a report received from the reporting accountants 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

MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
42nd Floor, Central Plaza,
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓

17 July 2009

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") and Best Purpose Limited ("Best Purpose") and its subsidiary (hereinafter collectively referred to as the "Target Group" and together with the Group collectively referred to as the "Enlarged Group") set out on pages 3-6 in Appendix III of the Company's circular dated 17 July 2009 (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 31 December 2008. The basis of preparation of the unaudited pro forma statement of assets and liabilities is set out on pages 3-6 in Appendix III of 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 unaudited pro forma financial information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work does not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA and accordingly, we do not express any such assurance on the unaudited pro forma 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 unaudited pro forma financial information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 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 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 the Target Group by the Group (referred as the "Acquisition") assuming the Acquisition has been completed on 31 December 2008. The Statement has been prepared by the Directors in accordance with paragraph 29 of Chapter 4 of the Listing Rules. The Statement is for the purpose of illustration only and does not form part of the accountants' report prepared by the reporting accountants of the Company as set out in Appendix II to the 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 31 December 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 audited consolidated balance sheet of the Group as at 31 December 2008 extracted from the annual report of the Group for the year ended 31 December 2008, the audited financial information of Double Smart Finance Limited ("Double Smart") as at 31 March 2009 extracted from the accountants' report on Double Smart as set out in the 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 in respect of the issuance of convertible note of the Company 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 31 December 2008.

	The Group as at 31.12.2008 (Audited)	**Pro forma adjustments**		**Pro forma Enlarged Group (Unaudited)**
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Investment properties	609,814			609,814
Property, plant and equipment	194,961			194,961
Intangible assets	131,879			131,879
Other investments	123,521			123,521
Interest in a jointly controlled entity	—	187,726	1 & 2	187,726
Prepayments for acquisition of investment properties	5,304			5,304
Loans receivable	15,720			15,720
	1,081,199			1,268,925

	The Group as at 31.12.2008 (Audited)	Pro forma adjustments		Pro forma Enlarged Group (Unaudited)
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
Current assets				
Financial assets at fair value through profit or loss	369,232	16,203	3	385,435
Loans receivable	234,238			234,238
Other receivables	44,396			44,396
Cash and cash equivalents	167,057			167,057
	814,923			831,126
Current liabilities				
Financial liabilities at fair value through profit or loss	12,270			12,270
Other payables	23,242			23,242
Tax payables	1,237			1,237
Current portion of interest-bearing borrowings	24,384			24,384
	61,133			61,133
Net current assets	753,790			769,993
Total assets less current liabilities	1,834,989			2,038,918
Non-current liabilities				
Long-term interest-bearing borrowings	269,037			269,037
Convertible note	—	142,446	3	142,446
Deferred tax liabilities	25,439			25,439
	294,476			436,922
NET ASSETS	1,540,513			1,601,996
CAPITAL AND RESERVES				
Share capital	38,996			38,996
Reserves	1,501,517	7,726	1&2	1,563,000
		53,757	3	
TOTAL EQUITY	1,540,513			1,601,996

Notes:

(1) For unaudited pro forma financial information illustration purpose, the Acquisition is assumed to have been completed on 31 December 2008. This represents the adjustment in relation to the acquisition of 50% equity interests in the Target Group by the issue of convertible note of the Company at a consideration of HK$180,000,000.

(2) Under generally accepted accounting principles in Hong Kong, the Group will apply equity method to account for the Acquisition. Any goodwill arising on the Acquisition will be determined as the excess or deficit of the purchase consideration to be incurred by the Group over the Group's interests in net fair value of the identifiable assets, liabilities and contingent liabilities of the Target Group at the date of completion of the Acquisition. The Group's interest in the Target Group is determined based on the audited financial information of Double Smart as extracted from accountants' report of Double Smart set out in the Circular, as the assets and liabilities of the Target Group are wholly attributed to the assets and liabilities of Double Smart.

Subsequent to 31 March 2009 and prior to the signing of the share purchase agreement dated 8 June 2009 (the "Agreement"), in the books of the Target Group as at 3 June 2009, the amount due to its ultimate holding company of approximately HK$377,763,000 was capitalised by means of the issue of new shares by Best Purpose to its immediate holding company, Coupeville Limited ("Coupeville") (referred as the "Capitalisation"). The net liabilities of the Target Group as at 31 March 2009 was amounted to approximately HK$17,311,000, assuming that Best Purpose has been incorporated as at 31 March 2009. The Directors are of the view that the amount due to ultimate holding company of the Target Group was originally borrowed by Double Smart for its working capital and the Capitalisation is directly attributable to the Acquisition. It was part of commercial terms agreed between Welltodo Investments Limited, the Purchaser and Coupeville, the Vendor that the relevant liabilities be extinguished by means of the Capitalisation with the resultant effect of restoring the Target Group to a positive shareholders' equity position and with no material liabilities immediately prior to entering into of the Agreement. Accordingly, the Capitalisation was deemed to have taken place on 31 December 2008 for the purpose of presenting the unaudited pro forma financial information of the Enlarged Group.

