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## THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Willie International Holdings Limited (the "Company"), you should at once hand this prospectus and the accompanying provisional allotment letter and the form of application for excess rights shares to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

A copy of this prospectus, together with copies of the provisional allotment letter, the form of application for excess rights shares and (where applicable) the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix III to this prospectus, has 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 Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of any of these documents.

Dealings in the securities of the Company and the Rights Shares (as defined herein) in their nil-paid form and fully-paid form may be settled through CCASS (as defined herein) and you should consult a licensed securities dealer or other registered dealer in securities, 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 Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange (as defined herein) as well as compliance with the stock admission requirements of HKSCC (as defined herein), the Rights Shares in both their nil-paid and fully paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms or such other dates 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.

The Stock Exchange of Hong Kong Limited and HKSCC 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 howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

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**Willie International Holdings Limited**

**威利國際控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 273)**

**(Warrant Code: 614)**

### **RIGHTS ISSUE OF NEW SHARES ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ADJUSTED SHARE HELD**

**Underwriter to the Rights Issue**



**CHUNG NAM SECURITIES LIMITED**

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The latest time for acceptance and payment for the Rights Shares is 4:00 p.m. on Tuesday, 22 January 2008. The procedure for acceptance and payment or transfer is set out on pages 13 to 14 of this prospectus.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. The Underwriter may terminate the Underwriting Agreement on or before the Latest Time for Termination if prior to the Latest Time for Termination:

- (a) there occurs any new regulation or any change in the existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (b) there occurs any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before or after the date of the Underwriting Agreement of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
- (d) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities) which, in the reasonable opinion of the Underwriter, makes it inexpedient or inadvisable to proceed with the Rights Issue;

Upon rescission of the Underwriting Agreement, all liabilities of the Company and the Underwriter will cease and determine and no party will have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement save in respect of, among other things, any antecedent breach of any obligation under the Underwriting Agreement, and the Rights Issue shall not proceed.

The Shares have been dealt in on an ex-rights basis since Wednesday, 19 December 2007 and the Rights Shares are expected to be dealt with in their nil-paid form from Monday, 7 January 2008 to Thursday, 17 January 2008 (both dates inclusive). Any person dealing in the securities of the Company from now up to the date on which all the conditions of the Rights Issue are fulfilled and any person dealing in the nil-paid Rights Shares from Monday, 7 January 2008 to Thursday, 17 January 2008 (being the first and last days of dealings in the nil-paid Rights Shares respectively) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Any person dealing or contemplating any dealing in the securities of the Company and/or the Rights Shares in their nil-paid form during this period who is in any doubt about his/her/its/their position is recommended to consult his/her/its/their own professional adviser. It is expected that the conditions referred to in the section headed "Conditions of the Rights Issue" in this prospectus are to be fulfilled by the Latest Time for Termination. If the conditions referred to in that section are not fulfilled or waived by the Underwriter on or before Friday, 29 February 2008 (or such later time(s) as the Underwriter may agree with the Company) or the Underwriting Agreement has been terminated in accordance with the terms thereof, the Rights Issue will not proceed.

2 January 2008

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## EXPECTED TIMETABLE FOR THE RIGHTS ISSUE

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The expected timetable for the Rights Issue set out below is *indicative only*. The expected timetable is subject to change, and any changes will be announced in a separate announcement by the Company as soon as practicable. All times and dates in this prospectus refer to Hong Kong local times and dates.

First day of dealings in nil-paid Rights Shares . . . . .Monday, 7 January 2008

Latest time for splitting of nil-paid Rights Shares . . . . .4:30 p.m., Monday, 14 January 2008

Effective date of the change in board

lot size from 4,000 Shares to 10,000 Adjusted Shares . . . . .Wednesday, 16 January 2008

Existing counter for trading in the Adjusted Shares

in board lots of 10,000 each (in the form of

new certificates) re-opens . . . . .9:30 a.m., Wednesday, 16 January 2008

Parallel trading in the Adjusted Shares begins

(in the form of new and existing certificates) . . . . .9:30 a.m., Wednesday, 16 January 2008

Designated broker starts to stand in market to

provide matching services . . . . .Wednesday, 16 January 2008

Last day of dealings in nil-paid Rights Shares . . . . .Thursday, 17 January 2008

Latest time for acceptance of the Rights Shares

as well as application for excess Rights Shares and

payment of consideration therefor . . . . .4:00 p.m., Tuesday, 22 January 2008

Latest time for completion of the Rights Issue and

the Underwriting Agreement becoming unconditional . . . . .after 6:00 p.m., Thursday,  
24 January 2008

Announcement of results of acceptance of Rights Issue . . . . .Tuesday, 29 January 2008

Despatch of refund cheques in respect of wholly or

partially unsuccessful excess applications by post . . . . .Tuesday, 29 January 2008

Despatch of certificates for fully paid

Rights Shares by post . . . . .Tuesday, 29 January 2008

Commencement of dealings in fully paid Rights Shares . . . . .Thursday, 31 January 2008

Temporary counter for trading in the Adjusted Shares

in board lots of 400 each (in the form of

existing certificates) closes . . . . .4:00 p.m., Wednesday, 6 February 2008

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## EXPECTED TIMETABLE FOR THE RIGHTS ISSUE

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Parallel trading in the Adjusted Shares ends

(in the form of new and existing certificates) . . . . .4:00 p.m., Wednesday, 6 February 2008

Designated broker ceases to stand in the market

to provide matching services . . . . .4:00 p.m., Wednesday, 6 February 2008

Free exchange of existing share certificates in board

lot of 4,000 Shares each for new share certificates

in board lot of 10,000 Adjusted Shares each ends . . . . .Wednesday, 13 February 2008

*Note:*

### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES**

The latest time for acceptance of and payment for the Rights Shares will not take place if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning

in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of and payment for the Rights Shares. Instead, the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following business day, which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on the expected latest date for acceptance of the offer of the Rights Shares, the dates subsequent to the said latest expected date mentioned in this section may be affected. A press announcement will be made by the Company in such event as soon as practicable.

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## DEFINITIONS

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

“Acceptance Date”	22 January 2008 or such other date as the Underwriter may agree in writing with the Company as the last date for acceptance of, and payment for, the Rights Shares
“%”	per cent.
“Adjusted Share(s)”	new ordinary share(s) of HK\$0.10 each in the capital of the Company arising from the completion of the Capital Reorganization
“Board”	the board of Directors
“Capital Reduction”	the proposed reduction of the capital of the Company involving the cancellation of the paid up capital to the extent of HK\$0.90 on each Consolidated Share in issue and the reduction of the nominal value of all the issued and unissued Consolidated Shares from HK\$1.00 to HK\$0.10
“Capital Reorganization”	the Share Consolidation and the Capital Reduction
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China” or “PRC”	the People’s Republic of China
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	Willie International Holdings Limited 威利國際控股有限公司, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Consolidated Share(s)”	new ordinary share(s) of HK\$1.00 each in the capital of the Company resulting from the Share Consolidation
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company held on 28 December 2007 for the purpose of approving the Capital Reorganization and the Rights Issue
“Excluded Overseas Shareholders”	the Overseas Shareholders to whom the Board, after making enquiries, considers it necessary or expedient not to offer the Rights Shares, on account of either legal restrictions under the laws of the relevant place of residence of such Overseas Shareholders or the requirements of the relevant regulatory body or stock exchange in that place
“Group”	the Company and its subsidiaries

