
IMPORTANT

If you are in any doubt about this prospectus you should obtain professional advice.

A copy of this prospectus, together with copies of the application form and the other documents specified under the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix III to this prospectus, have been registered by the Registrar of Companies in Hong Kong as required by section 38D of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility as to the contents of any of these documents.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this prospectus.



Willie International Holdings Limited

威利國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 273)

ISSUE AND PLACING OF 3,000,000,000 LISTED WARRANTS BEING WARRANTS IN REGISTERED FORM TO SUBSCRIBE FOR SHARES AT AN ISSUE PRICE OF HK\$0.025 PER WARRANT

This prospectus is published for the purpose of obtaining the listing on the Stock Exchange of all Warrants to be issued by the Company and contains particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company and its subsidiaries and such Warrants.

Application has been made to the Stock Exchange for the listing of and permission to deal in Warrants to be issued by the Company and the Shares falling to be issued on exercise of the subscription rights attaching to such Warrants. Commencement of dealings in the Warrants is expected to be on 15 October 2007.

The Placing will also not proceed in the event that the Underwriter, after consultation with the Company, gives written notice at any time prior to 4:00 p.m. (Hong Kong time) on the fourth Business Day immediately following the date on which a copy of this prospectus and the application form for the Warrants have been registered by the Registrar of Companies in Hong Kong, to terminate the Placing and Underwriting Agreement by reason of (a) any material breach of any of the representations, warranties and undertakings set out in the Placing and Underwriting Agreement comes to the knowledge of the Underwriter; or (b) there is any material and adverse change in the business or in the financial or trading position of the Group taken as a whole; or (c) there develops, occurs or comes into force any new law or regulation or any change in existing laws or regulations or the interpretation thereof which shall in the reasonable opinion of the Underwriter materially and adversely affect the business or financial condition or prospects of the Group or any local, regional, national or international event or change of a political, military, economic or other nature which, in the reasonable opinion of the Underwriter, will result in a material adverse change in political, economic or stock market conditions, and which in each such case may reasonably be expected to have a material and adverse effect on the success of the Placing.

Dealings in the Warrants to be issued by the Company and the Shares falling to be issued on the exercise of subscription rights attached to the Warrants may be settled through the CCASS established and operated by HKSCC. You should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of and permission to deal in the Warrants to be issued by the Company and the Shares falling to be issued on the exercise of subscription rights attached to such Warrants on the Stock Exchange, as well as the compliance with the stock admission requirements of HKSCC, the Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from the commencement date of dealings in the Warrants on the Stock Exchange, or such other date as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

14 September 2007

CONTENTS

	<i>Page</i>
ATTENTION	ii
PRELIMINARY	iii
DEFINITIONS	1
EXPECTED TIMETABLE	4
LETTER FROM THE BOARD	5
APPENDIX I — TERMS AND CONDITIONS OF THE WARRANTS	16
APPENDIX II — FINANCIAL INFORMATION OF THE GROUP	27
APPENDIX III — GENERAL INFORMATION	78

ATTENTION

THIS PROSPECTUS IS ALSO SENT OR DELIVERED TO THE SHAREHOLDERS OF THE COMPANY FOR INFORMATION PURPOSES ONLY. THE SHAREHOLDERS OF THE COMPANY SHOULD NOTE THAT THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OR INVITATION ON BEHALF OF THE COMPANY BY THE UNDERWRITER TO APPLY FOR OR TO TAKE UP ANY WARRANTS, SHARES OR ANY OTHER SECURITIES OF THE COMPANY.

PRELIMINARY

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

This prospectus is published in connection with the Placing, being an offer of Warrants carrying rights to subscribe for Shares, subject to the terms and conditions set out or referred to herein.

Each potential purchaser of the Warrants should determine the relevance of the information contained in this prospectus and any purchase of the Warrants should be based on such information as each purchaser deems necessary. The Underwriter does not undertake to review the financial condition or affairs of the Company during the term of the Warrants or to advise any investor or potential investor in the Warrants of any information which come to their attention.

No action has been taken in any jurisdiction other than Hong Kong to permit an offering of the Warrants or the distribution of this prospectus and the application form. Accordingly, this prospectus and the application form may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction other than Hong Kong or in any circumstances in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such offer or invitation except under such circumstances that will result in compliance with any applicable laws or regulations.

No person has been authorized to give any information or to make any representation not contained in this prospectus in connection with the Placing or the Warrants and, if given or made, such information or representation must not be relied upon as having been authorized by the Company, the Underwriter or any other party involved in the Placing. Neither the delivery of this prospectus and the application form nor any issue or sale of any Warrants shall under any circumstances create any implication that there has been no change in the affairs of the Company or any of its subsidiaries since the date hereof. This prospectus together with the application form does not constitute, and may not be used for the purpose of, an offer or solicitation by anyone in any jurisdiction other than Hong Kong in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation and no action is being taken to permit an offering of the Warrants or the distribution of this prospectus in any jurisdiction where any such action is required.

The Stock Exchange and HKSCC have made no assessment of, nor does either of them take any responsibility for, the financial soundness of the Company or merits of investing in the Warrants, nor has either of them verified the accuracy or the truthfulness of statements made or opinions expressed in this prospectus.

The distribution of this prospectus and the application form and the offering, issue and delivery of the Warrants in certain jurisdiction may be restricted by law. Persons into whose possession this prospectus and the application form have come are required by the Company to inform themselves of and to observe, any such restrictions.

PRELIMINARY

Application has been made to the Stock Exchange for the listing of and permission to deal in the Warrants and the Shares falling to be issued on the exercise of Subscription Rights on the Stock Exchange. No Share or Warrant are listed or dealt in on any other stock exchange and the Company is not currently seeking to list the Shares or Warrants on any other stock exchange.

Subject to the granting of the listing of and permission to deal in the Warrants to be issued by the Company and the Shares falling to be issued on the exercise of subscription rights attached to such Warrants on the Stock Exchange, as well as the compliance with the stock admission requirements of HKSCC, the Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS with effect from the commencement date of dealings in the Warrants on the Stock Exchange, or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Potential Warrantholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding the Warrants or exercising their rights thereunder. It is emphasized that none of the Company, the Directors or any other party involved in the Placing accepts responsibility for any tax effects on, or liabilities of, the Warrantholders resulting from the subscription, purchase, holding or disposal of, the Warrants and/or exercise of any rights attaching to the Warrants.

EACH SUBSCRIBER OR PURCHASER OF THE WARRANTS MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN EACH JURISDICTION IN WHICH IT SUBSCRIBES, PURCHASERS, OFFERS OR SELLS THE WARRANTS OR POSSESSES OR DISTRIBUTE THIS PROSPECTUS AND THE APPLICATION FORM AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE SUBSCRIPTION, PURCHASE, OFFER OR SALE OF THE WARRANTS UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH SUBSCRIPTION, PURCHASE, OFFER OR SALE, AND NONE OF THE COMPANY, THE UNDERWRITER AND ANY OTHER PERSONS INVOLVED IN THE PLACING SHALL HAVE ANY RESPONSIBILITY THEREFOR.

DEFINITIONS

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

“Board”	the board of directors of the Company;
“Business Day”	any day (excluding Saturdays) on which banks are open for business in Hong Kong;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“Companies Ordinance”	Companies Ordinance (Cap. 32 of the Laws of Hong Kong);
“Company”	Willie International Holdings Limited, a company incorporated in Hong Kong, whose shares are listed on the Stock Exchange;
“Connected Person(s)”	the meaning ascribed thereto in the Listing Rules;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Issue Price”	HK\$0.025, being the price per Warrant to be issued pursuant to the Placing;
“Latest Practicable Date”	10 September 2007, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information referred to in this prospectus;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Placee(s)”	any person or entity whom the Underwriter and/or any person or entity whom the Underwriter or its agent(s) have procured to subscribe for any of the Warrants in accordance with the terms of the Placing and Underwriting Agreement;
“Placing”	a private placing of 3,000,000,000 Warrants in registered form to selected independent institutional and private investors on the terms and subject to the conditions to be set out in the Prospectus, the Warrant Instrument, the Placing and Underwriting Agreement and the application form of the Warrants;

DEFINITIONS

“Placing Period”	<p>the period:</p> <p>(a) commencing at 9:00 am (Hong Kong time) on the Business Day immediately following the date on which a copy of each of the Prospectus and the Application Form is registered by the Registrar of Companies in Hong Kong; and</p> <p>(b) ending at 4:00 pm (Hong Kong time) on the fourth Business Day immediately following the date on which a copy of each of the Prospectus and the Application Form is registered by the Registrar of Companies in Hong Kong;</p>
“Placing and Underwriting Agreement”	the conditional placing and underwriting agreement dated 3 August 2007 and entered into between the Company and the Underwriter in relation to the Placing;
“PRC”	the People’s Republic of China which, for the purpose of this prospectus, excludes Hong Kong, Macau Special Administrative Region and Taiwan;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	holder(s) of (a) Share(s) of the Company;
“Share(s)”	share(s) of a par value of HK\$0.10 each in the capital of the Company;
“Share Option Scheme”	the share option scheme adopted and approved by the Company on 20 November 2002;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Price”	the sum payable in respect of each Share to which the registered holder of each Warrant shall be entitled upon exercise of the Subscription Rights represented thereby, being HK\$0.10 per Share in cash or such adjusted price as may for the time being be applicable in accordance with the terms of the Warrant Instrument;
“Underwriter”	Chung Nam Securities Limited, a licensed corporation to carry out business in type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Warrant(s)”	listed warrant(s) conferring right to subscribe for Shares at the Subscription Price (subject to adjustment) to be issued pursuant to the Warrant Instrument;

DEFINITIONS

“Warrantholder(s)”	holder(s) of the Warrant(s);
“Warrant Instrument”	the deed poll constituting the Warrants to be executed by the Company;
“%”	per cent.

EXPECTED TIMETABLE

2007

Despatch of the prospectus and application form	Friday, 14 September
Commencement of the Placing	9:00 a.m. on Friday, 14 September
Latest time for submitting the application forms for the Warrants accompanied by appropriate remittances	4:00 p.m. on Wednesday, 19 September
Latest time for termination of the Placing and Underwriting Agreement	4:00 p.m. on Wednesday, 19 September
Warrant certificates to be despatched on or before	Thursday, 11 October
Formal Notice	Thursday, 11 October
Dealings in the Warrants on the Stock Exchange commence on	Monday, 15 October

LETTER FROM THE BOARD



Willie International Holdings Limited

威利國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 273)

Executive Directors

Mr. Chuang Yueheng, Henry
Mr. King Phillip
Mr. Lo Kan Sun
Mr. Wong Ying Seung, Asiong
Mr. Wang Lin

Registered Office and Head Office

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

Independent Non-executive Directors

Mr. Nakajima Toshiharu
Ms. Lin Wai Yi
Mr. Liu Jian
Mr. Shum Ming Choy
Mr. Yau Yan Ming, Raymond

14 September 2007

To the Shareholders,

Dear Sir or Madam,

**ISSUE AND PLACING OF 3,000,000,000 LISTED WARRANTS BEING
WARRANTS IN REGISTERED FORM TO SUBSCRIBE FOR SHARES AT
AN ISSUE PRICE OF HK\$0.025 PER WARRANT**

INTRODUCTION

The Company proposes to raise approximately HK\$75 million before expenses and commission by way of Warrants at the Issue Price of HK\$0.025. Each Warrant to be issued by the Company pursuant to the Placing shall confer the right to subscribe for one Share at the subscription price of HK\$0.10 each and exercisable during a period of 18 months commencing from the date of issue of the Warrants.

The purpose of this prospectus is to provide you with including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group and the Warrants.

LETTER FROM THE BOARD

PLACING AND UNDERWRITING AGREEMENT

Date: 3 August 2007

Parties: (i) Issuer: the Company

(ii) Underwriter: Chung Nam Securities Limited. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Underwriter and its ultimate beneficial owners are independent of and not Connected Persons of the Company and its Connected Persons.

The Placing

The Underwriter has, pursuant to the Placing and Underwriting Agreement, agreed to act as placing agent and underwriter for and on behalf of the Company to conditionally place, during the Placing Period, the Warrants with independent investors who are not connected with the Directors, chief executive or substantial Shareholders of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules). To the extent that the Underwriter fails to procure Placees to take up and pay for any or all of the Warrants, the Underwriter itself will subscribe for or procure the subscription of the unplaced Warrants. The Placing will be made to not less than 300 or more Placees who are individual, corporate and/or institutional investors. No Warrants will be placed with any person, firm or company which is a Connected Person (as defined in the Listing Rules) of the Company and that the Placing will be conducted in compliance with Chapter 15 of, Appendix 6 to and other relevant provisions of the Listing Rules and no Warrant will be issued to persons or parties restricted under Appendix 6 to the Listing Rules. Immediately after completion of the Placing, at least 25% of the Company's total issued share capital will be held by the public and 25% of the Warrants will be held by the public. In addition, it is not intended that more than 50% of the Warrants held by the public will at the time of listing be beneficially owned by the three largest public Shareholders of the Company.

Commission

In consideration of the Underwriter performing its obligations under the Placing and Underwriting Agreement, the Company will pay to the Underwriter a placing and underwriting commission of 2.5% of the aggregate Issue Price multiplied by the number of all of the Warrants.

Conditions of the Placing

The obligations of the Underwriter under the Placing and Underwriting Agreement are conditional upon the fulfillment of the following conditions:

- (a) the Listing Committee of the Stock Exchange granting approval for the listings of, and permission to deal in, all the Warrants and any Shares falling to be issued on the exercise of the subscription rights attached to the Warrants either unconditionally or subject to conditions to which the Company accepts;

LETTER FROM THE BOARD

- (b) the delivery to and registration by the Registrar of Companies in Hong Kong of a copy of each of the Prospectus and the application form for the Warrants, each duly certified by all Directors (or by their agents duly authorised in writing) as having been approved by resolution of the board of Directors and having annexed to it all documents required to be annexed thereto, in accordance with Section 38D of the Companies Ordinance; and
- (c) the passing by the shareholders of the Company at an extraordinary general meeting to be held of a resolution to approve the creation of the Warrants, the Placing and the issue of any Shares falling to be issued upon exercise of the subscription rights attached to the Warrants.

In the event that such conditions are not satisfied or waived (to the extent as permitted by the Listing Rules and all applicable laws in Hong Kong) by the Underwriter on or before 31 October 2007, the Placing and Underwriting Agreement shall terminate and the Placing will not proceed. The above condition (c) was satisfied on 10 September 2007.

Termination

The Placing will also not proceed in the event that the Underwriter, after consultation with the Company, gives written notice at any time prior to 4:00 p.m. (Hong Kong time) on the fourth Business Day immediately following the date on which a copy of the Prospectus and the application form for the Warrants have been registered by the Registrar of Companies in Hong Kong, to terminate the Placing and Underwriting Agreement by reason of (a) any material breach of any of the representations, warranties and undertakings set out in the Placing and Underwriting Agreement comes to the knowledge of the Underwriter; or (b) there is any material and adverse change in the business or in the financial or trading position of the Group taken as a whole; or (c) there develops, occurs or comes into force any new law or regulation or any change in existing laws or regulations or the interpretation thereof which shall in the reasonable opinion of the Underwriter materially and adversely affect the business or financial condition or prospects of the Group or any local, regional, national or international event or change of a political, military, economic or other nature which, in the reasonable opinion of the Underwriter, will result in a material adverse change in political, economic or stock market conditions, and which in each such case may reasonably be expected to have a material and adverse effect on the success of the Placing.

INFORMATION OF THE WARRANTS

The Warrants will be constituted by way of a deed poll by the Warrant Instrument and will be in registered form. Each Warrant to be issued by the Company pursuant to the Placing shall confer the right to subscribe for one Share at the initial Subscription Price (subject to adjustment). Further information on the terms of the Warrants is set out in Appendix I of this prospectus.