Pursuant to the Agreement, the Vendor shall make up for (i) the shortfall between the write-offs for loans receivable of Double Smart as at 31 March 2009 as shown in its audited accounts and the write-offs for loans receivable of Double Smart as at 31 March 2009 as shown in its management accounts; and (ii) any portion of further provision as shown in the audited accounts of Double Smart as at 31 March 2009 which is above and over HK$50,000,000 in cash to Double Smart on the date of completion of the Acquisition (referred as the "Cash Injection"). Accordingly, the Cash Injection of approximately HK$15,000,000, representing the shortfall between the write-offs for loans receivable of Double Smart as at 31 March 2009 as shown in its audited accounts of HK$42,550,000 including HK$15,000,000 impairment of loans receivable subsequently written off and its management accounts of HK$27,550,000, was deemed to have taken place on 31 December 2008 for the purpose of presenting the unaudited pro forma financial information of the Enlarged Group.

	HK$'000
Net liabilities of the Target Group as at 31 March 2009	(17,311)
Add: Capitalisation	377,763
Cash Injection by the Vendor	15,000
Adjusted net assets of the Target Group	375,452
Less: 50% share attributable to other shareholder	(187,726)
Adjusted net assets attributable to the Group	187,726
Less: purchase consideration	(180,000)
Negative goodwill	7,726

The adjustment to negative goodwill of approximately HK$7,726,000 represents the excess of the adjusted net assets of the Target Group attributable to the Group totaling HK$187,726,000 over the purchase consideration of HK$180,000,000, which is recognised immediately in the consolidated income statement.

Any goodwill/negative goodwill which will be recognised after the completion of the Acquisition may be substantially different from the estimated amount as shown in the unaudited pro forma adjustments as set out above because the net fair value of the assets, liabilities and contingent liabilities of Target Group as at the date of completion of the Acquisition may be different from their book value used in the preparation of the unaudited pro forma financial information on the Enlarged Group.

(3) In connection with the Acquisition, the convertible note amounting to HK$180,000,000 is assumed to be issued to the Vendor on the date of completion of the Acquisition.

The fair values of derivative portion and liability portion of the convertible note of HK$16,203,000 and HK$142,446,000 respectively as at 31 December 2008 are estimated by Roma Appraisals Limited, an independent qualified professional valuers not connected to the Group.

The derivative portion of the convertible note represents the embedded early redemption option of the convertible note. The option to early redeem all or part of the convertible bond is an asset of the bond issuer in nature classified as Financial Assets at Fair Value through Profit or Loss in accordance with Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement".

The fair value of the liability portion of the convertible note was calculated based on the present value of the contractually determined stream of future cash flows discounted at the discount rate and providing substantially the same cash flows, on the same terms, but without the conversion option. The term structure of the discount rate is equal to spot interest rate plus other spread plus the country risk rate. Spot interest rate is determined with reference to the Hong Kong Exchange Fund Notes yields. Other spread is a premium above the yield with consideration of liquidity on a default-free bond (government bond) issue necessary to compensate for the risks associated with the bond. Country risk is a default spread added to the historical risk premium for a mature equity market (estimated from US historical data). The implied discount rate of the liability portion is 10.254% per annum. The fair value of derivative portion was calculated by using the Black-Scholes option pricing model. The residual amount of HK$53,757,000 is allocated to the equity portion and is included in the shareholders' equity of the Group in accordance with Hong Kong Accounting Standard 32 "Financial Instruments: Presentation" ("HKAS 32").

The actual fair values of derivative portion and liability portion of the convertible note and the corresponding residual amount allocated to equity portion in accordance with HKAS 32 at the date of completion of the Acquisition may be different from the respective amounts as shown in the unaudited pro forma adjustments as set out above as the market data at the date of completion of the Acquisition may be fluctuated and varied from the market data used in preparation of the unaudited pro forma financial information on the Enlarged Group.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised:		*HK$*
1,000,000,000	Shares	100,000,000.00
Issued:		
389,960,981	Shares	38,996,098.10
Issued and fully paid:		
389,960,981	Shares	38,996,098.10
129,496,402	Conversion Shares which will fall to be issued upon the conversion in full of the Convertible Note *(Note)*	12,949,640.20
519,457,383	Shares	51,945,738.30

Note: Pursuant to the Agreement, the Company will issue to Coupeville (or its nominees) the Convertible Note, with aggregate principal amount of HK$180 million. The initial conversion price of the Convertible Note is HK1.39 per Conversion Share, subject to customary anti-dilutive adjustments in certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other issues of Shares and/or convertible securities.