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## DEFINITIONS

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“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of independent non-executive Directors formed for the purpose of advising the Independent Shareholders in relation to the Rights Issue
“Independent Shareholders”	Shareholders other than the controlling Shareholders and their associates or, where there are no controlling Shareholders, executive Directors and their respective associates
“Last Trading Day”	12 November 2007, being the last trading day prior to the suspension of the trading of the Shares, pending the release of the announcement of the Company dated 15 November 2007 relating to, inter alia, the Capital Reorganization and the Rights Issue
“Latest Practicable Date”	27 December 2007, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information for inclusion herein
“Latest Time for Termination”	6:00 p.m. on the second business day following the Acceptance Date
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholders”	the Shareholders whose registered addresses as shown on the register of members of the Company on the Record Date situate outside Hong Kong
“Prospectus Documents”	this prospectus, the provisional allotment letter and the form of application for excess Rights Shares
“Prospectus Posting Date”	2 January 2008, being the date for the posting of the Prospectus Documents
“Qualifying Shareholders”	Shareholders, other than the Excluded Overseas Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	28 December 2007, being the date by reference to which entitlements under the Rights Issue were determined
“Rights Issue”	the issue by way of rights of 1,517,931,298 Rights Shares in the proportion of one Rights Share for every Adjusted Share held at the Subscription Price payable in full on acceptance
“Rights Share(s)”	new Adjusted Share(s) of HK\$0.10 each to be allotted and issued under the Rights Issue

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## DEFINITIONS

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“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share Consolidation”	the consolidation into one Consolidated Share of every ten issued and unissued Shares
“Share Option Scheme”	the share option scheme of the Company adopted on 20 November 2002
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company in existence prior to the Capital Reorganization
“Shareholder(s)”	registered holder(s) of the Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.22 per Rights Share
“Underwriter”	Chung Nam Securities Limited, a corporation licensed under the SFO to conduct type 1 (dealing in securities) of the regulated activities and whose ordinary course of business includes underwriting
“Underwriting Agreement”	the underwriting agreement dated 12 November 2007 entered into between the Company and the Underwriter in relation to the Rights Issue, as amended by supplemental letters dated 16 November 2007 and 12 December 2007 amending definitions of various dates as appeared therein between the same parties
“Warrants”	the warrants listed on the Stock Exchange conferring rights on the holders to subscribe for the Shares of the Company at the subscription price of HK\$0.10 per Share
“Warrantholder(s)”	holder(s) of the Warrants

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## SUMMARY OF THE RIGHTS ISSUE

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*The following information is derived from, and should be read in conjunction with, the full text of this prospectus:*

Number of Rights Shares to be issued:	1,517,931,298 Rights Shares
Basis of the Rights Issue:	One Rights Share for every Adjusted Share held
Subscription Price:	HK\$0.22 per Rights Share, payable in full upon acceptance
Basis of entitlement:	Rights Shares will be allotted in the proportion of one Rights Share for every Adjusted Share held by the Qualifying Shareholders. No Rights Shares will be offered to the Excluded Overseas Shareholders
Right of excess application:	Qualifying Shareholders will have the right to apply for excess Rights Shares
Amount to be raised by the Rights Issue:	Approximately HK\$334 million before expenses and HK\$323 million after expenses



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## TERMINATION OF THE UNDERWRITING AGREEMENT

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The Underwriting Agreement contains provisions granting the Underwriter, by notice in writing, the right to terminate the Underwriter's obligations thereunder on the occurrence of certain events. The Underwriter may terminate the Underwriting Agreement on or before the Latest Time for Termination if prior to the Latest Time for Termination:

- (a) there occurs any new regulation or any change in the existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (b) there occurs any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before or after the date of the Underwriting Agreement of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
- (d) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities) which, in the reasonable opinion of the Underwriter, makes it inexpedient or inadvisable to proceed with the Rights Issue;

Upon rescission of the Underwriting Agreement, all liabilities of the Company and the Underwriter will cease and determine and no party will have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement save in respect of, among other things, any antecedent breach of any obligation under the Underwriting Agreement, and the Rights Issue shall not proceed.

The Shares have been dealt in on an ex-rights basis since Wednesday, 19 December 2007 and the Rights Shares are expected to be dealt with in their nil-paid form from Monday, 7 January 2008 to Thursday, 17 January 2008 (both dates inclusive). Any person dealing in the securities of the Company from now up to the date on which all the conditions of the Rights Issue are fulfilled and any person dealing in the nil paid Rights Shares from Monday, 7 January 2008 to Thursday, 17 January 2008 (being the first and last days of dealings in the nil-paid Rights Shares respectively) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Any person dealing or contemplating any dealing in the securities of the Company and/or the Rights Shares in their nil-paid form during this period who is in any doubt about his/her/its/their position is recommended to consult his/her/its/their own professional adviser.

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## **TERMINATION OF THE UNDERWRITING AGREEMENT**

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It is expected that the conditions referred to in the section headed “Conditions of the Rights Issue” in this prospectus are to be fulfilled by the Latest Time for Termination. If the conditions referred to in that section are not fulfilled or waived by the Underwriter on or before Friday, 29 February 2008 (or such later time(s) as the Underwriter may agree with the Company) or the Underwriting Agreement has been terminated in accordance with the terms thereof, the Rights Issue will not proceed.

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## LETTER FROM THE BOARD

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# Willie International Holdings Limited

## 威利國際控股有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 273)**

**(Warrant Code: 614)**

*Executive Directors:-*

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

*Registered 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

2 January 2008

*To the Qualifying Shareholders, and for information only,  
the Excluded Overseas Shareholders and the Warrantholders*

Dear Sir and Madam,

### **RIGHTS ISSUE OF NEW SHARES ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ADJUSTED SHARE HELD**

#### **INTRODUCTION**

As disclosed in the announcements of the Company dated 15 November 2007, 16 November 2007, 11 December 2007 and 20 December 2007 as well as the circular of the Company dated 5 December 2007, the Directors propose, subject to the completion of the Capital Reorganization, to implement the Rights Issue in the proportion of one Rights Share for every Adjusted Share held at the Subscription Price of HK\$0.22 per Rights Share, upon the following terms:

#### **Issue Statistics**

Basis of the Rights Issue : One Rights Share for every Adjusted Share held

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## LETTER FROM THE BOARD

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Number of the Shares in issue as at Latest Practicable Date	:	15,179,312,980 Shares
Number of the Adjusted Shares in issue upon the Capital Reorganization becoming effective	:	1,517,931,298 Adjusted Shares
Number of the Rights Shares	:	1,517,931,298 Rights Shares
Subscription Price per Rights Share	:	HK\$0.22

### Conditions of the Rights Issue

The Rights Issue is conditional upon, among other things, each of the following events being fulfilled:

- a) the passing by the Shareholders at the EGM of the special resolution to approve the Capital Reorganization;
- b) the Capital Reorganization becoming effective;
- c) the passing by the Independent Shareholders of the ordinary resolution at the EGM to approve the Rights Issue;
- d) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully paid forms, either unconditionally or subject to such conditions which the Company accepts, the satisfaction of such conditions (if any) by no later than the date of posting of the Prospectus Documents, and such listing approval for the Rights Shares not having been withdrawn or revoked on or before 4:00 p.m. on the second business day after the Acceptance Date;
- e) the delivery to the Stock Exchange and the filing with and registration by the Registrar of Companies of all documents relating to the Rights Issue; and
- f) the compliance by the Company and the Underwriter with all of their respective obligations under the Underwriting Agreement and the Underwriting Agreement becoming unconditional.

In the event that the conditions of the Rights Issue are not fulfilled on or before the various dates set out in the Underwriting Agreement or such later dates as the Company and the Underwriter may agree, neither the Underwriter nor the Company shall have any right or be subject to any obligation arising from the Underwriting Agreement and the Rights Issue will not proceed accordingly.

As at the date hereof, conditions a) to c) and e) as set out above have been fulfilled.

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## LETTER FROM THE BOARD

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To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, there were no controlling Shareholders of the Company as at the Latest Practicable Date and hence no Shareholder but Mr. Chuang Yuecheng, Henry, Mr. King Phillip, Mr. Lo Kan Sun, Mr. Wong Yin Seung, Asiong and Mr. Wang Lin and their respective associates were required to abstain from voting at the EGM.

### **Basis of Provisional Allotments**

One Rights Share for every Adjusted Share held by a Qualifying Shareholder.

### **Qualifying Shareholders**

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and not be Excluded Overseas Shareholders. The Company has sent (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) this prospectus, for information only, to the Excluded Overseas Shareholders and Warrantholders.