Issue Price and Subscription Price

According to the Placing and Underwriting Agreement, the Issue Price has been fixed at HK\$0.025 per Warrant. The Subscription Price payable upon exercise of the subscription right of each

LETTER FROM THE BOARD

Warrant has been initially fixed at HK\$0.10, subject to adjustment for consolidation or subdivision of Shares, issue of Share by way of capitalization of profits or reserves, bonus issues, rights issues, distributions and other dilutive events of similar nature, details of which are set out in the Warrant Instrument.

The initial Subscription Price of HK\$0.10 per Share was arrived at after arm's length negotiation between the Underwriter and the Company and:

- represents a discount of approximately 11.50% to the closing price of HK\$0.113 per Share as quoted on the Stock Exchange on 1 August 2007, being the last trading day; and
- represents a discount of approximately 17.63% to the average closing price of HK\$0.1214 per Share as quoted on the Stock Exchange for the last 5 trading days prior to the last trading day.

The aggregate of the Issue Price and the initial Subscription Price of HK\$0.125:

- represents a premium of approximately 10.62% to the closing price of HK\$0.113 per Share as quoted on the Stock Exchange on 1 August 2007, being the last trading day; and
- represents a premium of approximately 2.97% to the average closing price of HK\$0.1214 per Share as quoted on the Stock Exchange for the last 5 trading days prior to the last trading day.

The Directors consider that both the Issue Price and initial Subscription Price, taking into account the recent trading prices of the Shares and a subscription period, are fair and reasonable which are determined after arm's length negotiations between the Company and the Underwriter, and are in the interests of the Shareholders and the Company as a whole.

Board lots

The board lot for trading of the Warrants shall be 100,000 Warrants and the minimum amount of Warrants required to be subscribed for by any one Placee shall be one board lot of Warrants.

Subscription Period

The Warrants shall be exercisable for a period of 18 months commencing from the date of issue of the Warrants.

Shares to be issued upon exercise of subscription rights attached to the Warrants

Subject to the satisfaction of the conditions of the Placing as referred to in the section headed "Conditions of the Placing" above and assuming exercise in full of the subscription rights attached to

LETTER FROM THE BOARD

the Warrants, 3,000,000,000 Shares will fall to be issued, representing approximately 19.76% of the existing issued share capital and approximately 16.50% of the issued share capital of the Company as enlarged by the issue of such Shares. As at the Latest Practicable Date, the Company has no outstanding warrants, options or convertible notes.

The new Shares falling to be issued upon the exercise of the subscription rights attached to the Warrants will rank pari passu in all respects with the then existing issued Shares save for any rights or entitlements to dividends or other rights or distributions the record date for which precedes the date on which the subscription rights attached to the Warrants are exercised in accordance with the terms of the Warrants.

Application has been made to the Listing Committee of the Stock Exchange for the listings of, and permission to deal in, the Warrants and any Shares falling to be issued upon the exercise of the subscription rights attached to the Warrants.

Use of proceeds and reasons for the Placing

The Issue Price and the initial Subscription Price of the Warrants are based on the recent market performance of the Shares and the Directors consider that they are fair and reasonable.

The initial estimated net proceeds of approximately HK\$71 million from the Placing are intended to be used for general working capital of the Group and/or other investments in the future. Assuming the full exercise of the subscription rights attaching to the 3,000,000,000 Warrants, it is expected that approximately HK\$300 million will be raised. As at the Latest Practicable Date, the Company has not identified any suitable investment opportunities and is not in discussion for any investment projects. In the event that the 3,000,000,000 Warrants are fully exercised, the estimated HK\$300 million proceeds will be used for working capital of the Company in relation to its business of property investment, investment in securities trading and money lending. The reasons for having immediately available funds are further set out below. The Company will make announcement in compliance with the requirements of the Listing Rules as and when appropriate.

Although the estimated HK\$285.5 million aggregate proceeds from the last two fund raising activities were not yet utilized, the Directors consider that taking into account the current market conditions, the Placing will further strengthen the Company with immediately available funds for its business. Taking into account that the business of the Company is in property investment, investment in securities trading, money lending, investing in energy related businesses and acquiring, exploring and developing natural resources, the Directors consider that it is an advantage to have access to immediate available funds such that the Company can make and invest quickly under the current market conditions. The Directors further consider that the Placing is an appropriate method to raise capital for the abovementioned purposes in the present circumstances for the following reasons: (i) it may not have an immediate dilution effect on the shareholding of the existing Shareholders; (ii) it raises funds immediately upon issue of the Warrants and further funds will be raised if and when the Warrants are exercised; and (iii) it provides investors with an alternative means to invest in the

LETTER FROM THE BOARD

Company. As the Company has not identified any immediate investments, the Directors consider that the current funding level to be sufficient for the present purposes. Currently, the Company does not have further fund raising plans, but the Company will monitor the market conditions and its funding requirements, taking into account of any future suitable investments.

Listing and Dealing

Application has been made to the Listing Committee of the Stock Exchange for the listings of, and permission to deal in, the Warrants and any Shares falling to be issued upon the exercise of the subscription rights attached to the Warrants. It is expected that dealings in Warrants on the Stock Exchange will commence on 15 October 2007.

Subject to the granting of the listing of and permission to deal in the 3,000,000,000 Warrants and the Shares which may be fall to be issued upon the exercise of the Subscription Rights on the Stock Exchange, as well as compliance with the stock admission requirements of HKSCC, the Warrants and the Shares which may fall to be issued upon the exercise of Subscription Rights will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Warrants on the Stock Exchange or, under contingent situation, such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Warrants to be admitted into CCASS.

CHANGES IN SHAREHOLDING OF THE COMPANY AS A RESULT OF THE PLACING

The shareholding structure of the Company before and after the full exercise of the subscription rights attaching to the Warrants (assuming full subscription of the Warrants) are as follows :

Public Shareholders	As at the Latest Practicable Date		Assuming full exercise of the subscription rights attaching to the Warrants	
	Shares	%	Shares	%
Unity Investments Holdings Ltd	850,000,000	5.60	850,000,000	4.68
The Placees	—	—	3,000,000,000	16.50
Other public Shareholders	<u>14,329,312,988</u>	<u>94.40</u>	<u>14,329,312,988</u>	<u>78.82</u>
	<u>15,179,312,988</u>	<u>100</u>	<u>18,179,312,988</u>	<u>100</u>

LETTER FROM THE BOARD

CAPITAL RAISING ACTIVITIES IN THE PAST 12 MONTH

Date of announcement	Transaction	Net proceeds raised (approximately)	Completed	Intended use of proceeds	Actual use of proceeds
5 December 2006	Placing of convertible notes with principal amount of up to HK\$150 million	HK\$146 million	Yes (the convertible notes were fully converted on 21 and 22 February 2007)	To be used for general working capital purposes, possible investments in the PRC in the natural resources sectors and other sectors	HK\$146 million — general working capital
26 February 2007	Placing of 684,000,000 new Shares under the placing agreement dated 26 February 2007	HK\$80 million	Yes	To be used for general working capital and/or possible investment in the future	HK\$80 million — general working capital
12 March 2007	Placing of convertible notes with principal amount of HK\$200 million	HK\$195 million	Yes (the convertible notes were fully converted on 19, 23 and 24 April 2007)	To be used for general working capital and/or other possible investments in the future	<p>HK\$57.8 million — acquisition of property interest (details of which are set out in the announcement of the Company dated 12 April 2007)</p> <p>HK\$88 million — acquisition of property interest (details of which are set out in the announcement of the Company dated 15 June 2007)</p> <p>HK\$10 million — other investments</p> <p>HK\$39.2 million — general working capital</p>

LETTER FROM THE BOARD

Date of announcement	Transaction	Net proceeds raised (approximately)	Completed	Intended use of proceeds	Actual use of proceeds
27 March 2007	Placing of 1,189,000,000 new Shares under the placing agreement dated 27 March 2007	HK\$127 million	Yes	To be used for general working capital and/or possible investment in the future	HK\$61 million — investment properties and other investments HK\$66 million — general working capital
6 June 2007	Placing of 1,946,218,000 new Shares under the placing agreement dated 6 June 2007	HK\$239 million	Yes	To be used for general working capital and/or possible investment in the future	HK\$27 million — general working capital HK\$136 million — acquisition of 100% interest in Allied Loyal International Investments Limited (details of which are set out in the announcement of the Company dated 28 June 2007) HK\$42.5 million — investment properties and other investments HK\$33.5 million — not yet utilized as at the Latest Practicable Date
5 July 2007	Placing of 2,335,000,000 new Shares under the placing agreement dated 5 July 2007	HK\$252 million	Yes	To be used for general working capital and/or possible investment in the future	HK\$252 million — not yet utilized as at the Latest Practicable Date

The proceeds set out above utilized as working capital were for the business operations of the Company and include the trading of investments (sale & purchase of securities) and provision of loan financing. As part of the business of the Company is in the provision of loan financing, the working capital has been fully utilized for the making loans normally with a term of not more than one year

LETTER FROM THE BOARD

and it is expected that interest will be generated from such loans. The Company will only receive cash upon payment of such interest or repayment of the loans. As for the trading of investments, the Company has made short term investments in securities and to the extent that the Company realizes gains on its investments (which is subject to market condition and the Company's assessment of the investments it has made), further cash will be generated from such realization. However, as at the Latest Practicable Date, the Company has not formed a strategy to make any significant realization.

DESCRIPTION OF THE BUSINESS

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

BUSINESS REVIEW OF THE GROUP

In 2006, the Company's focus and plan were clear and the Board has executed strongly on the business strategies. Throughout the year, the Board spent a good deal of time working to expand the connections or networks. The Company have approached potential partners as well as received countless investment proposals. After careful evaluations, the Board had identified certain projects which offer sustainable value and growth that were worth pursuing.

In January 2006, the Group entered into an agreement with Mr. Wang Sing (former CEO and executive director of Tom Group) for the acquisition of 25% of Amerinvest Coal Industry Holding Company Limited ("Amerinvest") through a placement of shares and thus making Mr. Wang Sing a strategic investor of the Company. In March 2006, the Group further acquired an additional 25% of Amerinvest. Amerinvest is a company that invests in the West China Coking Project in the Yunnan Province in the PRC.

The Board has concentrated the resources in cash and liquid asset by disposing minor property holdings, non-performing assets, and long term debt instruments. During 2006, the Group disposed of its interests in Found Macau Investments International Limited and Hennabun Management International Limited 8% convertible note for HK\$75 million and \$100 million respectively. The Company raised an additional HK\$60.8 million through the exercise of share options. In January 2007, the Group disposed of its only property in Laguna City, Kowloon for HK\$2.7 million.

Results

Turnover for the year ended 31 December 2006 amounted to HK\$295.5 million, an increase of 137.3% when compared with HK\$124.5 million for the last year. The increase in turnover was mainly attributable to the increase in the sale of listed investments during the year. Loss attributable to equity holders for the Year was HK\$114.8 million compared with a loss of HK\$131.7 million for the last year. Loss per share for 2006 was HK\$0.034 compared with HK\$0.064 for the last year.

LETTER FROM THE BOARD

Liquidity and Capital Resources

During the Year, the Company has completed the issue of 224,408,635 new shares arising from the exercise of share options raising an additional equity of approximately of HK\$60.8 million. Furthermore, the Company has issued 250,000,000 new shares to satisfy the acquisition cost of HK\$66.25 million for the investment in the initial 25% shareholding in Amerinvest.

As at 31 December 2006, the Group's total equity amounted to HK\$329.6 million as compared with HK\$311.6 million as at 31 December 2005. As at 31 December 2006, the Group had net current assets of HK\$217.1 million including cash and cash equivalents of HK\$8.9 million as compared with net current assets of HK\$47.6 million including cash and cash equivalents of HK\$11.4 million as at 31 December 2005. The Group maintained a low debt/equity ratio of 7.1% (computed on the basis of total borrowings to total equity) and current ratio of 14.79 times as at 31 December 2006 as compared to 5.9% and 3.52 times respectively as at 31 December 2005.

As at 31 December 2006, the Group had bank and other borrowings of HK\$23.3 million (2005: bank borrowings of HK\$18.4 million). Of the Group's bank and other borrowings of HK\$23.3 million, 32.2%, 11.7%, 32.5%, 23.6% are repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. The Group's bank and other borrowings carrying interest rates were calculated with reference to prime rate and denominated in Hong Kong dollars. The Group did not have any financial instruments used for hedging purpose.

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

Pledge of Assets

As at 31 December 2006, certain assets of the Group with an aggregate carrying value of HK\$27.7 million (2005: HK\$30.8 million) have been pledged to banks to secure banking facilities granted to the Group.

Contingent Liabilities

As at the balance sheet date, the Company had contingent liabilities not provided for in the financial statements in respect of guarantees of HK\$20.4 million (2005: HK\$38 million) and HK\$30 million (2005: HK\$30 million) for banking facilities granted to subsidiaries and an associate respectively, which were utilised by subsidiaries and an associate to the extent of HK\$18.3 million (2005: HK\$18.4 million) and HK\$24.5 million (2005: HK\$21.4 million) respectively.

Major Customers and Suppliers

For the year ended 31 December 2006, the aggregate amount of turnover and purchases attributable to the Group's five largest customers and suppliers respectively represented less than 30% of the Group's total turnover and purchases.

LETTER FROM THE BOARD

There was no other contract of significance to which the Company, its holding company or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of 31 December 2006 and up to the Latest Practicable Date.

FUTURE PROSPECT OF THE GROUP

Recently, the Board regards the natural resources and energy sectors as a major and critical development in the PRC with potential for tremendous growth. The Board continues its strategies to explore opportunities in these areas. In February 2007, the Company announced of a potential joint venture with PRC oil conglomerate to engage in the exploration of oil located in a country with rich energy resources in the former Soviet Socialist Republic. This project is currently being evaluated and Shareholders and potential investors should note that no binding agreements have been signed and that the project may or may not proceed. In June 2007, an indirect wholly-owned subsidiary of the Company, entered into the acquisition agreement to acquire 100% equity interest in Allied Loyal International Investments Limited (“Allied Loyal”) for a total consideration of HK\$136 million in cash. The principal asset of Allied Loyal is 50% of the forestry lands use rights (林地使用權) and forestry trees entitlement (林木所有權) of the Forests granted by 雲南省普洱市翠雲區人民政府 in Simao District (思茅區), Puer City (普洱市), Yunnan Province, the PRC.

Moreover, the Board believes that the property market in Hong Kong will become stable with an upward trend, especially for luxury properties. In April 2007, the Company announced to incorporate a wholly-owned subsidiary as the holding company for the property investment and acquired a property of House 6, Somerset Path, The Royal Oaks, 8 Kam Tsin South Road, Sheung Shui for a consideration of HK\$57.8 million in cash. In June 2007, the Company announced to acquire a property located at Unit 1, Sunshine Villa, No. 48 Mount Kellett Road, The Peak, Hong Kong for a consideration of HK\$88 million in cash. In addition, the Company through its subsidiaries acquired several investment properties during the first half of year 2007. The Board would like to seize any opportunities by building up its property portfolio and prepare to lease out of the properties so as to provide a stable source of rental income to the Company.

The Company from time to time reviews and studies potential investments in property and natural resources related projects for strengthening the financial position of the Group.

ADDITIONAL INFORMATION

You attention is drawn to the Appendices to this prospectus.