3. DISCLOSURE OF INTERESTS BY DIRECTORS

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

(i) *Long positions in the Shares*

Name of director	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
Dr. Chuang Yueheng, Henry	Beneficial owner	23,353,440	5.99%

(ii) *Long positions in shares of associated corporations*

Name of director	Name of associated corporation	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
Mr. King Phillip	Mascotte Holdings Limited	Beneficial owner	45,000	0.01%

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

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 Enlarged Group.

Long positions in the Shares

Name	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
Heritage International Holdings Limited	Interest of controlled corporation	38,002,000	9.75%
Kingston Securities Limited *(Note)*	Beneficial owner	77,990,029	19.99%

Note: Kingston Securities Limited is a company beneficially owned as to 51% by Chu Yuet Wah and as to 49% by Ma Siu Fong.

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. MATERIAL CONTRACTS

The following contracts, not being contracts entered in the ordinary course of business of the Enlarged Group, have been entered into by members of the Enlarged Group within two years immediately preceding the date of this circular and up to and including the Latest Practicable Date which are or may be material:

(i) On 3 August 2007, the Company and Chung Nam Securities Limited 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;

(ii) 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;

(iii) 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;

(iv) On 12 November 2007, the Company and Chung Nam Securities Limited 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;

(v) On 15 February 2008, the Company and Get Nice Securities Limited 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;

(vi) 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 by Clear State Investments Limited 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;

(vii) 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 by Easy Era Investments Limited of the entire issued share capital of and the shareholder loan to Uprite Limited at the consideration of HK$94 million by cash;

(viii) 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 by Perfectday Investments Limited 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 convertible notes;

(ix) 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 by Equal Sky Limited 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 convertible notes;

(x) 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 by Oasis Choice Limited 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 convertible notes;

(xi) 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;

(xii) 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;

(xiii) On 8 September 2008, Perfect Time Investments Limited, a wholly-owned subsidiary of the Company, Mascotte Group Limited and Mascotte Holdings Limited entered into a conditional sale and purchase agreement for the acquisition by Perfect Time Investments Limited of the entire issued share capital of Jet Star Industries Limited and the shareholder's loan extended to Jet Star Industries Limited at a consideration of HK$112 million which was satisfied by issue and allotment of 800,000,000 consideration shares of the Company;

(xiv) On 11 September 2008, the Company and Dollar Group Limited entered into a termination deed to terminate the parties' obligations under the non-interest bearing convertible notes in the aggregate principal amount of HK$86,882,392.88 issued by the Company to Dollar Group Limited on 7 July 2008;

(xv) 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;

(xvi) On 18 May 2009, Popovic Investments Limited, a wholly-owned subsidiary of the Company and Marvel Century Limited entered into a share purchase agreement for the disposal by Popovic Investments Limited of the entire issued share capital of Richful Zone International Limited at a consideration of HK$130 million which was satisfied by issue of convertible bond by Mascotte Holdings Limited;

(xvii) On 3 June 2009, Heritage International, as the assignor, Coupeville, as the assignee, and Double Smart entered into a deed of assignment pursuant to which Heritage International agreed to transfer and assign the loan of HK$377,763,142.08 owed by Double Smart to Coupeville;

(xviii) On 3 June 2009, Coupeville, as the assignor, Best Purpose, as the assignee, and Double Smart entered into a deed of assignment pursuant to which Coupeville agreed to transfer and assign the loan of HK$377,763,142.08 owed by Double Smart to Best Purpose;

(xix) the Agreement;

(xx) On 19 June 2009, the Company and Chung Nam Securities Limited entered into a placing agreement in respect of on best effort basis, the placing of convertible notes in an aggregate principal amount of up to HK$600 million and up to 600,000,000 placing shares of the Company at the placing price of HK$1.00 per placing share;

(xxi) On 22 June 2009, International Stamps & Coins Exchange Gallery Limited, a wholly-owned subsidiary of the Company, and Cheung Chi Kei and Chow Pui Ying entered into a formal agreement for sale and purchase for the disposal by International Stamps & Coins Exchange Gallery Limited of a property known as Flat C8, 26/F, Block C, Elizabeth House, Nos. 250 — 254 Gloucester Road, Causeway Bay, Hong Kong at a consideration of HK$6 million; and

(xxii) On 8 July 2009, the Company and Kingston Securities Limited entered into a placing agreement in relation to the placing of 77,990,000 new shares of the Company at HK$1.00 per share on fully-underwritten basis.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract, excluding contract expiring or terminable by the Enlarged Group within one year, without payment of compensation (other than statutory compensation) between any of the Directors and any member of the Enlarged Group.

7. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group as required to be disclosed pursuant to the Listing Rules.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material change in the financial or trading position or outlook of the Enlarged Group since 31 December 2008, being the date of which the latest audited financial statements of the Company were made up.

9. EXPERT'S QUALIFICATIONS AND CONSENT

Each of Ernst & Young and Mazars CPA Limited has given and has not withdrawn its written consents to the issue of this circular with the inclusion of its letters and references to its name in the form and context in which it appears.

The followings are the qualifications of the experts who have given their opinion or advice which are contained in this circular:

Name	Qualifications
Ernst & Young	Certified Public Accountants, Hong Kong
Mazars CPA Limited	Certified Public Accountants, Hong Kong

As at the Latest Practicable Date, Ernst & Young and Mazars CPA Limited did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Enlarged Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group, since 31 December 2008, the date to which the latest audited financial statements of the Company was made up; and was not beneficially interested in the share capital of any member of the Enlarged Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

10. LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

11. GENERAL

(a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group or proposed to be so acquired, disposed of by or leased to any member of the Enlarged Group since 31 December 2008, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

(b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group, which was subsisting and was significant in relation to the business of the Enlarged Group.

(c) 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.

(d) The qualified accountant of the Company is Ms. Ho Wai Chu, being a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

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

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

(g) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

12 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's head office in Hong Kong at 32/F., China United Centre, 28 Marble Road, North Point, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of the EGM:

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

(b) the annual reports of the Company for each of the two years ended 31 December 2008;

(c) the accountants' report issued by Ernst & Young on Double Smart as set out in Appendix II to this circular;

(d) the report issued by Mazars CPA Limited in connection with the unaudited pro forma financial information on the Enlarged Group as set out in Appendix III to this circular;

(e) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(f) the written consents referred to in the paragraph headed "Expert's Qualifications and Consent" in this Appendix;

(g) the Agreement; and

(h) this circular.

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

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

NOTICE IS HEREBY GIVEN that the extraordinary general meeting ("the **EGM**") of Willie International Holdings Limited (the "**Company**") will be held at 30/F China United Centre, 28 Marble Road, North Point, Hong Kong on Monday, 3 August 2009 at 9:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"THAT

(a) a share purchase agreement dated 8 June 2009 (the "**Agreement**") entered into between Welltodo Investments Limited and Coupeville Limited ("**Coupeville**") in relation to the purchase of the 2 ordinary shares of US$1.00 each in the share capital of Best Purpose Limited at a consideration of HK$180 million, which will be satisfied in full by the issue of convertible note (the "**Convertible Note**") by the Company to Coupeville (or its nominees), a copy of the Agreement is tabled at the meeting and marked "**A**" and initialled by the chairman of the meeting for identification purpose, be and is hereby confirmed, approved and ratified;

(b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised to execute the Agreement and all such other documents, instruments and agreements for and on behalf of the Company and to do all such acts or things and to sign and execute all such other or further documents (if any) and to take all such steps which in his/her opinion, may be necessary, appropriate, desirable or expedient to give effect to or in connection with the matters contemplated therein and to agree to any variation, amendment, supplement or waiver of matters relating thereto as are in his/her opinion, in the interest of the Company, to the extent that such variation, amendment, supplement or waiver do not constitute material changes to the material terms of the transactions contemplated under the Agreement;

(c) conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares (as defined in the circular of the Company dated 17 July 2009), the issue of the Convertible Note and the allotment and issue of the Conversion Shares which may fall to be issued by the Company to Coupeville (or its nominees) upon the exercise of the conversion rights attaching to the Convertible Note be and are hereby confirmed and approved; and

(d) the directors of the Company be and are hereby authorised to issue the Convertible Note and the Conversion Shares pursuant to the terms of the Agreement and the directors of the Company be and are hereby also authorised to do all such acts and things they consider necessary or expedient in relation to the exercise of the conversion right attaching to the Convertible Note."

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

Hong Kong, 17 July 2009

Registered office and head office:
32/F, China United Centre
28 Marble Road
North Point
Hong Kong

Notes:

1. A form of proxy to be used for the meeting is enclosed.

2. Any member entitled to attend and vote at the meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer, attorney or other person authorised to sign the same.

4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's share registrar in Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote.

5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. Where there are joint holders of any share any one of such joint holder may vote, either in person 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 the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

7. As at the date of this notice, the Executive Directors of the Company are Dr. Chuang Yueheng, Henry, Mr. King Phillip, Mr. Wong Ying Seung, Asiong and Mr. Wang Lin; and the Independent Non-executive Directors of the Company are Ms. Lin Wai Yi, Mr. Liu Jian, Mr. Wen Louis and Mr. Yau Yan Ming, Raymond.