### **Excluded Overseas Shareholders**

Based on the register of members of the Company as at the Latest Practicable Date, there were Overseas Shareholders residing in Australia, Canada, China, the United Kingdom, Macau, Malaysia, New Zealand and the United States of America. Pursuant to Rule 13.36(2) of the Listing Rules, the Directors have made enquiries as to whether the issue of the Rights Shares to these Overseas Shareholders may contravene the applicable securities legislation of their respective places of residence or the requirements of the relevant regulatory body or stock exchange.

The Rights Issue has been extended to the Overseas Shareholders in China, Macau, Malaysia, Australia and New Zealand as the Company has sought the relevant legal opinions that no local regulatory compliance is required to be made in these jurisdictions.

The Company has also sought opinions from legal advisers in Canada, the United States of America and the United Kingdom that local legal and regulatory requirements may have to be complied with if the Rights Issue is to be extended to the Shareholders who reside in such jurisdictions. In this connection, the Company has considered that it would be necessary or expedient to exclude the Overseas Shareholder in Canada, the United States of America and the United Kingdom in the Rights Issue due to the time involved and costs incurred in complying with such relevant legal and regulatory requirements. The Company has therefore sent this prospectus, for information only, to such Excluded Overseas Shareholders. In addition, the provisional allotment letter and the form of application for excess Rights Shares have not been sent to the Excluded Overseas Shareholders. The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any of such jurisdictions other than Hong Kong.

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## LETTER FROM THE BOARD

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Arrangements will be made for those Rights Shares which would otherwise have been provisionally allotted to the Excluded Overseas Shareholders to be sold in the open market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the relevant Excluded Overseas Shareholders in Hong Kong dollars. The Company will retain individual amounts of HK\$100 or less for its own benefit.

### Subscription Price

The subscription price of HK\$0.22 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of the Rights Shares or applies for any excess Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 62.07% to the closing price of HK\$0.58 per Adjusted Share, based on the closing price of HK\$0.058 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (ii) a discount of approximately 45% to the theoretical ex-rights price of approximately HK\$0.40 per Adjusted Share, based on the closing price of HK\$0.058 per Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (iii) a discount of approximately 64.17% to the average closing price of approximately HK\$0.614 per Adjusted Share, based on the average closing price of HK\$0.0614 per Share as quoted on the Stock Exchange from 5 November 2007 to 9 November 2007 (both dates inclusive), being the last five trading days immediately before 12 November 2007 and adjusted for the effect of the Share Consolidation; and
- (iv) a discount of approximately 21.43% to the closing price of HK\$0.28 per Adjusted Share, based on the closing price of HK\$0.028 per Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter. The Board considers the Subscription Price to be fair and reasonable and to be in the interests of the Company and the Shareholders as a whole on the basis that it is a general market practice to issue rights shares at a discount to the market price of the Shares. The Board also considers that the discount will encourage the existing Shareholders to take up their entitlements, so as to share in the potential growth of the Company.

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## LETTER FROM THE BOARD

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### **Status of Rights Shares**

The Rights Shares, when fully paid and issued, will rank *pari passu* in all respects with the Adjusted Shares then in issue, including the right to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares.

### **Share Certificates and Refund Cheques**

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully paid Rights Shares are expected to be posted on or before Tuesday, 29 January 2008 to those who have accepted or, where applicable, applied and paid for the Rights Shares at their own risk, and refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are also expected to be posted on or before Tuesday, 29 January 2008 by post to the applicants at their own risk.

### **Procedure for Acceptance and Payment or Transfer**

For each Qualifying Shareholder, a provisional allotment letter is enclosed with this prospectus which entitles Qualifying Shareholders to subscribe for the number of Rights Shares shown therein. If Qualifying Shareholders wish to exercise their rights to subscribe for all the Rights Shares specified in the enclosed provisional allotment letter, Qualifying Shareholders must lodge the provisional allotment letter in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the share registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:00 p.m. Tuesday, 22 January 2008. All remittances must be made in Hong Kong dollars. Cheques must be drawn on an account with, and cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "Willie International Holdings Limited — Provisional Allotment Account" and crossed "Account Payee Only".

It should be noted that unless the provisional allotment letter, together with the appropriate remittance, has been lodged with the Company's share registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Tuesday, 22 January 2008, whether by the original allottee or any person to whom the rights have been validly transferred, the relevant provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled and such Rights Shares will be available for application by the Qualifying Shareholders through the form of application for excess Rights Shares.

If Qualifying Shareholders wish to accept only part of their provisional allotment or transfer a part of their rights to subscribe for the Rights Shares provisionally allotted to them, or to transfer their rights to more than one person, the entire provisional allotment letter must be surrendered and lodged for cancellation by not later than 4:30 p.m., Monday, 14 January 2008 to the Company's share registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, which will cancel the original provisional allotment letter and issue new provisional allotment letters in the denominations required. It should be noted that Hong Kong stamp duty is payable in connection with the transfer of the rights to subscribe for the Rights Shares.

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## LETTER FROM THE BOARD

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The provisional allotment letter contains the full information regarding the procedure to be followed if Qualifying Shareholders wish to accept only part of their provisional allotment or if they wish to renounce all or part of their provisional allotment.

All cheques and cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies shall be retained for the benefit of the Company. Any provisional allotment letter in respect of which the accompanying cheque is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

No action has been taken to permit the offering of the Rights Shares or the distribution of this prospectus or the provisional allotment letter for the Rights Shares in any territory other than Hong Kong. Subject to the paragraph headed "Excluded Overseas Shareholders" above, no person receiving a provisional allotment letter for the Rights Shares in any territory outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares, unless in the relevant territory such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements. Subject as referred to below, it is the responsibility of anyone outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself/herself/itself/themselves as to the observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith. No application for Rights Shares will be accepted from any person whose address is outside Hong Kong unless the Company is satisfied (in its absolute discretion) that such acceptance would not involve a breach of any applicable laws or regulatory requirements of any need for compliance with any registration or other legal or regulatory requirements. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that in doing so would violate the applicable securities or other laws or regulations of the territory of residence of the applicant.

If the Underwriter exercises the right of termination to terminate its obligations under the Underwriting Agreement at any time before the Latest Time for Termination, and/or if the conditions of the Rights Issue (summarized in the section headed "Conditions of the Rights Issue" herein) are not fulfilled or waived by the Latest Time for Termination, the Rights Issue will not proceed and the monies received in respect of acceptance of the Rights Shares without interest will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form shall have been validly transferred, by means of cheque crossed "Account Payee Only" to be dispatched by post to their registered addresses and, in the case of joint applicants, to the registered address of the applicant whose name first appears on the register of members of the Company or the transfer form at the risk of such Qualifying Shareholders or such other persons on or before Tuesday, 29 January 2008.

### **Application for Excess Rights Shares**

The Qualifying Shareholders may apply for any unsold entitlements of the Excluded Overseas Shareholders and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders.



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## LETTER FROM THE BOARD

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Application may be made by the Shareholders by completing a prescribed form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares. The Board will allocate the excess Rights Shares at its discretion with reference to the level of acceptance of the Rights Shares and the number of excess Rights Shares available on a fair and reasonable basis on the following principles:

- (1) preference will be given to applications for topping-up odd-lot holdings to whole-lot holdings; and
- (2) subject to availability of excess Rights Shares after allocation under principle (1) above, the excess Rights Shares will be allocated to Qualifying Shareholders who have applied for excess application based on a pro-rata basis to the excess Rights Shares applied by them, with board lots allocations to be made on best effort's basis.

Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee as a single shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the topping-up odd lots for allocation of excess Rights Shares will not be extended to beneficial owners individually.

The Directors consider that the pro-rata basis of allocation is fair and reasonable, as Qualifying Shareholders will receive the number of Rights Shares in proportion to their applications.

If Qualifying Shareholders wish to apply for any Rights Shares in addition to their provisional allotment indicated on the provisional allotment letter enclosed with this prospectus, they must complete and sign the enclosed form of application for excess Rights Shares in accordance with the instructions printed thereon and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Rights Shares applied for, with the share registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. on Tuesday, 22 January 2008. All remittances must be made by cheque or cashier's order in Hong Kong dollars. Cheques must be drawn on account with, or cashier's order must be issued by, a licensed bank in Hong Kong and made payable to "Willie International Holdings Limited — Excess Application Account" and crossed "Account Payee Only".