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

In this Appendix, the following words and expressions shall have the following meaning unless the context otherwise requires:

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“Exercise Moneys”	in relation to any Warrant, the amount in cash which the Warrantholder of such Warrant is entitled to subscribe for Shares upon the exercise of the Subscription Rights represented thereby;
“Instrument”	the instrument constituting the Warrants (as from time to time modified in accordance with the terms thereof) including any instrument which is executed in accordance with the provisions of such Instrument (as from time to time modified as aforesaid) and expressed to be supplemental thereto;
“Registrar”	Computershare Hong Kong Investor Services Limited or such other person, firm or company as for the time being maintains in Hong Kong (and/or such other place as may be determined by the Directors) the Register;
“Subscription Date”	in relation to any Warrant, any business day falling during the Subscription Period on which any of the Subscription Rights represented by such Warrant are duly exercised before the close of business on such day by delivery of the Warrant Certificate in respect thereof to the Registrar with the subscription form duly completed, together with a remittance of the Exercise Moneys or (in the case of partial exercise) the relevant portion thereof and otherwise in accordance with the Conditions provided that if such rights are exercised during a period when the register of holders of Shares is closed the Subscription Date shall be the next following business day on which such register is open;
“Subscription Period”	the period at any time from the date of issue thereof but not later than 4:00p.m. (Hong Kong time) on the date ending on (and including) the corresponding date 18 months thereafter (or such earlier date as provided herein), or if that day is not a business day, the business day immediately preceding that day (both dates inclusive);

“Subscription Price”	the sum payable in respect of each Share to which the registered holder of each Warrant shall be entitled upon exercise of the Subscription Rights represented thereby, being HK\$0.10 per Share in cash (at the date of the Instrument) or such adjusted price as may for the time being be applicable in accordance with the terms of the Instrument;
“Subscription Rights”	the rights of the Warrantheolders represented by the Warrants to subscribe for 3,000,000,000 Shares (or such other number of Shares as may result from an adjustment pursuant to the terms of the Instrument) pursuant to the Warrants and, in relation to each Warrant, the right of the relevant Warrantheolder to subscribe for the number of fully paid up for Shares stated on the face of the Warrant Certificate upon and subject to the Conditions;
“Warrant Certificates”	the certificates (in registered form) issued in respect of the Warrants as from time to time modified in accordance with the provisions set out in the Instrument;
“Warrantheolders”	in relation to any warrant, the person or persons who is or are for the time being registered in the Register as the holder or joint holders of the Warrant; and
“Warrants”	the rights created by the Instrument entitling the Warrantheolders to exercise Subscription Rights on the terms set out in the Instrument and in these Conditions.

The Warrants will be issued subject to and with the benefit of the Instrument, which will be executed by the Company by way of deed poll. The Warrants will be issued in registered form and will form one class and rank *pari passu* in all respects with each other.

The Warrantheolders will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions and of the provisions of the Instrument, copies of which will be available at the principal place of business in Hong Kong for the time being of the Company.

1. SUBSCRIPTION RIGHTS

- (a) The Warrantheolder of the Warrant represented by the relevant Warrant Certificate shall have the right, which may be exercised in whole or in part at any time during the Subscription Period, to subscribe in dollars the Exercise Moneys for fully-paid Shares at the Subscription Price per Share. After the expiry of the Subscription Period, any Subscription Rights which have not been exercised shall lapse and the Warrants shall cease to be valid for any purpose.
- (b) The Company shall undertake in the Instrument that Shares falling to be issued upon the exercise of the Subscription Rights represented by the relevant Warrant Certificate shall be

issued and allotted no later than 10 Business Days after the relevant Subscription Date and shall rank pari passu in all respect with the fully-paid Shares in issue on the relevant Subscription Date and, accordingly, shall entitle the holders to participate in all dividends and other distributions paid or made after the relevant Subscription Date unless adjustment therefor or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant Subscription Date and notice of the amount and record date for which shall have been given to the Stock Exchange prior to the relevant Subscription Date.

- (c) As soon as practicable after the relevant allotment and issue of Shares under the terms and conditions in the Instrument (and in any event no later than 10 Business Days after the relevant Subscription Date), there shall be issued free of charge to the Warrantholder(s) of the Warrant represented by the relevant Warrant Certificate:-
- (i) a certificate (or certificates) for the relevant Shares in the name(s) of such Warrantholder(s); and
 - (ii) (if applicable) a balancing Warrant Certificate in registered form in the name(s) of such Warrantholder(s) in respect of any Subscription Rights represented by the relevant Warrant Certificate and remaining unexercised.

The certificate(s) for Shares arising on the exercise of Subscription Rights, the balancing Warrant (if any) shall be available for collection from the Registrar within 10 business days after the date of delivery of the relevant documents.

2. ADJUSTMENTS OF SUBSCRIPTION PRICE

The Instrument shall contain detailed provisions in relation to the adjustment of the Subscription Price. The following is a summary of, and is subject to, the adjustment provisions of the Instrument:

- (a) The Subscription Rights shall be adjusted if and whenever there is an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision and the Subscription Price at which the Warrantholder is entitled to subscribe for each Share shall be proportionately adjusted.
- (b) The Subscription Price shall (except as mentioned in the proviso to (v) below and in sub-paragraphs (c) and (d) below) be adjusted as provided in the Instrument in each of the following cases:-
 - (i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;
 - (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
 - (iii) a Capital Distribution (as defined in the Instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of its Shares in their capacity as such;
 - (iv) a grant by the Company to the holders of Shares (in their capacity as such) of rights to acquire for cash assets of the Company or any of its Subsidiaries;
 - (v) an offer or grant being made by the Company to holders of its Shares of Shares by way of rights or of options or warrants to subscribe for Shares at a price which is less than 90% of the market price (calculated as provided in the Instrument) provided that no such adjustment shall be made if the Company shall also make a like offer or grant (as the case may be) at the same time to each Warrantholder (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange) as if he had exercised the Subscription Rights represented by his Warrant Certificate in full on the day immediately preceding the record date for such offer or grant;
 - (vi) an issue wholly for cash being made by the Company or any other company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the Total Effective Consideration (as defined in the Instrument) per new Share is less than 90% of the market price (calculated as provided in the Instrument), or the terms of any such issue being altered so that the said Total Effective Consideration is less than 90% of the market price;

- (vii) an issue being made wholly for cash of Shares (other than pursuant to a Share Option Scheme) at a price less than 90% of the market price (calculated as provided in the Instrument); and
 - (viii) the purchase by the Company of Shares (excluding any such purchase made on the Stock Exchange or any other stock exchange recognised for this purpose by the Securities and Futures Commission or equivalent authority and the Stock Exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.
- (c) Except as mentioned in sub-paragraph (d) below, no such adjustment as is referred to in sub-paragraph (b) above shall be made in respect of:-
- (i) an issue of fully-paid Shares upon the exercise of any conversion rights attached to securities wholly or partly convertible into Shares or upon the exercise of any rights (including the Subscription Rights) to acquire Shares;
 - (ii) an issue of shares or other securities of the Company or any Subsidiary wholly or partly convertible into, or carrying rights to acquire, Shares to the Directors or employees of the Company or any Subsidiaries pursuant to a Share Option Scheme;
 - (iii) an issue by the Company of Shares or by the Company or any Subsidiary of securities wholly or partly convertible into or carrying rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;
 - (iv) an issue of fully-paid Shares by way of capitalisation of all or part of the Subscription Rights Reserve (as defined in the Instrument) to be established in certain circumstances pursuant to the terms and conditions contained in the Instrument (or any similar reserve which has been or may be established pursuant to the terms of any other securities wholly or partly convertible into or carrying rights to acquire Shares);
or
 - (v) an issue of Shares pursuant to a scrip dividend scheme in lieu of a cash dividend where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value (calculated as provided in the Instrument) of such Shares is not more than 110% of the amount of dividend which holders of Shares could elect to or would otherwise receive in cash.
- (d) Notwithstanding the provisions referred to in sub-paragraphs (b) and (c) above, in any circumstances where the Directors shall consider that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or at a different time from that provided for under the said provisions, the Company may appoint an approved merchant bank to

consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would not or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved merchant bank shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner (including, without limitation making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as shall be certified by such approved merchant bank to be, in its opinion, appropriate.

- (e) Any adjustment to the Subscription Price shall be made to the nearest one cent so that any amount under half a cent shall be rounded down and an amount of half a cent or more shall be rounded up. No adjustment shall be made to the Subscription Price in any case in which the amount by which it would be reduced would be less than one cent and any adjustment which would otherwise then be required shall not be carried forward. An adjustment which would increase the Subscription Price (except on a consolidation of Shares or upon a repurchase of Shares) may not be made.
- (f) Every adjustment to the Subscription Price shall be certified to be fair and appropriate by the Auditors or an approved merchant bank and notice of each adjustment (giving the relevant particulars) shall be given to the Warrantholders. In giving any certificate or making any adjustment hereunder, the Auditors or the approved merchant bank shall be deemed to be acting as experts and not as arbitrators and in the absence of manifest error, the decision shall be conclusive and binding on the Company and the Warrantholders and all persons claiming through or under them respectively. Any such certificate of the Auditors and/or approved merchant bank shall be available for inspection at the principal office for the time being of the Company in Hong Kong, where copies may be obtained.

3. REGISTERED WARRANTS

The Warrants shall be issued in registered form. The Company shall be entitled to treat the registered Warrantholder as the absolute owner thereof and accordingly shall not, except as ordered by a Court of competent jurisdiction or required by law, be bound to recognise any equitable or other claim to or interest in such Warrant on the part of any other person, whether or not it shall have express or other notice thereof.

4. TRANSFER, TRANSMISSION AND REGISTER

- (a) The Subscription Rights represented by the relevant Warrant Certificate are transferable, in multiples of one whole Share by the instrument of transfer in any usual or common form or in any other form which may be approved by the Directors. The Company shall maintain a register accordingly. Transfers of Warrants must be executed by both the transferor and the transferee. Where the transferor or the transferee is HKSCC Nominees Limited, the transfer may be executed on behalf of HKSCC Nominees Limited under the hand of its authorised person(s) or by machine imprinted signatures. The provisions of the articles of association of the Company relating to the registration, transmission and transfer of Shares shall, mutatis mutandis, apply to the registration, transmission and transfer of the Warrants and shall have full effect if the same had been incorporated herein.

- (b) Persons who own Warrants and have not registered the Warrants in their own names and wish to exercise the Subscription Rights should note that they may incur additional costs and expenses in connection with any expedited re-registration of the Warrants prior to the transfer or exercise of the Subscription Rights, in particular during the period commencing 10 Business Days, or any period from time to time fixed by the Rules Governing the Listing of Securities on the Stock Exchange or other rules or regulations of other relevant regulatory authorities for standard securities registration service, prior to and including the last day of the Subscription Period.
- (c) Since the Warrants shall be admitted to CCASS, so far as applicable laws or regulations of relevant regulatory authorities, terms of the Instrument and circumstances permit, the Company may determine the last trading day of the Warrants to be a date at least three trading days before the last day of the Subscription Period.

5. CLOSURE OF REGISTER OF WARRANTHOLDERS

The registration of transfers may be suspended and the Register may be closed for such period as the Directors may from time to time direct, provided that the same be not closed for a period, or for periods together of more than 60 days in any one year. Any transfer, or exercise of the Subscription Rights attached to the Warrants made while the Register is so closed shall, as between the Company and the person claiming under the relevant transfer of Warrants or, as the case may be, as between the Company and the Warrantholder who has so exercised the Subscription Rights attached to his Warrants (but not otherwise), be considered as made immediately after the reopening of the Register.

6. PURCHASE AND CANCELLATION

The Company or any of the Subsidiaries may at any time purchase the Warrants:-

- (i) in the open market or by tender (available to all Warrantholders alike) at any price; or
- (ii) by private treaty at a price, exclusive of expenses, not exceeding 110% of the closing price of the Warrants on the Stock Exchange prior to the date of purchase hereof but not otherwise.

All Warrants purchased as aforesaid shall be cancelled forthwith and may not be re-issued or re-sold.

7. MEETING OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS

- (a) The Instrument contains provisions for convening meetings of Warrantholders to consider any matter affecting the interests of Warrantholders, including the modification by a

Special Resolution (as defined in the Instrument) of the provisions of the Instrument and/or the terms and conditions endorsed on the Warrant Certificates. A Special Resolution duly passed at any such meeting shall be binding on the Warrantheolders, whether present or not.

- (b) All or any of the rights for the time being attached to the Warrants (including any of the provisions of the Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including but without prejudice to the generality thereof by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the provisions of these terms and conditions endorsed on the Warrant Certificates and/or the Instrument) and the prior sanction of a Special Resolution (as defined in the Instrument) shall be necessary and sufficient to effect such alteration or abrogation and any modification to the Instrument may be effected only by deed poll executed by the Company and expressed to be supplemental to the Instrument.
- (c) Where a Warrantheolder is a recognised clearing house within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), it may authorise such person or persons as it thinks fit to act as its representative (or representatives) or proxy (or proxies) at any meeting of Warrantheolders provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of Warrants in respect of which each such person is so authorised. The person so authorised shall be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house (or its nominees) could exercise as if it were an individual Warrantheolder.

8. QUORUM

At any meeting, two or more persons holding Warrants and/or being proxy representing not less than 10% in value of Subscription Rights for the time being outstanding and exercisable shall form a quorum for the transaction of business.

9. REPLACEMENT OF WARRANT CERTIFICATES

- (a) If a Warrant Certificate is mutilated, defaced, lost or destroyed, it may at the discretion of the Company, be replaced at the principal office of the Registrar in Hong Kong (unless the Directors otherwise direct) on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Company may require and on payment of such fee not exceeding \$2.50 per certificate (or such higher fee as from time to time be permitted by the Stock Exchange) as the Company may determine. Mutilated or defaced Warrant Certificates must be surrendered before replacements shall be issued.
- (b) In the case of lost Warrant Certificates, section 71A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) shall apply as if “shares” referred to therein included Warrants.

10. PROTECTION OF SUBSCRIPTION RIGHTS

The Instrument shall contain certain undertakings by and restrictions on the Company designed to protect the Subscription Rights.

11. CALL

If at any time the aggregate of the amount of Exercise Moneys attached to the Warrants which have not been exercised is less than 10% of the aggregate of the amount of Exercise Moneys attached to all the Warrants issued under the Instrument, then the Company may, on giving not less than three months' notice, require Warrantholders either to exercise their Subscription Rights or to allow them to lapse. On expiry of such notice, the unexercised Warrants shall be automatically cancelled without compensation to Warrantholders.

12. FURTHER ISSUES OF WARRANTS

The Company shall be at liberty to issue further warrants to subscribe Shares in such manner and on such terms as it sees fit.

13. UNDERTAKINGS BY THE COMPANY

The Company shall undertake in the Instrument, inter alia, that:-

- (a) as long as the Shares remain listed on the Stock Exchange, it shall use its best endeavours to ensure that all Shares allotted on the exercise of Subscription Rights shall be admitted to listing on the Stock Exchange;
- (b) it shall send to each Warrantholder, at the same time as the same are sent to the holders of Shares, its audited accounts and all other notices, reports and communications despatched by it to the holders of the Shares generally;
- (c) it shall pay all stamp duties (if any), registration fees or similar charges in respect of the execution of the Instrument, the creation and initial issue of the Warrants in registered form, the exercise of the Subscription Rights and the issue of Shares upon exercise of the Subscription Rights; and
- (d) it shall keep available for issue sufficient Ordinary Capital to satisfy in full all outstanding Subscription Rights.

14. LISTING

The Company shall use its best endeavours to procure that:

- (a) at all times during the Subscription Period, the Warrants may be dealt in on the Stock Exchange (save that this obligation shall lapse in the event that the listing of the Warrants on the Stock Exchange is withdrawn following an offer for all or any of the Warrants); and

- (b) all Shares allotted upon exercise of the Subscription Rights may, upon allotment or as soon as reasonably practicable thereafter, be dealt in on the Stock Exchange (save that this obligation shall lapse in the event that the listing of the Shares on the Stock Exchange is withdrawn following an offer for all or any of the Shares where a like offer is extended to Warrantholders).