The Qualifying Shareholder(s) will be notified of any allotment of excess Rights Shares made to him/her/it/them on or about Tuesday, 29 January 2008 by the Company's share registrar. All cheques and cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies shall be retained for the benefit of the Company. Any form of application for excess Rights Shares in respect of which the accompanying cheque or cashier's order is dishonored on first presentation is liable to be rejected and cancelled.

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## LETTER FROM THE BOARD

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If no excess Rights Shares are allotted to the Qualifying Shareholders, it is expected that a cheque for the full amount tendered on application for the excess Rights Shares without interest will be posted to the Qualifying Shareholder's address as shown on the register of member of the Company by post at his/her/its/their own risk on or before Tuesday, 29 January 2008. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, it is expected that a cheque for the amount of the surplus application monies, without interest, will be posted to the Qualifying Shareholder's address as shown on the register of members of the Company by post at his/her/its/their own risk on or before Tuesday, 29 January 2008.

No action has been taken to permit the offering of the Rights Shares or the distribution of this prospectus or the form of application for excess Rights Shares in any territory outside Hong Kong and therefore the form of application for excess Rights Shares may not be used by the Excluded Shareholders. Subject to the paragraph headed "Excluded Overseas Shareholders" above, no person receiving a copy of the form of application for excess Rights Shares in any territory outside Hong Kong may treat it as an offer or invitation to apply for excess Rights Shares, unless in the relevant territory such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements. Subject as referred to below, it is the responsibility of anyone outside Hong Kong wishing to make an application for the excess Rights Shares to satisfy himself/herself/itself/themselves as to the observance of the laws and regulations of the relevant territory, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith. No application for excess Rights Shares will be accepted from any person whose address is outside Hong Kong unless the Company is satisfied (in its absolute discretion) that such acceptance would not involve a breach of any applicable laws or regulatory requirements of any need for compliance with any registration or other legal or regulatory requirements. The Company reserves the right to refuse to accept any application for excess Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of the territory of residence of the applicant.

If the Underwriter exercises its right to terminate its obligations under the Underwriting Agreement before the Latest Time for Termination, and/or if the conditions of the Rights Issue (summarized in the section headed "Conditions of the Rights Issue" herein) are not fulfilled or waived by the Latest Time for Termination, the Rights Issue will not proceed and the monies received in respect of applications for excess Rights Shares without interest will be returned to the Qualifying Shareholders or, in the case of joint applicants, to the first-named person, by means of cheques crossed "Account Payee Only" to be despatched by post to their registered addresses and in the case of joint applicants to the registered address of the applicant whose name first appears on the register of members of the Company at their own risk on or before Tuesday, 29 January 2008.

### **Application for Listing and Dealings**

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully paid forms.

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## LETTER FROM THE BOARD

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The Shares and the Warrants are listed on the Stock Exchange and none of the securities of the Company are listed or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought. The Company has no debt securities in issue.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms respectively or 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.

On 11 December 2007, in order to raise the board lot value, the Company has announced that the board lot size of the Adjusted Shares for trading on the Stock Exchange will be changed from 4,000 Shares to 10,000 Adjusted Shares with effect from Wednesday, 16 January 2008. As disclosed in the announcement of the Company dated 20 December 2007, the board lot size of the Rights Shares in their nil-paid form for trading on the Stock Exchange will be changed from 4,000 Rights Shares to 10,000 Rights Shares with effect from the commencement of dealings in nil-paid Rights Shares on Monday, 7 January 2008 to the last day of dealings in nil-paid Rights Shares on Thursday, 17 January 2008 (both dates inclusive) so as to facilitate dealings in nil-paid Rights Shares upon the Capital Reorganization becoming effective. Accordingly, the Rights Shares in their nil-paid form will be traded in board lots of 10,000 Rights Share each. Dealings in the Rights Shares, in both their nil-paid and fully paid forms, will be subject to the payment of stamp duty, Stock Exchange trading fee and Securities and Futures Commission transaction levy and any other applicable fees and charges in Hong Kong.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully paid forms to be admitted to CCASS. Shareholders should seek the advice of their licensed securities dealers or other professional advisers for details of those settlement arrangements and how such arrangement will affect their rights and interests.

The first day of dealings in the Rights Shares in their fully-paid form is expected to commence on Thursday, 31 January 2008.

### **Underwriting Arrangements for the Rights Issue**

Pursuant to the Underwriting Agreement, the Underwriter has agreed to underwrite up to 2,273,310,686 Rights Shares. The Underwriter is considered to be a connected person of the Company for the reason that it is an associate of the brother of Mr. Chuang Yueheng, Henry, the chairman of

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## LETTER FROM THE BOARD

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the Company. However, the underwriting arrangement falls within the exemption under Rule 14A.31(3)(c) of the Listing Rules. The Underwriter will receive an underwriting commission of 2.5% on the total amount equal to the Subscription Price multiplied by the total number of the Rights Shares to be underwritten by the Underwriter under the Underwriting Agreement.

The Underwriting Agreement is conditional upon fulfillment of the following conditions:

- (a) the passing of by the Shareholders at the EGM of the special resolution to approve the Capital Reorganization;
- (b) the passing of the Independent Shareholders at the EGM of an ordinary resolution to approve the Rights Issue;
- (c) the Capital Reorganization becoming effective;
- (d) the obligations of the Underwriter under the Underwriting Agreement not being terminated in accordance with the terms thereof;
- (e) the delivery to the Stock Exchange and registration by the Registrar of Companies of one copy of each of the Prospectus Documents duly signed by all the Directors (or by their agents duly authorized in writing) as having been approved by a resolution of the Directors (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and in compliance with the Listing Rules and the Companies Ordinance;
- (f) the posting of the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date; and
- (g) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of and permission to deal in all the Rights Shares, in both nil-paid and fully paid forms, prior to the Prospectus Posting Date.

As at the date hereof, conditions (a) to (c) and (e) to (f) as set out above have been fulfilled.

If at any time on or before the Latest Time for Termination:

- (a) there occurs any new regulation or any change in the existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (b) there occurs any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, or after the date of the Underwriting Agreement, of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local,

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## LETTER FROM THE BOARD

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national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

- (c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
- (d) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities) which, in the reasonable opinion of the Underwriter, makes it inexpedient or inadvisable to proceed with the Rights Issue;

then in any such case the Underwriter may, after consultation with the Company or its advisers as the circumstances shall admit, by notice in writing to the Company rescind the Underwriting Agreement, whereupon all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and the Rights Issue shall not proceed.

### **Warning of the risks of dealing in the Adjusted Shares and nil-paid Rights Shares**

**The Rights Issue is conditional upon, among other things, the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms referred to under the section headed “Underwriting Arrangements for the Rights Issue” above. If the Underwriting Agreement does not become unconditional or is terminated, the Rights Issue will not proceed.**

**The Shareholders should note that dealings in the Adjusted Shares and Rights Shares in nil-paid form will take place while the conditions to which the Rights Issue is subject remain unfulfilled. Any Shareholder or other person dealing in the Adjusted Shares or Rights Shares in nil-paid form up to the date on which all conditions to which the Rights Issue is subject remain unfulfilled will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. If any Shareholder or other person who is contemplating selling or purchasing the Adjusted Shares and the Rights Shares in nil-paid form is in any doubt about his position, he is recommended to consult his own professional adviser.**

### **Taxation**

Qualifying Shareholders are recommended to consult their professional advisors if they are in any doubt as to the tax implications of the acquisition, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms and, as regards the Excluded Overseas Shareholders, their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasized that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms.

## LETTER FROM THE BOARD

### Adjustment

The Rights Issue has given rise to an adjustment to the subscription price under the Warrants. Details of the adjustments were disclosed in the announcement of the Company dated 28 December 2007.

### Effect of Bad Weather on the Latest Time For Acceptance and Payment for the Rights Shares

If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on the latest date for acceptance of and payment for the Rights Shares at any local time between 12:00 noon and 4:00 p.m., the latest acceptance time will be postponed to 4:00 p.m. on the following business day, which does not have either of those warnings in force in Hong Kong at any time between 12:00 noon and 4:00 p.m. Accordingly, the dates subsequent to the expected date of the latest acceptance time mentioned in the section headed “Expected Timetable for the Rights Issue” in this prospectus may be affected. An announcement will be made by the Company in such event as soon as practicable.

### EFFECTS ON SHAREHOLDING

The effects of the Rights Issue on the shareholding of the Company are as follows:

	Shareholding immediately before the Capital Reorganization		Shareholding after the Capital Reorganization but before the Rights Issue		Shareholding after the Capital Reorganization and the Rights Issue		Shareholding after the Capital Reorganization and the Rights Issue of 1,517,931,298 Rights Shares	
					(assuming all Shareholders take up their entitlements)		Shareholders take up their entitlements)	
	Approximate		Adjusted		Approximate		Adjusted	
	No. of Shares	%	Shares	%	Shares	%	Shares	%
Unity Investments Holdings Limited	850,000,000	5.6	85,000,000	5.6	170,000,000	5.6	85,000,000	2.8
Public	14,329,312,980	94.4	1,432,931,298	94.4	2,865,862,596	94.4	1,432,931,298	47.2
Underwriter and/or sub-underwriters (Notes 1 and 2)	—	—	—	—	—	—	1,517,931,298	50.0
<b>Total</b>	<b>15,179,312,980</b>	<b>100.0</b>	<b>1,517,931,298</b>	<b>100.0</b>	<b>3,035,862,596</b>	<b>100.0</b>	<b>3,035,862,596</b>	<b>100.0</b>

#### Notes:

- To the best knowledge of the Company, the Underwriter and the sub-underwriters will not individually own more than 10% of the issued share capital of the Company after completion of the Rights Issue unless the Underwriter and the sub-underwriters are required to take up the Rights Shares under their underwriting commitments.

## LETTER FROM THE BOARD

2. The Underwriter has confirmed that it has sub-underwritten its underwriting obligations under the Underwriting Agreement to sub-underwriters such that each of the Underwriter and the sub-underwriters will not individually own more than 30% of the issued share capital of the Company immediately after completion of the Rights Issue.

### FUND-RAISING ACTIVITIES BY THE COMPANY DURING THE PAST 12 MONTHS

Date of announcement	Date of mandates granted	Nature of transaction	Places/subscriber/allottee	Net proceeds raised (approximately)	Number of Shares issued	Approximate % of the total issued share capital of the Company as at the Latest Practicable Date	Intended use of proceeds	Use of proceeds according to the intended use	Use of proceeds other than the intended use
5 December 2006	N/A	Placing of convertible notes with principal amount of up to HK\$150 million	Independent third parties	HK\$146 million	1,500,000,000	9.9%	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	Nil
26 February 2007	30 May 2006	Placing of 684,000,000 new Shares	Independent third parties	HK\$80 million	684,000,000	4.5%	To be used for general working capital and/or possible investment in the future	HK\$80 million — general working capital	Nil
12 March 2007	N/A	Placing of convertible notes with principal amount of HK\$200 million	Independent third parties	HK\$195 million	2,000,000,000	13.2%	To be used for general working capital and/or other possible investments in the future	HK\$57.8 million — acquisition of property interest (details of which were set out in the announcement of the Company dated 12 April 2007) HK\$88 million — acquisition of property interest (details of which were set out in the announcement of the Company dated 15 June 2007) HK\$10 million — other investments HK\$39.2 million — general working capital	Nil
27 March 2007	26 March 2007	Placing of 1,189,000,000 new Shares	Independent third parties	HK\$127 million	1,189,000,000	7.8%	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	Nil

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## LETTER FROM THE BOARD

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Date of announcement	Date of mandates granted	Nature of transaction	Places/subscriber/allottee	Net proceeds raised (approximately)	Number of Shares issued	Approximate % of the total issued share capital of the Company as at the Latest Practicable Date	Intended use of proceeds	Use of proceeds according to the intended use	Use of proceeds other than the intended use
6 June 2007	30 May 2007	Placing of 1,946,218,000 new Shares	Independent third parties	HK\$239 million	1,946,218,000	12.8%	To be used for general working capital and/or possible investment in the future	HK\$39.50 million — general working capital HK\$136 million — acquisition of 100% interest in Allied Loyal International Investments Limited (details of which were set out in the announcement of the Company dated 28 June 2007) HK\$63.50 million — investment properties and other investments	Nil
5 July 2007	4 July 2007	Placing of 2,335,000,000 new Shares	Independent third parties	HK\$252 million	2,335,000,000	15.4%	To be used for general working capital and/or possible investment in the future	HK\$156 million — general working capital HK\$57 million — other investments in artworks HK\$39 million — not yet utilized as at the Latest Practicable Date and to be utilized as per the intended use of proceeds	Nil
3 August 2007	N/A	Placing of 3,000,000,000 Warrants at an issue price of HK\$0.025	Independent third parties	HK\$71 million	N/A	N/A	To be used for general working capital and/or other investments in the future	HK\$71 million — not yet utilized as at the Latest Practicable Date and to be utilized as per the intended use of proceeds	Nil

The proceeds set out above utilized as working capital were for the business operations of the Company and include the trading of investments (sale and purchase of securities) and provision of loan financing. The Directors consider that it is prudent to finance the Group's long-term growth by the significant amount of funding described above, preferably in the form of equity which will not increase the Group's finance costs.



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## LETTER FROM THE BOARD

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### REASONS FOR THE RIGHTS ISSUE AND APPLICATION OF PROCEEDS OF THE RIGHTS ISSUE

The Board considers that the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position and will hence allow all Shareholders the opportunity to participate in the growth of the Company. Since the Rights Issue will allow the Qualifying Shareholders to maintain their proportional shareholdings in the Company, the Board considers that raising capital through the Rights Issue to provide available funds for future investment by the Company is in the interests of the Company and the Shareholders as a whole.

The net proceeds of the Rights Issue will be approximately HK\$323 million after taking into account the commission to be paid to the Underwriter, professional fees and administration expenses relating to the completion of the Rights Issue. The Company intends to apply such net proceeds for expanding the Group's businesses in natural resources, energy and property investment sectors as disclosed by the Company in its annual report for the year ended 31 December 2006 and its interim report for the six months ended 30 June 2007. As at the Latest Practicable Date, there were no specific investments identified by the Company.

Further, the Company is still negotiating with the relevant parties in relation to the possible expansion into such sectors and will make further announcement once the material terms are finalized. If such opportunity does not materialize, the net proceeds of the Rights Issue will be applied towards the general working capital of the Group.

### BUSINESS REVIEW AND PROSPECTS OF THE GROUP

#### Business Review

The Group is principally engaged in the businesses of property investment, investment in securities trading, money lending, investing in energy related businesses and acquiring, exploring and developing natural resources. Attributable to the increase in the trading activities of listed investments, the Group recorded an unaudited turnover of approximately HK\$787.9 million for the six months ended 30 June 2007 (the "Period"), representing an increase of 393.4% as compared with approximately HK\$159.7 million for the corresponding period last year. The unaudited profit attributable to equity holders for the Period was approximately HK\$135.9 million. The unaudited earnings per share for the Period was HK\$0.020 compared with a loss per share of HK\$0.013 for the corresponding period of preceding year.

As at 30 June 2007, the unaudited net assets of the Group amounted to approximately HK\$1,352.9 million (31 December 2006: HK\$329.6 million) of which the unaudited net current assets was HK\$1,024.1 million (31 December 2006: HK\$217.1 million). The Group had bank borrowings amounted to HK\$73.4 million as at 30 June 2007 (31 December 2006: bank and other borrowings of HK\$23.3 million). The carrying interest rates of the Group's bank borrowings were calculated with reference to prime rate and denominated in Hong Kong dollars. As at 30 June 2007, the Group maintained a low gearing ratio of 5.4% (computed on the basis of total borrowings to total equity) and current ratio of 13.93 times as compared to 7.1% and 14.79 times respectively as at 31 December 2006.