15. OVERSEAS WARRANTHOLDERS

None of the Subscription Rights attaching to the Warrants may be exercised by any Warrantholder whose registered address is in or who is a national of or is resident in any territory other than Hong Kong where, the allotment of Shares to such Warrantholder upon exercise of any Subscription Rights would or may in the absence of compliance with registration or any other special formalities in such territory, be unlawful or impracticable under the laws of such territory or Hong Kong and each exercise of the Subscription Rights shall constitute a confirmation that the Warrantholder so exercising is not a resident or national of any such territories. In addition, the Directors shall have the discretion, if in their opinion that the foregoing restriction may apply to any exercise of Subscription Rights, to refuse to accept such exercise.

16. RIGHTS OF WARRANTHOLDERS ON WINDING-UP

- (a) If an effective resolution is passed during the Subscription Period for the voluntary winding-up of the Company, then if such winding up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders, or some persons designated by them for such purpose by a Special Resolution, shall be a party or in conjunction with which a proposal is made to the Warrantholders and is approved by a Special Resolution, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all the Warrantholders.
- (b) In the event that notice is given by the Company to its shareholders to convene a shareholders' meeting for the purposes of considering and, if thought fit approving, a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to each Warrantholder and thereupon, every Warrantholder shall be entitled by irrevocable surrender to the Registrar of the Company for the time being (such surrender to occur not later than two days prior to the proposed shareholders' meeting) of his Warrant certificate(s) with the Subscription Form(s) duly completed, together with payment of the Exercise Moneys or the relative proportion thereof, to exercise the Subscription Rights represented by such Warrant to the extent specified in the Subscription Form(s) and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed shareholders' meeting allot such number of shares to the Warrantholder which fall to be issued pursuant to the exercise of the Subscription Rights represented by such Warrant. The Company shall give notice to the Warrantholders of the passing of any such resolution or the making of such order of the court within seven days after the passing thereof and such notice shall contain a statement to Warrantholders with respect to their rights.

Subject to the foregoing, if the Company is wound up, all Subscription Rights which have not been exercised at the commencement of the winding up shall lapse and each Warrant Certificate shall cease to be valid for any purpose.

17. NOTICES

The Instrument shall contain provisions relating to notices to be given to Warrantholders.

18. GOVERNING LAW

The Instrument and the Warrants shall be governed by and shall be construed in accordance with the laws of Hong Kong.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidation results and financial position of the Group for each of the three years ended 31 December 2004, 2005 and 2006 as extracted from the annual report of the Company.

The Company's auditors have issued qualified opinion on the Group's financial statements for the year ended 31 December 2004 and have not issued any qualified opinion on the Group's financial statements for the year ended 31 December 2005 and 2006.

Consolidated Income Statement

For the year ended 31 December

	2006	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	295,508	124,477	92,744
Other income	12,694	8,605	14,383
Cost of investments held for trading sold	(293,316)	(133,475)	(87,356)
Depreciation expense	(1,155)	(1,307)	(1,678)
Employee benefits expense	(9,155)	(9,565)	(8,785)
Other operating expenses	(15,233)	(27,500)	(73,579)
Reversal of impairment loss (impairment loss) on interest in an associate	—	75,036	(75,036)
Impairment loss on amount due from an associate	—	(75,000)	—
(Loss) profit on disposal of interests in subsidiaries	(143)	5,925	—
Negative goodwill released upon recognition of impairment loss in an associate	—	—	21,246
Loss on disposal of convertible note issued by an associate	(31,000)	—	—
Profit on disposal of an unlisted investment	—	20,528	—
Profit (Loss) on deemed disposal of interest in an associate	8,429	1,406	(24,045)
Loss on deemed acquisition of interest in an associate	—	(13,331)	—
Share of loss of associates	(79,010)	(99,351)	(180,577)
Finance costs	(2,380)	(8,163)	(14,185)
Loss before taxation	(114,761)	(131,715)	(336,868)
Taxation	—	—	—
Loss for the year	<u>(114,761)</u>	<u>(131,715)</u>	<u>(336,868)</u>
Loss attributable to equity holders	<u>(114,761)</u>	<u>(131,715)</u>	<u>(336,868)</u>
Loss per share — Basic	<u>(3.4 cents)</u>	<u>(6.4 cents)</u>	<u>(28 cents)</u>

Consolidated Balance Sheet*At 31 December*

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	7,200	9,650	11,930
Property, plant and equipment	22,977	22,391	39,177
Interests in associates	98,118	238,549	181,113
Other financial asset	<u>—</u>	<u>7,143</u>	<u>—</u>
	<u>128,295</u>	<u>277,733</u>	<u>232,220</u>
Current assets			
Investments held for trading	118,818	13,626	20,374
Loans receivable	103,529	40,280	18,802
Other receivables	1,631	1,138	3,876
Cash and cash equivalents	<u>8,878</u>	<u>11,420</u>	<u>10,663</u>
	<u>232,856</u>	<u>66,464</u>	<u>53,715</u>
Current liabilities			
Other payables	8,242	14,231	13,350
Current portion of interest-bearing borrowings	7,507	4,629	104,683
Convertible notes	<u>—</u>	<u>—</u>	<u>53,000</u>
	<u>15,749</u>	<u>18,860</u>	<u>171,033</u>
Net current assets	<u>217,107</u>	<u>47,604</u>	<u>(117,318)</u>
Total assets less current liabilities	<u>345,402</u>	<u>325,337</u>	<u>114,902</u>
Non-current liabilities			
Long-term interest-bearing borrowings	<u>15,788</u>	<u>13,770</u>	<u>23,451</u>
NET ASSETS	<u>329,614</u>	<u>311,567</u>	<u>91,451</u>
CAPITAL AND RESERVES			
Issued capital	350,649	303,209	136,939
Reserves	<u>(21,035)</u>	<u>8,358</u>	<u>(45,488)</u>
TOTAL EQUITY	<u>329,614</u>	<u>311,567</u>	<u>91,451</u>

Consolidated Statement of Changes in Equity*For the year ended 31 December*

	2006	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening balance — Total equity at 1 January	311,567	91,451	303,782
Issue of new shares, net of expenses	66,150	122,464	94,814
Issue of shares on exercise of warrants	—	1,867	16,048
Issue of shares on conversion of convertible notes	—	201,690	7,040
Issue of shares under share option scheme	60,759	25,810	6,635
Equity-settled share-based payment	5,899	—	—
Loss for the year	<u>(114,761)</u>	<u>(131,715)</u>	<u>(336,868)</u>
Closing balance — Total equity at 31 December	<u>329,614</u>	<u>311,567</u>	<u>91,451</u>

2. AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

Set out below is the auditors' report for the year ended 31 December 2004, which is the reproduction of pages 22 to 23 of the 2004 annual report of the Company.

Moores Rowland Mazars**摩斯倫·馬賽** 會計師事務所

34th Floor, The Lee Gardens,
33 Hysan Avenue,
Causeway Bay,
Hong Kong

香港銅鑼灣
希慎道33號
利園廣場34樓

To the members of

China United International Holdings Limited

(incorporated in Hong Kong with limited liability)

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

BASIS OF OPINION

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

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

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

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

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

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

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

FUNDAMENTAL UNCERTAINTY

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

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

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

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

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

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

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

Moores Rowland Mazars

Chartered Accountants

Certified Public Accountants

Hong Kong, 15 April 2005

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2006

Set out below is the audited consolidation financial statements of the Group for the year ended 31 December 2006, which is the reproduction of pages 26 to 69 of the 2006 annual report of the Company.

Consolidated Income Statement

Year ended 31 December 2006

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Turnover	6	295,508	124,477
Other income	7	12,694	8,605
Cost of investments held for trading sold		(293,316)	(133,475)
Depreciation expense		(1,155)	(1,307)
Employee benefits expense		(9,155)	(9,565)
Other operating expenses		(15,233)	(27,500)
Reversal of impairment loss on interest in an associate		—	75,036
Impairment loss on amount due from an associate		—	(75,000)
(Loss) profit on disposal of interests in subsidiaries		(143)	5,925
Loss on disposal of convertible note issued by an associate	18(c)	(31,000)	—
Profit on disposal of an unlisted investment		—	20,528
Profit on deemed disposal of interest in an associate	18(a)(i)	8,429	1,406
Loss on deemed acquisition of interest in an associate		—	(13,331)
Share of loss of associates	18(e)	(79,010)	(99,351)
Finance costs	10	<u>(2,380)</u>	<u>(8,163)</u>
Loss before taxation	9	(114,761)	(131,715)
Taxation	12	<u>—</u>	<u>—</u>
Loss for the year	13	<u>(114,761)</u>	<u>(131,715)</u>
Loss attributable to equity holders		<u>(114,761)</u>	<u>(131,715)</u>
Loss per share — Basic	14	<u>(3.4 cents)</u>	<u>(6.4 cents)</u>

Consolidated Statement of Changes in Equity*Year ended 31 December 2006*

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening balance — Total equity at 1 January	311,567	91,451
Issue of new shares, net of expenses	66,150	122,464
Issue of shares on exercise of warrants	—	1,867
Issue of shares on conversion of convertible notes	—	201,690
Issue of shares under share option scheme	60,759	25,810
Equity-settled share-based payment	5,899	—
Loss for the year	<u>(114,761)</u>	<u>(131,715)</u>
Closing balance — Total equity at 31 December	<u><u>329,614</u></u>	<u><u>311,567</u></u>

Consolidated Balance Sheet*At 31 December 2006*

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	15	7,200	9,650
Property, plant and equipment	16	22,977	22,391
Interests in associates	18	98,118	238,549
Other financial asset	19	—	7,143
		<u>128,295</u>	<u>277,733</u>
Current assets			
Investments held for trading	20	118,818	13,626
Loans receivable	21	103,529	40,280
Other receivables		1,631	1,138
Cash and cash equivalents		<u>8,878</u>	<u>11,420</u>
		<u>232,856</u>	<u>66,464</u>
Current liabilities			
Other payables		8,242	14,231
Current portion of interest-bearing borrowings	22	<u>7,507</u>	<u>4,629</u>
		<u>15,749</u>	<u>18,860</u>
Net current assets		<u>217,107</u>	<u>47,604</u>
Total assets less current liabilities		<u>345,402</u>	<u>325,337</u>
Non-current liabilities			
Long-term interest-bearing borrowings	22	<u>15,788</u>	<u>13,770</u>
NET ASSETS		<u><u>329,614</u></u>	<u><u>311,567</u></u>
CAPITAL AND RESERVES			
Issued capital	23	350,649	303,209
Reserves	24	<u>(21,035)</u>	<u>8,358</u>
TOTAL EQUITY		<u><u>329,614</u></u>	<u><u>311,567</u></u>

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP****Balance Sheet***At 31 December 2006*

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current asset			
Interests in subsidiaries	17	<u>234,227</u>	<u>425,719</u>
Current assets			
Loans receivable	21	19,330	40,280
Other receivables		579	708
Cash and cash equivalents		<u>8,425</u>	<u>10,375</u>
		<u>28,334</u>	<u>51,363</u>
Current liabilities			
Other payables		1,495	1,490
Due to subsidiaries	17	16,775	125,764
Interest-bearing borrowings	22	<u>5,000</u>	<u>—</u>
		<u>23,270</u>	<u>127,254</u>
Net current assets (liabilities)		<u>5,064</u>	<u>(75,891)</u>
NET ASSETS		<u>239,291</u>	<u>349,828</u>
CAPITAL AND RESERVES			
Issued capital	23	350,649	303,209
Reserves	24	<u>(111,358)</u>	<u>46,619</u>
TOTAL EQUITY		<u>239,291</u>	<u>349,828</u>

Consolidated Cash Flow Statement*Year ended 31 December 2006*

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
OPERATING ACTIVITIES			
Loss before taxation		(114,761)	(131,715)
Depreciation expense		1,155	1,307
Reversal of impairment loss on interest in an associate		—	(75,036)
Impairment loss on the amount due from an associate		—	75,000
Increase in fair value of investment properties	15	(570)	(400)
Interest expenses on bank and other borrowings		2,380	3,595
Interest expenses on convertible notes		—	4,568
Interest income on convertible note issued by an associate		(4,680)	(7,124)
Dividend income from investments held for trading		(801)	—
Gain on disposal of property, plant and equipment		(291)	(119)
Loss on disposal of investment properties		490	237
Write back of provision for bad and doubtful debts		—	(5,050)
Profit on disposal of an unlisted investment		—	(20,528)
Profit on deemed disposal of interest in an associate		(8,429)	(1,406)
Loss on deemed acquisition of interest in an associate		—	13,331
Loss (profit) on disposal of interests in subsidiaries		143	(5,925)
Loss on disposal of convertible note issued by an associate		31,000	—
Equity-settled share-based payment		5,899	—
Share of loss of associates		79,010	99,351
Changes in working capital:			
Loans receivable		(63,249)	(57,844)
Other receivables		(493)	2,399
Investments held for trading		(105,192)	(10,724)
Other payables		<u>(6,163)</u>	<u>1,517</u>
Cash used in operations		(184,552)	(114,566)
Interest income received on convertible note issued by an associate		<u>4,680</u>	<u>2,958</u>
Net cash used in operating activities		<u>(179,872)</u>	<u>(111,608)</u>

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
INVESTING ACTIVITIES			
Dividend received from investments held for trading		801	—
Purchase of interest in an associate		(69,900)	(50,000)
Purchase of property, plant and equipment		(2,025)	(1,812)
Proceeds from disposal of property, plant and equipment		575	273
Proceeds from disposal of investment properties		2,530	2,443
Proceeds from disposal of subsidiaries	26	7,000	24,720
Proceeds from disposal of other securities		—	38,000
Proceeds from disposal of convertible note issued by an associate		100,000	—
Proceeds from disposal of interest in an associate		75,000	—
Redemption of convertible note issued by an associate		—	25,300
Net cash from investing activities		<u>113,981</u>	<u>38,924</u>
FINANCING ACTIVITIES			
Issue cost of shares for acquisition of interest in an associate		(100)	—
Issue of shares for cash		—	122,464
Issue of shares under share option scheme		60,759	25,810
Issue of shares on exercise of warrants		—	1,867
New bank loans raised		5,600	—
New other loans raised	22	45,000	77,000
Issue of convertible notes		—	98,000
Repayment of bank loans		(5,704)	(13,655)
Repayment of other loans	22	(40,000)	(173,080)
Redemption of convertible notes		—	(53,000)
Interest paid on bank and other borrowings		(2,206)	(11,087)
Interest paid on convertible notes		—	(878)
Net cash from financing activities		<u>63,349</u>	<u>73,441</u>
Net (decrease) increase in cash and cash equivalents		(2,542)	757
Cash and cash equivalents at beginning of year		<u>11,420</u>	<u>10,663</u>
Cash and cash equivalents at end of year		<u>8,878</u>	<u>11,420</u>

Notes to the Financial Statements*Year ended 31 December 2006***1. GENERAL INFORMATION**

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

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

The accounting policies adopted in the current year are consistent with those of the previous year except the Group has adopted HKAS 39 and HKFRS 4 (Amendments) “Financial Guarantee Contracts”. The adoption of these amendments did not have significant effects on the financial statements of the Group and the Company.

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

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, 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 disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and investments held for trading, which are measured at fair value as explained in the principal accounting policies set out below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December each year.

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

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

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 investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

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

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

Goodwill

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

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

Investment properties

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

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

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

Property, plant and equipment

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

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

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

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

Leasehold land	Over the unexpired term of lease
Buildings	4%
Leasehold improvements	10% — 20%
Furniture and fixtures	10% — 20%
Office equipment	33 $\frac{1}{3}$ %
Motor vehicles	25%

Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments, and on a trade date basis.

Investments held for trading

Investments held for trading are measured at fair value at each reporting dates. Gains and losses arising from changes in fair value are included in the income statement for the period.

Loans and receivables

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

At each balance sheet date, the Group assesses whether there is objective evidence that loans and receivables are impaired. The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate.

Convertible notes

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

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

Payables and short-term borrowings

Payables and short-term borrowings are initially recognised at fair value, and are subsequently measured at amortised cost, using effective interest method.