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## LETTER FROM THE BOARD

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As at 30 June 2007, certain assets of the Group with an aggregate carrying value of HK\$105.3 million (31 December 2006: HK\$27.7 million) had been pledged to banks to secure banking facilities granted to the Group.

In January 2006, the Group entered into an agreement with China Capital Advisors Corporation for the acquisition of 25% of Amerinvest Coal Industry Holding Company Limited (“Amerinvest”), a company that invests in the West China Coking Project in Yunnan Province in the PRC, through a placement of shares and thus making Mr. Wang Sing (former CEO and executive director of TOM Group) a strategic investor of the Company. In March 2006, the Group acquired an additional 25% of Amerinvest. On 5 September 2007, the Company made an announcement in relation to the disposal of 50% interest in Amerinvest. The completion of disposal of 50% interest in Amerinvest had taken place on 5 October 2007 and a total consideration of US\$12,190,032.50 was received.

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. No binding agreements had been made and the Board decided not to proceed with such project after due and careful evaluation.

### Prospects

The Group would focus mainly on the businesses of property investment, natural resources and energy related segments as disclosed in the latest annual report and interim report of the Company. The Board regards the natural resources and energy sectors as the major and critical development in the PRC with potential for tremendous growth and the Board continues its strategies to explore opportunities in these areas.

In June 2007, Richful Zone International Limited, 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”) at the cash consideration of HK\$136 million. 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.

On 1 December 2007, a memorandum of understanding (“MOU”) was entered into between the Company and an independent third party whereby the Company has been granted an exclusive right for a period of four weeks from the date of the MOU to negotiate with the independent third party to acquire a copper mine in Zambia. In light of the upsurge demand of copper driven in large part by Chinese demand, the Company considers that the opportunity to invest in the copper mining business would provide an opportunity to expand and strengthen its natural resources business. The Directors considered that the established infrastructure and expertise in copper mining in Zambia will facilitate and foster the management and operation of the Company’s copper mining business. As at the Latest Practicable Date, it is in the midst of negotiation process and this project may or may not proceed.

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## LETTER FROM THE BOARD

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The Board considers that property market in Hong Kong will become stable with an upward trend, especially for luxury properties. The Board would strive to build up its property portfolio and prepare to lease out some of the properties so as to provide a stable source of rental income to the Company.

In April 2007, the Company announced to incorporate a wholly-owned subsidiary, Cordoba Homes Limited as the holding company for property investments including but not limited to acquiring House 6, Somerset Path, The Royal Oaks, 8 Kam Tsin South Road, Sheung Shui at the cash consideration of HK\$57.8 million. 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 at the cash consideration of HK\$88 million in cash. Since 2007, the Company has acquired several investment properties through its subsidiaries.

In order to strengthen the financial position of the Group, the Company would from time to time review and explore potential investments and projects in property, energy and natural resources segments.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this prospectus.

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

**1 SUMMARY OF FINANCIAL INFORMATION OF THE GROUP**

Set out below is a summary of the unaudited consolidated results and financial position of the Group for the period from 1 January 2007 to 30 June 2007 as extracted from the interim report of the Company for the period ended 30 June 2007 and the audited consolidated results and financial position of the Group for the years ended 31 December 2006, 2005 and 2004 as extracted from the 2006, 2005 and 2004 annual reports 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 years ended 31 December 2005 and 2006.

## CONSOLIDATED INCOME STATEMENT

	Unaudited 01/01/2007 to 30/06/2007 HK\$'000	Audited 01/01/2006 to 31/12/2006 HK\$'000	Audited 01/01/2005 to 31/12/2005 HK\$'000	Audited 01/01/2004 to 31/12/2004 HK\$'000
<b>Turnover</b>	787,911	295,508	124,477	92,744
Other income	45,498	12,694	8,605	14,383
Cost of investments held for trading sold	(678,411)	(293,316)	(133,475)	(87,356)
Depreciation expense	(1,080)	(1,155)	(1,307)	(1,678)
Employee benefits expense	(4,616)	(9,155)	(9,565)	(8,785)
Other operating expenses	(7,343)	(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	21,087	8,429	1,406	(24,045)
Loss on deemed acquisition of interest in an associate	—	—	(13,331)	—
Loss on disposal of interest in an associate	(12,520)	—	—	—
Share of profit (loss) of associates	7,522	(79,010)	(99,351)	(180,577)
Finance costs	(1,067)	(2,380)	(8,163)	(14,185)
<b>Profit (Loss) before taxation</b>	156,981	(114,761)	(131,715)	(336,868)
Taxation	(21,000)	—	—	—
<b>Profit (Loss) for the period/year</b>	<u>135,981</u>	<u>(114,761)</u>	<u>(131,715)</u>	<u>(336,868)</u>
<b>Profit (Loss) attributable to equity holders</b>	<u>135,981</u>	<u>(114,761)</u>	<u>(131,715)</u>	<u>(336,868)</u>
<b>Earnings (Loss) per share — Basic</b>	<u>2.0 cents</u>	<u>(3.4 cents)</u>	<u>(6.4 cents)</u>	<u>(28 cents)</u>

## CONSOLIDATED BALANCE SHEET

	Unaudited		Audited	
	As at		As at	
	30 June	2006	31 December	2004
	2007	2006	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
Investment properties	175,100	7,200	9,650	11,930
Property, plant and equipment	29,482	22,977	22,391	39,177
Interests in associates	100,009	98,118	238,549	181,113
Other financial asset	—	—	7,143	—
Other investments	39,934	—	—	—
Prepayment for acquisition of investment properties	53,459	—	—	—
	<u>397,984</u>	<u>128,295</u>	<u>277,733</u>	<u>232,220</u>
<b>Current assets</b>				
Investments held for trading	607,932	118,818	13,626	20,374
Loans receivable	230,829	103,529	40,280	18,802
Other receivables	3,904	1,631	1,138	3,876
Cash and cash equivalents	260,666	8,878	11,420	10,663
	<u>1,103,331</u>	<u>232,856</u>	<u>66,464</u>	<u>53,715</u>
<b>Current liabilities</b>				
Other payables	54,031	8,242	14,231	13,350
Current portion of interest-bearing borrowings	4,155	7,507	4,629	104,683
Convertible notes	—	—	—	53,000
Tax payable	21,000	—	—	—
	<u>79,186</u>	<u>15,749</u>	<u>18,860</u>	<u>171,033</u>
<b>Net current assets (liabilities)</b>	<u>1,024,145</u>	<u>217,107</u>	<u>47,604</u>	<u>(117,318)</u>
<b>Total assets less current liabilities</b>	<u>1,422,129</u>	<u>345,402</u>	<u>325,337</u>	<u>114,902</u>
<b>Non-current liabilities</b>				
Long-term interest-bearing borrowings	69,232	15,788	13,770	23,451
<b>NET ASSETS</b>	<u>1,352,897</u>	<u>329,614</u>	<u>311,567</u>	<u>91,451</u>
<b>CAPITAL AND RESERVES</b>				
Share Capital	1,167,731	350,649	303,209	136,939
Reserves	185,166	(21,035)	8,358	(45,488)
<b>TOTAL EQUITY</b>	<u>1,352,897</u>	<u>329,614</u>	<u>311,567</u>	<u>91,451</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited		Audited	
	As at		As at	
	30 June	31 December	31 December	31 December
	2007	2006	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Opening balance — Total equity at 1 January	329,614	311,567	91,451	303,782
Issue of new shares, net of expenses	437,860	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	350,000	—	201,690	7,040
Issue of shares under share option scheme	106,148	60,759	25,810	6,635
Equity-settled share-based payment	1,492	5,899	—	—
Realised on disposal of an associate	(8,198)	—	—	—
Profit (Loss) for the period/year	<u>135,981</u>	<u>(114,761)</u>	<u>(131,715)</u>	<u>(336,868)</u>
<b>Closing balance</b>	<u><u>1,352,897</u></u>	<u><u>329,614</u></u>	<u><u>311,567</u></u>	<u><u>91,451</u></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>	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
<b>Turnover</b>	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>
<b>Loss before taxation</b>	9	(114,761)	(131,715)
Taxation	12	<u>—</u>	<u>—</u>
<b>Loss for the year</b>	13	<u>(114,761)</u>	<u>(131,715)</u>
<b>Loss attributable to equity holders</b>		<u>(114,761)</u>	<u>(131,715)</u>
<b>Loss per share — Basic</b>	14	<u>(3.4 cents)</u>	<u>(6.4 cents)</u>