Financial guarantee contracts

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

Revenue recognition

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

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

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

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

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

Leasing

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

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

Impairment

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 and investments in subsidiaries and associates have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

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

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

Employee benefits*Defined contribution plans*

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

Long service payment

The Group's net obligation in respect of long service payment under the Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and 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 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 the liability is settled, based on the tax rates and the tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

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

Foreign currencies

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

Share-based payment

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

Related parties

A party is related to the Group if

- (a) directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;
- (b) the party is an associate of the Group;
- (c) the party is a joint venture in which the Group is a venturer;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Cash equivalents

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

Segment reporting

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**Fair value estimation**

The Group uses the discounted cash flows valuation method together with impairment assessment, if required, 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 and receivables

The Group assesses annually if interests in subsidiaries, associates and loans receivable 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.

5. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's major financial instruments include debt and equity investments, other receivables and other payables and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below. The management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Financial risk factors*Interest rate risk*

The Group's interest rates on its bank and other borrowings (included in current and non-current liabilities) are mainly the bank's prime rate plus certain percentage. The interest rates and terms of repayment have been disclosed in note 22.

Liquidity risk

The Group's liquidity risk is minimal in current year and is managed by matching the raising of loans or equity funding to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Price risk

The Group's investment held for trading are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Credit risk

The Group's credit risk is primarily attributable to its money lending business as the Group has not established a separate department or any strict criteria to evaluate the credit worthiness of its borrowers. However, the directors evaluate each loan on a case to case basis and take into account of the extent of acquaintance with borrowers of the Group, the social status or reputation of borrowers and the recommendations from business partners of the Group. The exposures to the credit risks in relation to loans are monitored on an ongoing basis.

6. TURNOVER

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

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proceeds from sale of investments held for trading	283,735	112,293
Interest income	10,950	12,028
Dividend income	801	—
Rental income	<u>22</u>	<u>156</u>
	<u>295,508</u>	<u>124,477</u>

7. OTHER INCOME

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Write back of other payables	1,900	3,155
Write back of provision for bad and doubtful debts	—	5,050
Net unrealised holding gain on investments held for trading	10,017	—
Increase in fair value of investment properties	570	400
Others	<u>207</u>	<u>—</u>
	<u>12,694</u>	<u>8,605</u>

8. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segment is its primary reporting format and no geographical segment has been presented as the Group's operations and assets are located in Hong Kong for the years ended 31 December 2006 and 2005.

Business segments

Business segments of the Group comprise the following:

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

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP**

The following tables show segment information for the years ended 31 December 2006 and 2005.

Year ended 31 December 2006

	Trading of investments	Provision of financial services	Property investment	Investment holding	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue						
Turnover	284,665	10,821	22	—	—	295,508
Other revenue	<u>10,017</u>	<u>—</u>	<u>570</u>	<u>—</u>	<u>2,107</u>	<u>12,694</u>
Total revenue	<u>294,682</u>	<u>10,821</u>	<u>592</u>	<u>—</u>	<u>2,107</u>	<u>308,202</u>
Segment results	1,359	10,655	(840)	(23,653)	1,822	(10,657)
Loss on disposal of interest in a subsidiary	—	—	—	—	—	(143)
Loss on disposal of convertible note issued by an associate	—	—	—	—	—	(31,000)
Profit on deemed disposal of interest in an associate	—	—	—	—	—	8,429
Share of loss of associates	656	(34,253)	—	(45,271)	(142)	(79,010)
Finance costs	—	—	—	—	—	(2,380)
Taxation	—	—	—	—	—	<u>—</u>
Loss for the year						<u>(114,761)</u>

APPENDIX II
FINANCIAL INFORMATION OF THE GROUP
Year ended 31 December 2005

	Trading of investments	Provision of financial services	Property investment	Investment holding	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue						
Turnover	112,293	12,028	156	—	—	124,477
Other revenue	—	5,050	400	2,540	615	8,605
	<u>112,293</u>	<u>17,078</u>	<u>556</u>	<u>2,540</u>	<u>615</u>	<u>133,082</u>
Segment results	(37,954)	9,070	89	(2,026)	(7,944)	(38,765)
Reversal of impairment loss on interest in an associate	—	—	—	—	—	75,036
Impairment loss on amount due from an associate	—	—	—	—	—	(75,000)
Profit on deemed disposal of interest in an associate	—	—	—	—	—	1,406
Profit on disposal of interests in subsidiaries	—	—	—	—	—	5,925
Profit on disposal of an unlisted investment	20,528	—	—	—	—	20,528
Loss on deemed acquisition of interest in an associate	—	—	—	—	—	(13,331)
Share of loss of an associate	147	(4,743)	—	(94,605)	(150)	(99,351)
Finance costs	—	—	—	—	—	(8,163)
Taxation	—	—	—	—	—	—
Loss for the year						<u>(131,715)</u>

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP****Assets and liabilities as at 31 December 2006**

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

Assets and liabilities as at 31 December 2005

	Trading of investments	Provision of financial services	Property investment	Investment holding	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets					
Segment assets	13,626	40,280	9,964	20,587	84,457
Interests in associates	1,173	(23,896)	24,403	236,869	238,549
Unallocated assets	—	—	—	—	<u>21,191</u>
Total assets					<u><u>344,197</u></u>
Liabilities					
Segment liabilities	3,384	—	24	16,279	19,687
Unallocated liabilities	—	—	—	—	<u>12,943</u>
Total liabilities					<u><u>32,630</u></u>

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP****Other segment information for the year ended 31 December 2006**

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

Other segment information for the year ended 31 December 2005

	Trading of investments	Provision of financial services	Property investment	Investment holding	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure	—	—	442	1,335	35	1,812
Depreciation expense	—	—	194	396	717	1,307
Reversal of impairment loss on interest in an associate	—	—	—	(75,036)	—	(75,036)
Impairment loss on goodwill arising from acquisition of additional interest in an associate (included in share of loss of an associate)	—	—	—	5,156	—	5,156
Impairment loss on the amount due from an an associate	—	—	—	75,000	—	75,000
Net unrealised holding loss on investments held for trading	16,694	—	—	—	—	16,694
Increase in fair value of investment properties	—	—	(400)	—	—	(400)

9. LOSS BEFORE TAXATION

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
This is stated after charging (crediting):		
Contributions to MPF Scheme	214	214
Impairment loss on goodwill arising from acquisition of interests in associates (included in share of loss of associates)	34,742	5,156
Auditors' remuneration	1,135	1,148
Operating lease charges:		
Equipment	72	59
Office premises	1,042	929
Loss on disposal of investment properties	490	237
Gain on disposal of property, plant and equipment	(291)	(119)
Equity-settled share-based payment	5,899	—
	<u>5,899</u>	<u>—</u>

10. FINANCE COSTS

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank and other borrowings wholly repayable within five years	975	2,369
Bank and other borrowings wholly repayable over five years	1,405	1,226
Convertible notes	—	4,568
	<u>2,380</u>	<u>8,163</u>

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

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

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

2005	Directors' fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Retirement scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive directors				
Chuang Yueheng, Henry	—	2,400	12	2,412
Chung Wilson (redesignated to non-executive director on 15 September 2005)	—	357	9	366
Lo Kan Sun	—	810	12	822
King Phillip	—	592	9	601
Wong Wai Man, Raymond	—	269	8	277
Wong Ying Seung, Asiong	—	336	12	348
Non-executive directors				
Lau Da Yip	24	—	—	24
Chung Wilson	30	—	—	30
Independent non-executive directors				
Lam Ping Cheung	120	—	—	120
Lin Wai Yi	110	—	—	110
Miu Frank H.	120	—	—	120
Nakajima, Toshiharu	24	—	—	24
Ong Peter	—	—	—	—
Pang Shuen Wai, Nichols	—	—	—	—
	<u>428</u>	<u>4,764</u>	<u>62</u>	<u>5,254</u>

Employees' emoluments

The five highest paid employees of the Group during the year included three (2005: four) directors, details of whose emoluments are set out above. The emoluments of the remaining two (2005: one) highest paid employees are as follows:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,071	756
Retirement scheme contributions	<u>21</u>	<u>12</u>
	<u>1,092</u>	<u>768</u>
	2006	2005
Nil to HK\$1,000,000	<u>2</u>	<u>1</u>

12. TAXATION

Hong Kong Profits Tax has not been provided as the companies of the Group either incurred a loss for taxation purposes or their estimated assessable profits for the year ended 31 December 2006 are wholly absorbed by unutilised tax losses brought forward from previous years (2005: Nil).

Details of unrecognised deferred taxation are set out in note 31 to the financial statements.

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Reconciliation of tax expense		
Loss before taxation	<u>(114,761)</u>	<u>(131,715)</u>
Income tax at applicable tax rate of 17.5% (2005: 17.5%)	(20,083)	(23,050)
Non-deductible expenses	7,022	19,264
Tax exempt revenue	(2,557)	(18,157)
Unrecognised tax losses	2,017	4,571
Unrecognised temporary differences	(226)	(14)
Effect on share of loss of associates	<u>13,827</u>	<u>17,386</u>
Tax expense for the year	<u>—</u>	<u>—</u>

The applicable tax rate is the Hong Kong Profits Tax rate of 17.5% (2005: 17.5%).

13. LOSS FOR THE YEAR

Of the Group's loss for the year of HK\$114,761,000 (2005: HK\$131,715,000), a loss of HK\$243,345,000 (2005: HK\$67,715,000) has been dealt with in the financial statements of the Company.

14. LOSS PER SHARE

The calculation of the loss per share is based on the loss for the year of HK\$114,761,000 (2005: HK\$131,715,000) and on the weighted average number of 3,369,436,000 shares (2005: 2,071,246,000 shares) in issue during the year.

No diluted loss per share is presented for the year of 2006 as the potential ordinary shares under the share option scheme have antidilutive effect. No diluted loss per share was presented for the year of 2005 as there were no potential ordinary shares in issue.

15. INVESTMENT PROPERTIES

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value of investment properties		
At beginning of year	9,650	11,930
Disposals	(3,020)	(2,680)
Increase in fair value during the year	<u>570</u>	<u>400</u>
At balance sheet date	<u><u>7,200</u></u>	<u><u>9,650</u></u>

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

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land in Hong Kong:		
Long lease	4,500	6,850
Medium-term lease	<u>2,700</u>	<u>2,800</u>
	<u><u>7,200</u></u>	<u><u>9,650</u></u>

The Group's investment properties as at the balance sheet date have been revalued by Centaline Surveyors Limited, Chartered Surveyors, independent qualified professional valuers, on the market value basis, except that an investment property subsequently sold after the balance sheet date is carried at the sale proceed, which approximates its fair value at the balance sheet date.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reconciliation of carrying amount — year ended 31 December 2005						
At beginning of year	38,725	88	276	88	—	39,177
Additions	—	849	211	310	442	1,812
Disposals	(16,897)	—	(147)	(6)	(241)	(17,291)
Depreciation	(638)	(182)	(114)	(172)	(201)	(1,307)
At balance sheet date	<u>21,190</u>	<u>755</u>	<u>226</u>	<u>220</u>	<u>—</u>	<u>22,391</u>
Reconciliation of carrying amount — year ended 31 December 2006						
At beginning of year	21,190	755	226	220	—	22,391
Additions	—	1,005	831	189	—	2,025
Disposals	—	(247)	—	(37)	—	(284)
Depreciation	(659)	(199)	(163)	(134)	—	(1,155)
At balance sheet date	<u>20,531</u>	<u>1,314</u>	<u>894</u>	<u>238</u>	<u>—</u>	<u>22,977</u>
At 1 January 2006						
Cost	25,758	5,861	902	1,932	—	34,453
Accumulated depreciation and impairment losses	(4,568)	(5,106)	(676)	(1,712)	—	(12,062)
	<u>21,190</u>	<u>755</u>	<u>226</u>	<u>220</u>	<u>—</u>	<u>22,391</u>
At 31 December 2006						
Cost	25,758	6,577	1,733	2,084	—	36,152
Accumulated depreciation and impairment losses	(5,227)	(5,263)	(839)	(1,846)	—	(13,175)
	<u>20,531</u>	<u>1,314</u>	<u>894</u>	<u>238</u>	<u>—</u>	<u>22,977</u>

The leasehold land and buildings with a net book value of HK\$20,531,000 at the balance sheet date (2005: HK\$21,190,000) are held by the Group under medium-term lease in Hong Kong.

17. INTERESTS IN SUBSIDIARIES

	The Company	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	51,055	952,534
Impairment loss	<u>(51,054)</u>	<u>(921,415)</u>
	<u>1</u>	<u>31,119</u>
Due from subsidiaries	438,929	492,700
Provision for doubtful debts	<u>(204,703)</u>	<u>(98,100)</u>
	<u>234,226</u>	<u>394,600</u>
	<u>234,227</u>	<u>425,719</u>

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

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 <i>(Note)</i>	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly	Indirectly	
Cuve Asset Management Limited	British Virgin Islands	26,000 shares of US\$1	—	100	Investment holding
China United International Administrative Services Limited	Hong Kong	53,000 shares of HK\$100 each	100	—	Provision of administrative service
Embrace Assets Limited	British Virgin Islands	1 share of US\$1	—	100	Investment holding
Grand Wishes Limited	British Virgin Islands	1 share of US\$1	—	100	Investment holding
Golden Clip Limited	British Virgin Islands	1 share of US\$1	100	—	Investment holding
High Morale Investments Limited	British Virgin Islands	1 share of US\$1	100	—	Investment holding

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		Principal activities
			Directly	Indirectly	
International Stamps & Coins Exchange Gallery Limited	Hong Kong	20,200 shares of HK\$1 each	—	100	Property investment
Pearl Decade Limited	British Virgin Islands	1 share of US\$1	100	—	Trading of investments
Smart Way Resources Limited	British Virgin Islands	1 share of US\$1	—	100	Investment holding
Radford Portfolio Management Limited	Hong Kong	10,000 shares of HK\$1 each	—	100	Property holding
Wellhand Limited	Hong Kong	2 shares of HK\$1 each	—	100	Property investment
Willie Financing Limited	Hong Kong	1 share of HK\$1	100	—	Money lending
Winport Limited	British Virgin Islands	1 share of US\$1	—	100	Investment holding

All of the above subsidiaries operate principally in Hong Kong.

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

18. INTERESTS IN ASSOCIATES

	Note	2006 HK\$'000	2005 HK\$'000
Share of net assets	(a)	14,904	32,549
Goodwill	(b)	<u>83,214</u>	<u>—</u>
		<u>98,118</u>	<u>32,549</u>
Due from an associate — HMIL	(c)	<u>—</u>	<u>131,000</u>
Due from an associate — Found Macau Loan	(d)	<u>—</u>	<u>75,000</u>
		<u>98,118</u>	<u>238,549</u>

Notes:

(a) Details of the unlisted associates as at 31 December 2006 are as follows:

Name of associate	Place of incorporation	Particulars of issued ordinary and paid up capital held by the Group	Interest held	Principal activities
Hennabun Management International Limited (“HMIL”)	British Virgin Islands	309,633,334 shares of US\$0.01 each	35.55% (note i)	Investment holding
Amerinvest Coal Industry Holding Company Limited (“Amerinvest”)	British Virgin Islands	10,000 shares of US\$1 each	50% (note ii)	Investment holding

(i) During the year, the Group’s interest in HMIL was reduced from 49.87% to 35.55% because of HMIL’s issue of shares to third parties. As a result of the above change in shareholding in HMIL, profit on deemed disposal of HK\$8.4 million was recognised in the income statement.

(ii) On 12 January 2006, the Group entered into an agreement with a third party to acquire 25% interest in Amerinvest at a consideration of HK\$66.25 million which had been satisfied by the issue and allotment of 250,000,000 ordinary shares of HK\$0.1 each of the Company at a price of HK\$0.265 per share.

On 20 March 2006, the Company entered into an agreement with another third party to acquire a further 25% interest in Amerinvest at a consideration of HK\$69.9 million. On completion of the acquisitions in March 2006, Amerinvest was accounted for as an associate of the Group.

Amerinvest, through holding of 25% of the registered capital of West China Coking & Gas Company Limited (“West China Coking”), is an investment holding vehicle set up for the purpose of exploring and investing in coking and chemical projects in the mainland China.

(b) Details of fair value of Amerinvest acquired are as follows:

	<i>HK\$'000</i>
Purchase consideration:	
Cash paid	69,900
Issue of new shares	<u>66,250</u>
Fair value of Amerinvest acquired	<u><u>136,150</u></u>
Goodwill on acquisition	117,956
Less: subsequent decrease in value	<u>(34,742)</u>
Recoverable amount of goodwill	<u><u>83,214</u></u>

Goodwill on acquisition is attributable to Amerinvest's investment in West China Coking.

The entire carrying amount of the interest in the associate together with the goodwill is tested for impairment by comparing the Group's share of the present value of the estimated future cash flows expected to be generated by the associate, with its corresponding carrying amount. The recoverable amount is determined by independent professional valuers, RHL Appraisal Limited, Certified Financial Analysts.

Details of the financial position of Amerinvest at the effective date of acquisition are as follows:

	Carrying value <i>HK\$'000</i>
Investment in West China Coking	34,411
Other receivables	1,947
Bank balances	2,068
Other payables	<u>(2,038)</u>
Net assets	<u>36,388</u>
Net assets acquired by the Group	18,194
Goodwill acquired	<u>117,956</u>
Fair value of Amerinvest acquired	<u>136,150</u>

- (c) On 21 April 2006, the Group entered into an agreement with a third party to dispose of HMIL's convertible note at the cash consideration of HK\$100 million. Accordingly, a loss of HK\$31 million on disposal of was recognised in the income statement.
- (d) On 13 January 2006, the Group entered into an agreement with a third party to dispose of the Group's 29.7% equity investment in Found Macau Investments International Limited together with a shareholder loan of HK\$150 million to Found Macau ("Found Macau Loan") at the cash consideration of HK\$75 million.

- (e) Details of the consolidated operating results and financial positions of the associates, after adjusting for the fair value of assets acquired at the date of acquisition, are as follows:

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating results for the year ended 31 December 2006		
Turnover	<u>42,822</u>	<u>33,606</u>
Loss for the year	<u>(104,990)</u>	<u>(222,457)</u>
Loss for the year attributable to the Group	(44,268)	(94,195)
Impairment loss on goodwill arising from acquisition of interest in an associate	<u>(34,742)</u>	<u>(5,156)</u>
Share of loss of associates	<u>(79,010)</u>	<u>(99,351)</u>
Financial position at the balance sheet date		
Total non-current assets	130,852	94,909
Total current assets	372,445	348,266
Total current liabilities	(329,453)	(246,908)
Total non-current liabilities	<u>(131,000)</u>	<u>(131,000)</u>
Total equity	<u>42,844</u>	<u>65,267</u>
Amount attributable to the Group	<u>14,904</u>	<u>32,549</u>

19. OTHER FINANCIAL ASSET

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Option fee paid	<u>—</u>	<u>7,143</u>

During the year, a subsidiary holding the option was disposed of at a cash consideration of HK\$7 million leading to a loss on disposal of HK\$143,000 in the income statement.

20. INVESTMENTS HELD FOR TRADING

	<i>Note</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Investments in Hong Kong			
Listed equity securities	(a)	110,118	13,626
Convertible note	(b)	<u>8,700</u>	<u>—</u>
		<u>118,818</u>	<u>13,626</u>

Notes:

- (a) The fair value of listed equity securities is based on quoted market prices in an active market at the balance sheet date.
- (b) The carrying amount of convertible note approximates its fair value at the balance sheet date.

21. LOANS RECEIVABLE

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

	The Group		The Company	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Third parties	89,470	40,280	19,330	40,280
A related company	<u>14,059</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balances due within one year included in current assets	<u>103,529</u>	<u>40,280</u>	<u>19,330</u>	<u>40,280</u>

	<i>Note</i>	The Group		The Company	
		2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Short term loans	(a)	19,330	40,280	19,330	40,280
Instalment loans	(b)	<u>84,199</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>103,529</u>	<u>40,280</u>	<u>19,330</u>	<u>40,280</u>

Notes:

- (a) Short term loans as at the balance sheet date are repayable within their maturity dates.
- (b) Instalment loans as at the balance sheet date are repayable in monthly instalments within one year.

All loans receivable carry effective interest rate ranging from prime rate to prime rate plus 2%.

22. INTEREST-BEARING BORROWINGS

	The Group		The Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Secured bank loans (Note b)	18,295	18,399	—	—
Unsecured other loans (Note a & b)	5,000	—	5,000	—
	<u>23,295</u>	<u>18,399</u>	<u>5,000</u>	<u>—</u>

Maturities of the above borrowings are as follows:

	The Group		The Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	7,507	4,629	5,000	—
In the second year	2,727	2,201	—	—
In the third year	2,966	2,388	—	—
In the fourth year	3,226	2,590	—	—
In the fifth year	1,374	2,809	—	—
Over five years	5,495	3,782	—	—
	<u>23,295</u>	<u>18,399</u>	<u>5,000</u>	<u>—</u>

Notes:

(a) Movements in other loans are as follows:

	The Group		The Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of year	—	96,080	—	96,080
Addition	45,000	77,000	45,000	77,000
Repayment	<u>(40,000)</u>	<u>(173,080)</u>	<u>(40,000)</u>	<u>(173,080)</u>
At balance sheet date	<u>5,000</u>	<u>—</u>	<u>5,000</u>	<u>—</u>

(b) Bank loans are variable rate borrowings which carried interest ranging from prime rate plus 0.5% to prime rate plus 1% for the year of 2006 and from prime rate to prime rate plus 1% for the year of 2005. Other loans carried interest ranging from prime rate to prime rate plus 1% for the year of 2006 and from prime rate to prime rate plus 2% and 2% per month for the year of 2005.

23. ISSUED CAPITAL

	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Authorised:		
Ordinary shares of HK\$0.1 each	<u>2,000,000,000</u>	<u>2,000,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.1 each	<u>350,649,499</u>	<u>303,208,635</u>

2005	Number of ordinary shares	Nominal value <i>HK\$</i>
Issued and fully paid:		
At beginning of year	1,369,389,054	136,938,906
Exercise of warrants	13,338,925	1,333,892
Conversion of convertible notes	800,000,000	80,000,000
Issuance of shares under share option scheme	137,358,374	13,735,837
Issuance of shares	<u>712,000,000</u>	<u>71,200,000</u>
At balance sheet date	<u>3,032,086,353</u>	<u>303,208,635</u>

2006	Number of ordinary shares	Nominal value <i>HK\$</i>
	<i>Note</i>	
Issued and fully paid:		
At beginning of year	3,032,086,353	303,208,635
Issuance of shares	(a) 250,000,000	25,000,000
Issuance of shares under share option scheme	(b) <u>224,408,635</u>	<u>22,440,864</u>
At balance sheet date	<u>3,506,494,988</u>	<u>350,649,499</u>

Notes:

- (a) Pursuant to the sale and purchase agreement dated 12 January 2006, 250,000,000 ordinary shares of HK\$0.1 each of the Company were issued to acquire 25% equity interests in Amerinvest as set out in note 18(a)(ii).
- (b) Pursuant to the ordinary resolutions passed during the year, an aggregate of 224,408,635 new shares of HK\$0.1 each of the Company were issued to certain individuals under the share option scheme at the exercise price ranged from HK\$0.103 to HK\$0.431 each.

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

24. RESERVES

Group	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Convertible		Total <i>HK\$'000</i>
				notes — equity portion <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	
At 1 January 2005	24,485	18,273	—	—	(88,246)	(45,488)
Equity portion of convertible notes issued	—	—	—	55,725	—	55,725
Exercise of warrants	533	—	—	—	—	533
Share issued under share option scheme	12,074	—	—	—	—	12,074
Shares issued at premium, net of issuing expenses	51,264	—	—	—	—	51,264
Conversion of convertible notes	121,690	—	—	(55,725)	—	65,965
Loss for the year	—	—	—	—	(131,715)	(131,715)
At 31 December 2005	<u>210,046</u>	<u>18,273</u>	<u>—</u>	<u>—</u>	<u>(219,961)</u>	<u>8,358</u>

Group	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Convertible		Total <i>HK\$'000</i>
				notes — equity portion <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	
At 1 January 2006	210,046	18,273	—	—	(219,961)	8,358
Equity-settled share-based payment	—	—	5,899	—	—	5,899
Share issued under share option scheme	40,071	—	(1,752)	—	—	38,319
Shares issued at premium, net of issuing expenses	41,150	—	—	—	—	41,150
Surrender of share option	—	—	(832)	—	832	—
Loss for the year	—	—	—	—	(114,761)	(114,761)
At 31 December 2006	<u>291,267</u>	<u>18,273</u>	<u>3,315</u>	<u>—</u>	<u>(333,890)</u>	<u>(21,035)</u>

APPENDIX II
FINANCIAL INFORMATION OF THE GROUP

Included in the reserves of the Group as at 31 December 2006 were accumulated losses of associate attributable to the Group amounting to HK\$698,540,000 (2005: HK\$627,959,000).

Company	Share premium HK\$'000	Share option reserve HK\$'000	Convertible	Accumulated losses HK\$'000	Total HK\$'000
			notes — equity portion HK\$'000		
At 1 January 2005	24,485	—	—	(95,712)	(71,227)
Exercise of warrants	533	—	—	—	533
Equity portion of convertible notes issued	—	—	55,725	—	55,725
Share issued under share option scheme	12,074	—	—	—	12,074
Shares issued at premium, net of issuing expenses	51,264	—	—	—	51,264
Conversion of convertible notes	121,690	—	(55,725)	—	65,965
Loss for the year	—	—	—	(67,715)	(67,715)
At 31 December 2005	<u>210,046</u>	<u>—</u>	<u>—</u>	<u>(163,427)</u>	<u>46,619</u>

Company	Share premium HK\$'000	Share option reserve HK\$'000	Convertible	Accumulated losses HK\$'000	Total HK\$'000
			notes — equity portion HK\$'000		
At 1 January 2006	210,046	—	—	(163,427)	46,619
Equity-settled share-based payment	—	5,899	—	—	5,899
Share issued under share option scheme	40,071	(1,752)	—	—	38,319
Shares issued at premium, net of issuing expenses	41,150	—	—	—	41,150
Surrender of share option	—	(832)	—	832	—
Loss for the year	—	—	—	(243,345)	(243,345)
At 31 December 2006	<u>291,267</u>	<u>3,315</u>	<u>—</u>	<u>(405,940)</u>	<u>(111,358)</u>

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

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

25. SHARE OPTION SCHEME

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

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

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

(a) Movement in share option scheme during the year ended 31 December 2006:

Name of category of participant	Date of grant	As at	Granted	Exercised	Cancelled	As at	Exercise price HK\$	Share price at the date of grant HK\$ (Note i)	Share price at the date of exercise HK\$ (Note ii)
		1 January 2006	during the year	during the year	during the year	31 December 2006			
Employees									
in aggregate	20 January 2006	—	69,408,635	69,408,635	—	—	0.330	0.335	0.335
	22 February 2006	—	25,000,000	25,000,000	—	—	0.360	0.350	0.385
	10 March 2006	—	65,000,000	—	65,000,000	—	0.431	0.435	N/A
	29 November 2006	—	209,000,000	40,000,000	—	169,000,000	0.103	0.100	0.101
Other in aggregate	10 March 2006	—	60,000,000	45,000,000	15,000,000	—	0.431	0.435	0.435
	9 August 2006	—	15,000,000	15,000,000	—	—	0.150	0.150	0.148
	29 November 2006	—	118,000,000	30,000,000	—	88,000,000	0.103	0.100	0.101

Notes:

- (i) The share price at the date of grant is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.
- (ii) The share price at the date of exercise is the weighted average closing price of the shares immediately before the dates on which the options were exercised.
- (iii) On 13 February 2007, 257,000,000 share options outstanding as at the balance sheet date which represented approximately 7.33% of the issued share capital of the Company, were exercised to subscribe for 257,000,000 ordinary shares in the Company at HK\$26,471,000.

(b) Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black-Scholes pricing mode. The inputs into the model were as follows:

Average share price	HK\$0.103 — HK\$0.431
Weighted average exercise price	HK\$0.103 — HK\$0.431
Expected volatility	45.02% — 78.47%
Expected life	1 — 76 days
Risk free rate	2.5% — 2.75%

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

26. DISPOSAL OF A SUBSIDIARY

	2006
	<i>HK\$'000</i>
Other financial asset	7,143
Loss on disposal	<u>(143)</u>
Total consideration	<u><u>7,000</u></u>

27. MAJOR NON-CASH TRANSACTIONS

Major non-cash transactions during the years of 2006 and 2005 have been disclosed in note 18 and 23 respectively.

28. COMMITMENTS UNDER OPERATING LEASES

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

	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,434	846
In the second to fifth year inclusive	<u>476</u>	<u>947</u>
	<u><u>1,910</u></u>	<u><u>1,793</u></u>

29. FINANCIAL GUARANTEE CONTRACT

At the balance sheet date, the Company had corporate guarantees of HK\$20,400,000 (2005: HK\$38,000,000) and HK\$30,000,000 (2005: HK\$30,000,000) for banking facilities granted to its subsidiaries and an associate respectively, which were utilised by its subsidiaries and an associate to the extent of HK\$18,300,000 (2005: HK\$18,399,000) and HK\$24,500,000 (2005: HK\$21,425,000) respectively. The directors assessed the overall exposure of the corporate guarantees granted by the Company and considered that the fair value of such corporate guarantees is immaterial in the financial statements of the Group and the Company.

30. 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:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Leasehold land and buildings	20,531	21,190
Investment properties	<u>7,200</u>	<u>9,650</u>
	<u>27,731</u>	<u>30,840</u>

31. DEFERRED TAXATION**Unrecognised deferred tax assets**

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Deductible temporary differences	8,438	1,692
Tax losses	<u>194,730</u>	<u>178,895</u>
At balance sheet date	<u>203,168</u>	<u>180,587</u>

Both the tax losses and the deductible temporary differences have no expiry date under current tax legislation. Deferred tax assets of HK\$35,554,000 (2005: HK\$31,603,000) have not been recognised in respect of these items due to uncertainty of their recoverability.

32. RELATED PARTY TRANSACTIONS

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

- (a) A property of the Group with net book value of HK\$20,531,000 (2005: HK\$21,190,000) is occupied by a brother of a director of the Company free of rental. The director's brother is a director of certain companies within the HMIL Group.

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

Name of director	Granted by	Balance at 31 December 2006 <i>HK\$'000</i>	Balance at 1 January 2006 <i>HK\$'000</i>	Maximum amount outstanding during the year <i>HK\$'000</i>	Maturity	Interest rate per annum
King, Phillip - margin loan	HMIL Group	2,365	264	2,365	N/A	8%-10%
Wong Ying Seung, Asiong - margin loan	HMIL Group	<u>8,127</u>	<u>6,011</u>	18,428	N/A	5%-10%
		<u>10,492</u>	<u>6,275</u>			

There was neither any interest due but unpaid nor any provision made against these loans at 31 December 2006.

- (c) Compensation of key management personnel

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	5,117	5,606
Contributions to MPF Scheme	<u>56</u>	<u>78</u>
	<u>5,173</u>	<u>5,684</u>

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

- (d) During the year, the Group granted an unsecured short term loan of HK\$15 million (2005: Nil) to a subsidiary of HMIL. The Group subsequently received settlement of HK\$1 million and changed the contract term of the outstanding balance of HK\$14 million to an unsecured instalment loan.