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

	<b>2006</b>	<b>2005</b>
	<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>
<b>Closing balance — Total equity at 31 December</b>	<u><b>329,614</b></u>	<u><b>311,567</b></u>

**Consolidated Balance Sheet***At 31 December 2006*

	<i>Note</i>	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
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	<u>—</u>	<u>7,143</u>
		<u>128,295</u>	<u>277,733</u>
<b>Current assets</b>			
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>
<b>Current liabilities</b>			
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>
<b>Net current assets</b>		<u>217,107</u>	<u>47,604</u>
<b>Total assets less current liabilities</b>		<u>345,402</u>	<u>325,337</u>
<b>Non-current liabilities</b>			
Long-term interest-bearing borrowings	22	<u>15,788</u>	<u>13,770</u>
<b>NET ASSETS</b>		<u><u>329,614</u></u>	<u><u>311,567</u></u>
<b>CAPITAL AND RESERVES</b>			
Issued capital	23	350,649	303,209
Reserves	24	<u>(21,035)</u>	<u>8,358</u>
<b>TOTAL EQUITY</b>		<u><u>329,614</u></u>	<u><u>311,567</u></u>

**APPENDIX I****FINANCIAL AND OTHER INFORMATION****Balance Sheet***At 31 December 2006*

	<i>Note</i>	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current asset</b>			
Interests in subsidiaries	17	<u>234,227</u>	<u>425,719</u>
<b>Current assets</b>			
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>
<b>Current liabilities</b>			
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>
<b>Net current assets (liabilities)</b>		<u>5,064</u>	<u>(75,891)</u>
<b>NET ASSETS</b>		<u>239,291</u>	<u>349,828</u>
<b>CAPITAL AND RESERVES</b>			
Issued capital	23	350,649	303,209
Reserves	24	<u>(111,358)</u>	<u>46,619</u>
<b>TOTAL EQUITY</b>		<u>239,291</u>	<u>349,828</u>

**Consolidated Cash Flow Statement***Year ended 31 December 2006*

	<i>Note</i>	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>			
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>
<b>Net cash used in operating activities</b>		<u>(179,872)</u>	<u>(111,608)</u>

**APPENDIX I****FINANCIAL AND OTHER INFORMATION**

	<i>Note</i>	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
<b>INVESTING ACTIVITIES</b>			
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
<b>Net cash from investing activities</b>		<u>113,981</u>	<u>38,924</u>
<b>FINANCING ACTIVITIES</b>			
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)
<b>Net cash from financing activities</b>		<u>63,349</u>	<u>73,441</u>
<b>Net (decrease) increase in cash and cash equivalents</b>		(2,542)	757
<b>Cash and cash equivalents at beginning of year</b>		<u>11,420</u>	<u>10,663</u>
<b>Cash and cash equivalents at end of year</b>		<u>8,878</u>	<u>11,420</u>



**NOTES TO THE FINANCIAL STATEMENTS***For the 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:

	<b>2006</b>	<b>2005</b>
	<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**

	<b>2006</b>	<b>2005</b>
	<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



**APPENDIX I****FINANCIAL AND OTHER INFORMATION**

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

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

**Year ended 31 December 2006**

	<b>Trading of investments</b>	<b>Provision of financial services</b>	<b>Property investment</b>	<b>Investment holding</b>	<b>Unallocated</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Segment revenue</b>						
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>
<b>Segment results</b>	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 I****FINANCIAL AND OTHER INFORMATION**

Year ended 31 December 2005

	<b>Trading of investments</b>	<b>Provision of financial services</b>	<b>Property investment</b>	<b>Investment holding</b>	<b>Unallocated</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Segment revenue</b>						
Turnover	112,293	12,028	156	—	—	124,477
Other revenue	—	5,050	400	2,540	615	8,605
Total revenue	<u>112,293</u>	<u>17,078</u>	<u>556</u>	<u>2,540</u>	<u>615</u>	<u>133,082</u>
<b>Segment results</b>	(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 I****FINANCIAL AND OTHER INFORMATION****Assets and liabilities as at 31 December 2006**

	<b>Trading of investments</b>	<b>Provision of financial services</b>	<b>Property investment</b>	<b>Investment holding</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>					
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>
<b>Liabilities</b>					
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**

	<b>Trading of investments</b>	<b>Provision of financial services</b>	<b>Property investment</b>	<b>Investment holding</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>					
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>
<b>Liabilities</b>					
Segment liabilities	3,384	—	24	16,279	19,687
Unallocated liabilities	—	—	—	—	<u>12,943</u>
Total liabilities					<u><u>32,630</u></u>

**APPENDIX I****FINANCIAL AND OTHER INFORMATION****Other segment information for the year ended 31 December 2006**

	<b>Trading of investments</b>	<b>Provision of financial services</b>	<b>Property investment</b>	<b>Investment holding</b>	<b>Unallocated</b>	<b>Total</b>
	<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**

	<b>Trading of investments</b>	<b>Provision of financial services</b>	<b>Property investment</b>	<b>Investment holding</b>	<b>Unallocated</b>	<b>Total</b>
	<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

	<b>2006</b>	<b>2005</b>
	<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

	<b>2006</b>	<b>2005</b>
	<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>
<b>Executive directors</b>				
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
<b>Non-executive directors</b>				
Lau Da Yip	2	—	—	2
<b>Independent non-executive directors</b>				
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>

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**FINANCIAL AND OTHER INFORMATION**

<b>2005</b>	<b>Directors' fees</b>	<b>Salaries, allowances and benefits in kind</b>	<b>Retirement scheme contributions</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Executive directors</b>				
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
<b>Non-executive directors</b>				
Lau Da Yip	24	—	—	24
Chung Wilson	30	—	—	30
<b>Independent non-executive directors</b>				
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:

	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<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>
	<b>2006</b>	<b>2005</b>
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.

	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Reconciliation of tax expense</b>		
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

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
<b>Fair value of investment properties</b>		
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>
<b>At balance sheet date</b>	<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:

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <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>
<b>Reconciliation of carrying amount — year ended 31 December 2005</b>						
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>
<b>Reconciliation of carrying amount — year ended 31 December 2006</b>						
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>
<b>At 1 January 2006</b>						
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>
<b>At 31 December 2006</b>						
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>
<b>Purchase consideration:</b>	
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:

	<b>Carrying value</b> <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.

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- (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:

	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Operating results for the year ended 31 December 2006</b>		
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>
<b>Financial position at the balance sheet date</b>		
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**

	<b>2006</b>	<b>2005</b>
	<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>	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>
<b>Investments in Hong Kong</b>			
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:

	<b>The Group</b>		<b>The Company</b>	
	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <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>	<b>The Group</b>		<b>The Company</b>	
		<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <i>HK\$'000</i>	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <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	(40,000)	(173,080)	(40,000)	(173,080)
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>
<b>Authorised:</b>		
Ordinary shares of HK\$0.1 each	<u>2,000,000,000</u>	<u>2,000,000,000</u>
<b>Issued and fully paid:</b>		
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	<i>Note</i>	Number of ordinary shares	Nominal value <i>HK\$</i>
<b>Issued and fully paid:</b>			
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>
<b>At balance sheet date</b>		<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>

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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**

	<b>2006</b>
	<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:

	<b>2006</b>	<b>2005</b>
	<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:

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <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**

	<b>2006</b> <i>HK\$'000</i>	<b>2005</b> <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 INDEBTEDNESS**

At the close of business on 31 October 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\$172.8 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 has given a corporate guarantee to the extent of HK\$30 million for banking facilities granted to a third party, which was utilised to the extent of HK\$19.5 million as at 31 October 2007.