33. POST BALANCE SHEET EVENTS

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

- (a) Pursuant to the Placing Agreement dated 5 December 2006, the Company agreed to conditionally issue two years new convertible notes up to principal amounts of HK\$150,000,000 to third parties. The new convertible notes are non-interest bearing and can be converted into the HK\$0.1 per share in whole or any part (in an amount or integral multiples of HK\$1,000,000) at any time following the date of issue until 7 days prior to (and excluding) the maturing date of the new convertible notes.

On 21 and 22 February 2007, the new convertible notes with principal amount of \$150,000,000 were converted into 1,500,000,000 ordinary share of HK\$0.1 each of the Company.

- (b) On 6 February 2007, the Group's shareholding of HMIL was diluted from 35.55% to 16.18% after a shareholder of HMIL had the conversion notes converted into 873,333,000 ordinary shares of HMIL.
- (c) Pursuant to the Placing Agreement dated 26 February 2007, the Company agreed to conditionally place 684,000,000 ordinary shares of HK\$0.10 each of the Company on a fully underwritten basis to independent investors at a price of HK\$0.12 per share.

On 6 March 2007, an aggregate of 684,000,000 new ordinary shares of HK\$0.1 each of the Company were issued to third parties at cash subscription price of HK\$0.12 per share.

- (d) Pursuant to the Placing Agreement dated 12 March 2007, the Company agreed to conditionally issue two years new convertible notes with principal amounts of HK\$200,000,000 to third parties. The new convertible notes are non-interest bearing and can be converted into the ordinary shares of the Company at a conversion price of HK\$0.1 per share in whole or any part (in an amount or integral multiples of HK\$1,000,000) at any time following the date of issue until 7 days prior to (and excluding) the maturing date of the new convertible notes.

On 18 April 2007, the new convertible notes with principal amount of HK\$70,000,000 were converted into 700,000,000 ordinary shares of HK\$0.1 each of the Company.

- (e) Pursuant to the Placing Agreement dated 27 March 2007, the Company agreed to conditionally place 1,189,000,000 ordinary shares of HK\$0.10 each of the Company on a fully underwritten basis to independent investors at a price of HK\$0.11 per share.

On 4 April 2007, an aggregate of 1,189,000,000 new ordinary shares of HK\$0.1 each of the Company were issued to third parties at cash subscription price of HK\$0.11 per share.

- (f) Pursuant to the agreement dated 11 April 2007, the Group agreed to dispose of 150,000,000 shares of HMIL to a third party at a consideration of HK\$5 million. After this disposal transaction, the Company's shareholding of HMIL was further decreased to 8.34%.

- (g) On 12 April 2007, the Company through its wholly-owned subsidiary, Trade Well Investments Limited, entered into an agreement with a third party to acquire a property at House 6, Somerset Path, The Royal Oaks, 8 Kam Tsin South Road, Sheung Shui at a consideration of HK\$57.8 million.

34. COMPARATIVE FIGURES

Certain comparative figures regarding segment information and reconciliation of tax expenses have been restated to conform with the current year's presentation.

4. STATEMENT OF UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following statement of unaudited pro forma consolidated net tangible assets should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2006 (reproduced in Section 3 of Appendix II).

For illustrative purpose only, the statement of unaudited pro forma consolidation net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules, is set out here to provide information on how the Placing might have affected the consolidated net tangible assets of the Group as at 31 December 2006 had the Placing been completed on 31 December 2006.

The unaudited pro forma consolidated net tangible assets has been prepared for illustrative purposes only and because of its nature it may not give a true picture of the financial position of the Group following the Placing.

(A) Unaudited Pro Forma Statement of Consolidated Net Tangible Assets

The following statement of unaudited pro forma consolidated net tangible assets of the Group has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Placing as if it has been undertaken and completed on 31 December 2006. This statement has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Group on the completion of the Placing.

	Audited consolidated net tangible assets of the Group attributable to the Shareholders of the Company as at 31 December 2006 HK\$'000	Estimated net proceeds from the Placing HK\$'000 (Note 1)	Unaudited pro forma consolidated net tangible assets of the Group attributable to the Shareholders of the Company after the Placing HK\$'000
Consolidated net tangible assets as at 31 December 2006	<u>329,614</u>	<u>71,000</u>	<u>400,614</u>
Audited consolidated net tangible assets per Share as at 31 December 2006 (Note 2)			<u>HK\$0.09</u>
Unaudited pro forma consolidated net tangible assets per Share immediately after the Placing (Note 2)			<u>HK\$0.11</u>

Notes:

1. The estimated net proceed from the Placing is based on the expected gross proceed of approximately HK\$75,000,000 from the Placing at the Issue Price of HK\$0.025 per Warrant and deducting the estimated expenses of approximately HK\$4,000,000.
2. The calculation of the audited consolidated net tangible assets per share and the unaudited pro forma consolidated net tangible assets per Share is based on 3,506,494,988 shares in issue as at 31 December 2006.

(B) Comfort Letter on Unaudited Pro Forma Consolidated Net Tangible Assets

The following is the text of a comfort letter received from the auditors, Mazars CPA Limited, Certified Public Accountants, Hong Kong for the purpose of incorporation in this prospectus.



MAZARS CPA LIMITED
馬賽會計師事務所有限公司
34th Floor, The Lee Gardens,
33 Hysan Avenue, Causeway Bay, Hong Kong
香港銅鑼灣希慎道33號利園廣場34樓

14 September 2007

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

Dear Sirs,

We report on the unaudited pro forma financial information of Willie International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 72 to 73 under the heading of unaudited pro forma statement of consolidated net tangible assets of the Group in Appendix II of the Company’s prospectus dated 14 September 2007 (the “Prospectus”) in connection with the proposed placing of warrants (the “Placing”) of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. 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 Placing might have affected the financial information of the Group as at 31 December 2006. The basis of preparation of the pro forma financial information is set out on pages 72 to 73 to the Prospectus.

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 (HKSIR) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

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

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2006 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

5. INDEBTEDNESS

At the close of business on 30 June 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the total indebtedness of the Group amounted to approximately HK\$73.4 million, representing bank borrowings secured by certain land and building and investment properties of the Group.

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

The Company also had given corporate guarantee to the extent of HK\$30 million for banking facilities granted to a third party.

Save as aforesaid and apart from intra-group liabilities, at the close of business on 30 June 2007, the 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 material liabilities.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 December 2006, being the date to which the latest published audited accounts of the Company were made up to.

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position or prospects of the Group since 31 December 2006, the date to which the latest audited financial statements of the Company were made up.

7. WORKING CAPITAL

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

8. SHARE OPTION SCHEME

Pursuant to the Group reorganisation during 2002, the Share Option Scheme was approved on 20 November 2002 by the Shareholders of the Company and became effective on 3 January 2003. The Share Option Scheme is valid and effective for a period of ten years. The Board 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 Share Option 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 Share Option 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 Shareholders. Options granted to any Director, chief executive or substantial Shareholder of the Company or any of their respective associates in excess of 0.1% of the Company's share capital in issue and having an aggregate value in excess of HK\$5 million must be subject to prior approval by the 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 Share Option Scheme, if earlier. The exercise price is determined by the Directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, the average closing price of the Shares for the five business days immediately preceding the date of grant and the nominal value of the Shares on the date of grant.

1. RESPONSIBILITY STATEMENTS

This prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Director collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus, 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 in this prospectus misleading.

2. SHARE CAPITAL

The authorized and issued share capital of the Company as at the Latest Practicable Date and immediately upon completion of the Placing are set out below:

<i>Authorized</i>		<i>HK\$</i>
50,000,000,000	Shares of HK\$0.10 each	5,000,000,000
<i>Issued and fully paid:</i>		<i>HK\$</i>
15,179,312,988	Shares of HK\$0.10 each	1,517,931,298.80
3,000,000,000	new Shares to be issued upon exercise of the subscription rights attached to the Warrants	300,000,000.00
<u>18,179,312,988</u>		<u>1,817,931,298.80</u>

Since the date to which the latest published audited accounts of the Company were made up and up to the Latest Practicable Date, an aggregate of 11,672,818,000 new Shares have been issued by the Company as to (i) 2,018,600,000 Shares as a result of exercise of share options; (ii) 3,500,000,000 Shares as a result of conversion of convertible notes in February and April 2007; and (iii) 6,154,218,000 Shares as a result of share placing in March, April, June and July 2007. As at the Latest Practicable Date, no share or loan capital of the Group was under option, or was agreed conditionally or unconditionally to be put under option.

The new Shares falling to be issued upon the exercise of the subscription rights attached to the Warrants will rank *pari passu* in all respects with the then existing issued Shares save for any rights or entitlements to dividends or other rights or distributions the record date for which precedes the date on which the subscription rights attached to the Warrants are exercised in accordance with the terms of the Warrants.

As at the Latest Practicable Date, the Company has no outstanding share options, convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Shares.

Application has been made to the Listing Committee of the Stock Exchange for the listings of, and permission to deal in, the Warrants and any Shares falling to be issued upon the exercise of the subscription rights attached to the Warrants.

As at the Latest Practicable Date, no part of the share capital of the Company was listed or dealt in on any other stock exchange or on which listing or permission to deal was being or was proposed to be sought.

3. DISCLOSURE OF INTEREST

As at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the SFO) which are required : (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer.

4. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and to the best knowledge of the Directors or chief executive of the Company, the following parties (other than a Director or chief executive of the Company), had an interest or short position in the Shares or underlying Shares 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 were, directly or indirectly, interested in 10% or more or the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such persons' interest in such securities, together with any options in respect of such capital, were as follows:

Interest in the Shares and underlying Shares

Name of Shareholder	Nature of interest	Number of Shares (Long position)	Approximate % of issued share capital of the Company
Unity Investments Holdings Ltd	Beneficial owner	850,000,000	5.60%

Save as disclosed above, as at the Latest Practicable Date, the Directors or the chief executive of the Company were not aware of any persons or corporations (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares 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 Group, or in any options in respect of such capital.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, there is no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. LITIGATIONS

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

7. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years preceding the Latest Practicable Date:

- (1) On 3 August 2005, the Company and Hennabun Management International Limited entered into an agreement in relation to the disposal of Supercapital Investments Limited, the assignment of a shareholders loan owed by Supercapital Investments Limited to Top Ultimate Limited and surrender of the existing notes issued by Hennabun Management International Limited for a total consideration of HK\$146,000,007.8;
- (2) On 16 September 2005, Chung Nam Finance Limited (as lender) and the Company (as borrower) entered into an agreement of unsecured standby credit facility in the amount of HK\$50 million;
- (3) On 21 November 2005, the Company and Get Nice Investment Limited entered into a placing agreement in relation to placing of 438,000,000 new Shares of the Company at HK\$0.18 per Share;
- (4) On 12 January 2006, China Capital Advisors Corporation, Smart Way Resources Limited and the Company entered into a conditional agreement in relation to the acquisition of 25% interest in Amerinvest Coal Industry Holding Company Limited at a consideration of HK\$66,250,000;

- (5) On 13 January 2006 and 28 February 2006, Alpha Aim International Limited and Au Yeung Kai Chor entered into a conditional agreement and deed of assignment of shareholder's loan for the disposal shares in and shareholder's loan extended to Found Macau Investments International Limited at a total consideration of HK\$75 million;
- (6) On 20 March 2006, Honour Era Group Limited, Smart Way Resources Limited, the Company and Mr. Li Wai Lung entered into an agreement in relation to the acquisition of 25% interest in Amerinvest Coal Industry Holdings Company Limited at a consideration of HK\$69,900,000;
- (7) On 10 April 2006, the Company and Freeman China Limited entered into a conditional agreement in relation to the disposal of share in Leapfly Limited at a consideration of HK\$7 million;
- (8) On 21 April 2006, Yearwise Finance Limited, Equity Spin Investments Limited, the Company and Inner Mongolia Development (Holdings) Limited entered into a conditional agreement for the disposal of a convertible note issued by Hennabun Management International Limited at a consideration of HK\$100 million;
- (9) On 5 December 2006, the Company and Get Nice Investment Limited entered into a placing agreement in relation to placing of HK\$150 million convertible notes;
- (10) On 26 February 2007, the Company and Get Nice Investment Limited entered into a placing agreement in relation to placing of 684,000,000 new shares of the Company at HK\$0.12 per Share;
- (11) On 12 March 2007, the Company and Chung Nam Securities Limited entered into a placing agreement in relation to placing of HK\$200 million convertible notes;
- (12) On 27 March 2007, the Company and Get Nice Investment Limited entered into a placing agreement in relation to placing of 1,189,000,000 new Shares of the Company at HK\$0.11 per Share;
- (13) On 11 April 2007, Grand Wishes Limited and Ms. Lo Oi Kwok, Sheree entered into an agreement in relation to the disposal of 150,000,000 shares of Hennabun Management International Limited at a consideration of HK\$5 million;
- (14) On 12 April 2007, Trade Well Investments Limited and Mackey Limited entered into a sales and purchase agreement for to the acquisition of the property of House No. 6, Somerset Path, 8 Kam Tsin South Road, The Royal Oaks, Sheung Shui, New Territories at a consideration of HK\$57,800,000;
- (15) On 12 April 2007, Portstar Investments Limited and Hong Kong Cyberport (Ancillary Development) Limited entered into a memorandum for sale for the acquisition of Flat A, 39/F, Tower 5, Bel-Air No. 8, Bel-Air on the Peak, Island South at a consideration of HK\$17,680,000;

- (16) On 12 April 2007, Winsy Investments Limited and Hong Kong Cyberport (Ancillary Development) Limited entered a memorandum for sale for the acquisition of the property of Flat A, 40/F, Tower 5, Bel-Air No. 8, Bel-Air on the Peak, Island South at a consideration of HK\$17,680,000;
- (17) On 23 April 2007, Cordoba Homes Limited and Ms. Lo Ki Yan Karen entered into a sales and purchase agreement for acquisition of a 10.21 carat, colour D and flawless diamond at a consideration of HK\$10,000,000;
- (18) On 24 April 2007, Grand Wishes Limited and Ms. Tong So Yuet entered into an agreement for the disposal of 159,633,334 shares in Hennabun Management International Limited at a consideration of HK\$1 million;
- (19) On 4 May 2007, More Rich Investments Limited and E-Garden Properties Limited entered into a sales and purchase agreement for the acquisition of 1 share of Clear Point Limited at a consideration of HK\$998,755 and a deed of assignment of debt for transfer the loan owed by Clear Point Limited to E-Garden Properties Limited at consideration of HK\$1,001,245 (the principal assets of Clear Point Limited is 3 car parking spaces at China United Centre, 28 Marble Road, North Point);
- (20) On 4 May 2007, More Rich Investments Limited, E-Garden Properties Limited and Righteam Limited entered into a sales and purchase agreement for the acquisition of 1,000 shares of Million Regal Investment Limited at consideration of HK\$1 and a deed of assignment of debt for transfer the loan owed by Million Regal Investments Limited to E-Garden Properties Limited at a consideration of HK\$1;
- (21) On 14 May 2007, Wealth Elegant Investments Limited and Caricom Limited entered into sales and purchase agreement for the acquisition of 26/F, China United Centre, 28 Marble Road, North Point, Hong Kong at a consideration of HK\$40,800,000;
- (22) On 14 May 2007, Hexham Enterprises Limited, Charming Profit Investments Limited, Bestford Properties Limited and Heritage International Holdings Limited entered into an agreement for purchase of 100 shares in and shareholder's loan extended to Bestford Properties Limited at a consideration of HK\$20,828,069.11;
- (23) On 22 May 2007, Million Regal Investment Limited and First Luck Investment Limited entered into an agreement for the acquisition of certain car parking spaces at China United Centre, 28 Marble Road, North Point at a consideration of HK\$42,000,000;
- (24) On 29 May 2007, Pearl Decade Limited and Radford Capital Investment Limited entered into a subscription agreement for the subscription of 284,078,810 shares in Radford Capital Investment Limited at HK\$0.120 per share;
- (25) On 6 June 2007, Thousand More Investments Limited and Mr. Leung Chi Wah entered into an agreement for sale and purchase of 1 share in and shareholder's loan extended to Longtop Enterprises Limited at a consideration of HK\$2,234,821;

- (26) On 6 June 2007, the Company, Get Nice Investment Limited and Chung Nam Securities Limited entered into a placing agreement in respect of an issue of 1,946,218,000 new Shares of the Company at HK\$0.126 per Share under general mandate;
- (27) On 15 June 2007, Cordoba Homes Limited and Hero City Trading Limited entered into an agreement for acquisition of entire equity interest in and shareholder's loan extended to Apex Novel Limited at HK\$88,000,000 (the principal assets of Apex Novel Limited is a property at Unit 1, Sunshine Villa, No. 48 Mount Kellett Road, The Peak, Hong Kong);
- (28) On 28 June 2007, Richful Zone International Limited, Harvest Source Holdings Limited and Allied Loyal International Investments Limited entered into an agreement for sale and purchase of entire equity interest in and shareholder's loan extended to Allied Loyal International Investments Limited at a consideration of HK\$136 million (the principal assets of Allied Loyal International Investments Limited is a property of 50% of the forestry lands use rights (林地使用權) and forestry trees entitlement (林木所有權) of the Forests granted by 雲南省普洱市翠雲區人民政府 in Simao District (思茅區), Puer City (普洱市), Yunnan Province, the PRC);
- (29) On 5 July 2007, the Company and Chung Nam Securities Limited entered into a placing agreement in respect of an issue of 2,335,000,000 new Shares of the Company at HK\$0.111 per Share under general mandate;
- (30) the Placing and Underwriting Agreement; and
- (31) On 3 September 2007, Smart Way Resources Limited entered into the agreement with CCEC Limited for disposal of 50% interest in Amerinvest Coal Industry Holding Company Limited at a sale price of US\$12,190,032.50. The Company will be the guarantor in respect of the obligations of Smart Way Resources Limited under the agreement.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given an opinion or advice, which is contained or referred to in the prospectus:

Name	Qualification
Mazars CPA Limited ("Mazars")	Certified Public Accountants, Hong Kong

Mazars has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion therein of its opinion or letter, as the case may be, and the references to its name, opinion or letter in the form and context in which it respectively appears.

As at the Latest Practicable Date, Mazars did not have beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and have any interest, either directly or indirectly, in any assets which have been, since 31 December 2006, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE PLACING

Registered office and head office of the Company	32/F, China United Centre 28 Marble Road North Point Hong Kong
Authorized representatives	Mr. Lo Kan Sun Ms. Lee Pui Shan 32/F, China United Centre 28 Marble Road North Point Hong Kong
Company secretary	Ms. Lee Pui Shan
Qualified accountant	Ms. Lee Kwan Ching
Underwriter	Chung Nam Securities Limited 31/F, China United Centre 28 Marble Road North Point Hong Kong
Legal adviser	Richards Butler 20/F, Alexandra House 16-20 Chater Road, Hong Kong
Auditors	Mazars CPA Limited 34/F, The Lee Gardens 33 Hysan Avenue Causeway Bay Hong Kong
Share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17/F Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong

Principal bankers	<p>Chong Hing Bank Limited G/F, Chong Hing Bank Centre 24 Des Voeux Road Central Hong Kong</p> <p>The Bank of East Asia Limited 10 Des Voeux Road Central Hong Kong</p> <p>The Hong Kong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong</p>
--------------------------	--

10. PARTICULAR OF DIRECTORS AND SENIOR MANGEMENT

(a) Name	Address
<i>Executive Directors</i>	
Mr. Chuang Yueheng, Henry	32/F, China United Centre 28 Marble Road North Point Hong Kong
Mr. King Phillip	32/F, China United Centre 28 Marble Road North Point Hong Kong
Mr. Lo Kan Sun	32/F, China United Centre 28 Marble Road North Point Hong Kong
Mr. Wong Ying Seung, Asiong	32/F, China United Centre 28 Marble Road North Point Hong Kong
Mr. Wang Lin	32/F, China United Centre 28 Marble Road North Point Hong Kong
<i>Independent Non-executive Directors</i>	
Mr. Nakajima Toshiharu	Room 2806 28/F, China United Centre 28 Marble Road North Point Hong Kong

Ms. Lin Wai Yi	Room 901, 9/F Hong Kong Diamond Exchange Building 8-10 Duddell Street Central Hong Kong
Mr. Liu Jian	1-902# Goldland Seaview Garden Shenzhen City Guangdong Province the PRC
Mr. Shum Ming Choy	19/F, Harbour Commercial Building 122-124 Connaught Road Central Hong Kong
Mr. Yau Yan Ming, Raymond	65, Maidstone Road G/F, Kowloon

Alternate Director

Ms. Lee Kwan Ching	32/F, China United Centre 28 Marble Road North Point Hong Kong
--------------------	---

(b) **Qualifications**

Executive Directors

Mr. Chuang Yueheng, Henry, aged 52, was appointed as the Chairman of the Company in 2002. He holds Master's degrees in Petroleum Engineering and in Business Administration from the University of Southern California in the United States of America. He has over 14 years of experience in corporate finance and development. He does not hold any other directorships in other listed public companies in the last three years and he holds directorship with several subsidiaries of the Company. He does not have any relationship with any directors, senior management, substantial or controlling Shareholders of the Company. He does not have any interests in shares of the Company within the meaning of Part XV of the SFO and there is no information to be disclosed pursuant to the requirements of the Rule 13.51(2) of the Listing Rules.

Mr. King Phillip, aged 36, was appointed as the Managing Director of the Company in 2005. He holds a Master's degree in Business Administration from the University of San Francisco in the United States of America. He has over 17 years of experience in real estate investment, management and development. He is also an independent non-executive director of Glory Future Group Limited, a public listed company in Hong Kong. He holds directorship with several subsidiaries of the Company. He does not have any relationship with any directors, senior management, substantial or controlling Shareholders of the Company. He does not have any interests in shares of the Company within the meaning of Part XV of the SFO and there is no information to be disclosed pursuant to the requirements of the Rule 13.51(2) of the Listing Rules.

Mr. Lo Kan Sun, aged 53, was appointed as the Director of the Company in 2002. He is the Chief Operating Officer of the Company. He holds a Master's degree in Business Administration from Indiana University in the United States of America. He has over 27 years of experience in finance, investment and banking. He does not hold any other directorships in other listed public companies in the last three years and he holds directorship with several subsidiaries of the Company. He does not have any relationship with any directors, senior management, substantial or controlling Shareholders of the Company. He does not have any interests in shares of the Company within the meaning of Part XV of the SFO and there is no information to be disclosed pursuant to the requirements of the Rule 13.51(2) of the Listing Rules.

Mr. Wong Ying Seung, Asiong, aged 57, was appointed as the Director of the Company in 2002. He holds a Bachelor's degree in Chemical Engineering from the University of London in the United Kingdom. He has over 27 years of experience in banking and investment. He does not hold any other directorships in other listed public companies in the last three years and he holds directorship with several subsidiaries of the Company. He does not have any relationship with any directors, senior management, substantial or controlling Shareholders of the Company. He does not have any interests in shares of the Company within the meaning of Part XV of the SFO and there is no information to be disclosed pursuant to the requirements of the Rule 13.51(2) of the Listing Rules.

Mr. Wang Lin, aged 52, was appointed as Director of the Company in 2006. He studied Electronics from the Yunnan Radio and TV University. He is an Economist by profession with over 30 years of experience in accounting and finance. He does not hold any other directorships in other listed public companies in the last three years and he does not hold any other positions with the Company or its subsidiaries. He does not have any relationship with any directors, senior management, substantial or controlling Shareholders of the Company. He does not have any interests in shares of the Company within the meaning of Part XV of the SFO and there is no information to be disclosed pursuant to the requirements of the Rule 13.51(2) of the Listing Rules.

Independent Non-executive Directors

Mr. Nakajima Toshiharu, aged 70, was appointed as the Director of the Company in 2005. He holds a Bachelor's degree of Economics from Waseda University in Tokyo in Japan. He has over 43 years of experience in investment advisory and asset management. He is also an executive director of Radford Capital Investment Limited, a publicly listed company in Hong Kong. He does not hold any other positions with the Company or its subsidiaries. He does not have any relationship with any directors, senior management, substantial or controlling Shareholders of the Company. He does not have any interests in shares of the Company within the meaning of Part XV of the SFO and there is no information to be disclosed pursuant to the requirements of the Rule 13.51(2) of the Listing Rules.

Ms. Lin Wai Yi, aged 43, was appointed as the Director of the Company in 2005. She holds Bachelor's, Master's and Doctorate degrees all in Chinese Laws from the Beijing University in the People's Republic of China. She has been a practising solicitor in Hong Kong since 1994 and has been registered as a solicitor in England and Wales since 1996. She is the founder of Messrs. Deca Lin & Partners. She does not hold any other directorships in other listed public companies in the last three years and she does not hold any other positions with the Company or its subsidiaries. She does not

have any relationship with any directors, senior management, substantial or controlling Shareholders of the Company. She does not have any interests in shares of the Company within the meaning of Part XV of the SFO and there is no information to be disclosed pursuant to the requirements of the Rule 13.51(2) of the Listing Rules.

Mr. Liu Jian, aged 38, was appointed as Director of the Company in 2006. He holds a Bachelor's degree in Electrical Engineering from the Fudan University, Shanghai in the People's Republic of China as well as a Master's degree in Chinese Law from the Jilin University in the People's Republic of China. He is a Senior Economist by profession and has over 14 years of experience in corporate finance and investment banking. Mr. Liu is the Vice President of the Century Securities Company Limited in Beijing. He does not hold any other directorships in other listed public companies in the last three years and he does not hold any other positions with the Company or its subsidiaries. He does not have any relationship with any directors, senior management, substantial or controlling Shareholders of the Company. He does not have any interests in shares of the Company within the meaning of Part XV of the SFO and there is no information to be disclosed pursuant to the requirements of the Rule 13.51(2) of the Listing Rules.

Mr. Shum Ming Choy, aged 56, was appointed as Director of the Company in 2006. He holds a Bachelor's degree in Laws (Hons.) from the University of Hong Kong. He is a solicitor of the High Court of Hong Kong SAR and Supreme Court of England & Wales. He was a non-executive director of Goldwiz Holdings Limited, a publicly listed company in Hong Kong, during the period from 18 May 2006 to 15 June 2006. He was re-designated as an independent non-executive director of Goldwiz Holdings Limited ("Goldwiz") from 15 June 2006 to 14 February 2007. The Receivers and Managers, Mr. Cosimo Borrelli and Ms. Jacqueline Walsh of Borrelli Walsh Limited, were appointed to all the property and assets of Goldwiz on 14 December 2006 in accordance with the terms of debentures with principal amount of HK\$75,000,000 granted by Goldwiz to its secured creditor, CUPAC Finance Limited. As at the announcement dated 6 March 2007, Goldwiz has received a writ of summons issued by Double Smart Finance Limited on 16 February 2007, claiming for a sum of HK\$10 million granted to the Goldwiz, and a statutory demand issued on behalf of Sunderland Properties Limited on 22 February 2007 demanding Goldwiz to return a deposit of HK\$10 million. Since 14 February 2007 and updated public announcement, Goldwiz is not subject to any court orders and no winding up petitions have been issued against Goldwiz. Trading in the securities of Goldwiz has been suspended since 3 January 2006. He does not hold any other positions with the Company or its subsidiaries. He does not have any relationship with any directors, senior management, substantial or controlling Shareholders of the Company. He does not have any interests in shares of the Company within the meaning of Part XV of the SFO and save as mentioned above, there is no information to be disclosed pursuant to the requirements of the Rule 13.51(2) of the Listing Rules.

Mr. Yau Yan Ming, Raymond, aged 39, was appointed as Director of the Company in 2006. He holds a Master's degree in Science majoring in Japanese business studies and Bachelor's degree in Business Administration majoring in accounting in the United States of America. He is a Certified Public Accountant both in Hong Kong and in the United States of America. He is also an associate member of Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants. He has over 10 years of working experience in areas of auditing, accounting, taxation, company secretarial, corporate finance and financial management. He does not hold any other directorships in other listed public companies in the last three years and he does not hold any

other positions with the Company or its subsidiaries. He does not have any relationship with any directors, senior management, substantial or controlling Shareholders of the Company. He does not have any interests in shares of the Company within the meaning of Part XV of the SFO and there is no information to be disclosed pursuant to the requirements of the Rule 13.51(2) of the Listing Rules.

Alternate Director

Ms. Lee Kwan Ching, aged 48, is the financial controller and the qualified accountant of the Company. She is also the alternate Director to Mr. Lo Kan Sun. She holds a Bachelor's degree in Commerce (Accounting) from the University of Birmingham in the United Kingdom. She is a Fellow Member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. She has over 20 years of experience in finance and accounting. She does not hold any other directorships in other listed public companies in the last three years and she does not hold any other positions with the Company or its subsidiaries. She does not have any relationship with any directors, senior management, substantial or controlling Shareholders of the Company. She does not have any interests in shares of the Company within the meaning of Part XV of the SFO and there is no information to be disclosed pursuant to the requirements of the Rule 13.51(2) of the Listing Rules.

11. EXPENSES

The expenses in connection with the issue of Warrants, including financial advisory fees, printing, registration, translation, legal and accountancy charges are estimated to amount to approximately HK\$1.5 million and are payable by the Company.

12. MISCELLANEOUS

- (a) None of the Directors has, or has had any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to the Company or any member of the Group since 31 December 2006, being the date to which the latest published audited accounts of the Company were made up.
- (b) There is no commissions, discounts, brokerages or other special terms granted since the date to which the latest published audited accounts of the Company were made up in connection with the Placing or sale of any capital of the member of the Group, together with the Directors who received any such payment or benefit and the amount or rate of the payment or benefit they received.
- (c) As at the Latest Practicable Date, none of the Directors or any of their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group. In addition, as at the Latest Practicable Date, none of the Directors is materially interested and which is significant in relation to the business of the Group.

- (d) The company secretary of the Company is Ms. Lee Pui Shan who is an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. She is also a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.
- (e) The English text of this prospectus shall prevail over the Chinese text in the case of any inconsistency.

13. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of this prospectus, having attached thereto a copy of the application form for the Warrants and the written consent referred to in the paragraph headed “Expert and Consent” in this Appendix, has been registered with the Registrar of Companies in Hong Kong as required by section 38D of the Companies Ordinance.

14. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Article 81 of the Company’s articles of association sets out the following procedure by which the Shareholders may demand a poll.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:

- (i) by the chairman of such meeting;
- (ii) by at least three members present in person or by proxy and entitled to vote at the meeting;
- (iii) by any member or members present in person or by proxy and representing not less than one tenth of the total voting rights of all the members having the right to vote at the meeting;
or
- (iv) by a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all the shares conferring that right.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (Saturdays and public holidays excepted) at the office of the Company at 32/F, China Untied Centre, 28 Marble Road, North Point, Hong Kong up to and including 28 September 2007, being the date which is 14 days from the date of this prospectus:

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

- (b) the material contracts referred to in the section headed “Material Contracts” in this appendix;
- (c) the annual reports of the Company for the financial year ended 31 December 2004, 2005 and 2006;
- (d) the letter from Mazars CPA Limited on the unaudited pro forma financial information of the Group, the text of which is set out on pages 74 and 75 of this prospectus;
- (e) the consent letter referred to under the section headed “Expert and consent” in this Appendix; and
- (f) a copy of each circular of the Company dated 27 April 2007, 25 June 2007 and 11 July 2007 issued pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules since 31 December 2006 (being the date to which the latest published audited consolidated financial statements of the Group were made up).