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 October 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 contingent 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.

**5 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.

**6 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 Rights Issue, in the absence of unforeseen circumstances, the Group has sufficient working capital for its present requirements in at least the next twelve months following the date of this prospectus.

**UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The following is an unaudited pro forma statement of consolidated net tangible assets of the Group which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Capital Reorganization and the Rights Issue as if it had been undertaken and completed on 30 June 2007. 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 Capital Reorganization and the Rights Issue.

	<b>Unaudited consolidated net tangible assets of the Group attributable to the Shareholders as at 30 June 2007</b>	<b>Estimated net proceeds from the Rights Issue</b>	<b>Unaudited pro forma consolidated net tangible assets of the Group attributable to the Shareholders after the Rights Issue</b>	<b>Unaudited consolidated net tangible assets per Share as at 30 June 2007</b>	<b>Unaudited pro forma consolidated net tangible assets per Adjusted Share after the Capital Reorganization and the Rights Issue</b>
	<i>(Note ii)</i>	<i>(Note iii)</i>		<i>(Note iv)</i>	<i>(Note v)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>	<i>HK\$</i>
Rights Issue of 1,517,931,298 Rights Shares <i>(Note i)</i>	1,352,897	323,381	1,676,278	0.12	0.55

**Notes:**

- (i) The Rights Issue of 1,517,931,298 Rights Shares is based on 1,517,931,298 Adjusted Shares in issue upon the Capital Reorganization becoming effective.
- (ii) The unaudited consolidated net tangible assets of the Group attributable to the Shareholders as at 30 June 2007 is derived from the 2007 interim report of the Company.
- (iii) The estimated net proceeds from the Rights Issue is based on 1,517,931,298 Rights Shares to be issued at the Subscription Price of HK\$0.22 per Rights Share, after deduction of the estimated related expenses of approximately HK\$10,564,000.
- (iv) The calculation of the unaudited consolidated net tangible assets per Share is based on 11,677,312,988 Shares in issue as at 30 June 2007.
- (v) The calculation of the unaudited pro forma consolidated net tangible assets per Adjusted Share after the Capital Reorganization and the Rights Issue is based on 3,035,862,596 shares which represent the 1,517,931,298 Adjusted Shares in issue upon the Capital Reorganization becoming effective and 1,517,931,298 Rights Shares expected to be issued on the completion of the Capital Reorganization and the Rights Issue.



**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

2 January 2008

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

Dear Sirs,

We report on the unaudited pro forma financial information of Willie International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on page 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 2 January 2008 (the “Prospectus”) in connection with the capital reorganization (the “Capital Reorganization”) and the proposed rights issue (the “Rights Issue”) 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 Capital Reorganization and the Rights Issue might have affected the financial information of the Group as at 30 June 2007. The basis of preparation of the pro forma financial information is set out on page 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 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

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

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2007 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

**1. RESPONSIBILITY STATEMENT**

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

**2. SHARE CAPITAL**

The authorized and issued share capital of the Company as at the (i) Latest Practicable Date; (ii) immediately following the Capital Reorganization becoming effective; and (iii) immediately following the completion of the Rights Issue and the Underwriting Agreement becoming unconditional are set out below:

**(i) As at the Latest Practicable Date**

<i>Authorized</i>		<i>HK\$</i>
<u>50,000,000,000</u>	Shares	<u>5,000,000,000.00</u>
<i>Issued and fully paid:</i>		<i>HK\$</i>
<u>15,179,312,980</u>	Shares	<u>1,517,931,298.00</u>

**(ii) Immediately following the Capital Reorganization becoming effective**

<i>Authorized</i>		<i>HK\$</i>
<u>5,000,000,000</u>	Adjusted Shares	<u>500,000,000.00</u>
<i>Issued and fully paid:</i>		<i>HK\$</i>
<u>1,517,931,298</u>	Adjusted Shares	<u>151,793,129.80</u>

(iii) **Immediately following the completion of the Rights Issue and Underwriting Agreement becoming effective**

<i>Authorized</i>		<i>HK\$</i>
<u>5,000,000,000</u>	Adjusted Shares	<u>500,000,000.00</u>
<i>Issued and fully paid:</i>		<i>HK\$</i>
1,517,931,298	Adjusted Shares then in issue following the Capital Reorganization becoming effective	151,793,129.80
1,517,931,298	Adjusted Shares to be issued pursuant to the Rights Issue	151,793,129.80
3,035,862,596	Adjusted Shares upon completion of the Rights Issue	303,586,259.60

All of the Adjusted Shares in issue rank pari passu in all respects with each other.

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

As at the Latest Practicable Date, the Company had no outstanding options granted under the Share Option Scheme. Save for the 3,000,000,000 Warrants, there was no outstanding convertible securities or options in issue which confer any right to subscribe for, convert or exchange into the Shares. There is no capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option.

**3. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE**

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. Chan Mee Sze 32/F, China United Centre 28 Marble Road North Point Hong Kong
Company secretary	Ms. Chan Mee Sze (associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators)
Qualified accountant	Ms. Lee Kwan Ching (fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants)
Underwriter	Chung Nam Securities Limited 31/F, China United Centre 28 Marble Road North Point Hong Kong
Legal adviser	Tung & Co. 19th Floor 8 Wyndham Street Central 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 Investors Services Limited Shops 1712-1716 17/F Hopewell Centre 183 Queen's Road East Wanchai Hong Kong



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

#### 4. DISCLOSURE OF INTERESTS

##### (i) Interests of Directors and chief executive

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

##### (ii) Interests of substantial shareholders

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

Name of Shareholder	Number of Shares	Capacity	Approximate percentage of interest
Unity Investments Holdings Limited	850,000,000	beneficial owner	5.60%

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any party (other than a Director and the chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company

which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or who is, 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 meeting of any other member of the Group.

**(iii) Directors' interests in assets/contracts and other interests**

None of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of or leased to or which are proposed to be acquired or disposed of or leased to any member of the Group, since 31 December 2006, the date to which the latest published audited financial statements of the Group were made up.

There is no contract or arrangement entered into by any member of the Group subsisting as at the date of this prospectus in which a Director is materially interested and which is significant in relation to the business of the Group as a whole.

**5. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contract with the Company or any member of the Group which would not be terminable by the Group within one year without payment of compensation other than statutory compensation.

**6. COMPETING INTERESTS**

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

**7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change to the financial or trading positions of the Group since 31 December 2006, being the date to which the latest published audited financial statements of the Group were made up.

**8. LITIGATION**

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 against any member of the Group.

**9. MATERIAL CONTRACTS**

- (1) On 12 January 2006, China Capital Advisors Corporation, Smart Way Resources Limited, an indirectly wholly owned subsidiary of the Company, and the Company entered into a conditional agreement in relation to the acquisition by Smart Way Resources Limited of a 25% interest in Amerinvest Coal Industry Holding Company Limited from China Capital Advisors Corporation at a consideration of HK\$66,250,000;
- (2) On 13 January 2006 and 28 February 2006, Alpha Aim International Limited and Au Yeung Kai Chor entered into a conditional agreement and a deed of assignment of a shareholder's loan for the disposal of the shares in and shareholder's loan extended to Found Macau Investments International Limited at a total consideration of HK\$75 million;
- (3) On 20 March 2006, Honour Era Group Limited, Smart Way Resources Limited, an indirectly wholly owned subsidiary of the Company, the Company and Mr. Li Wai Lung entered into an agreement in relation to the acquisition by Smart Way Resources Limited of a 25% interest in Amerinvest Coal Industry Holdings Company Limited from Honour Era Group Limited at a consideration of HK\$69,900,000;
- (4) On 10 April 2006, the Company and Freeman China Limited entered into a conditional agreement in relation to the disposal of the share in Leapfly Limited at a consideration of HK\$7 million;
- (5) On 21 April 2006, Yearwise Finance Limited, a wholly owned subsidiary of the Company, Equity Spin Investments Limited, the Company and Inner Mongolia Development (Holdings) Limited entered into a conditional agreement for the disposal by Yearwise Finance Limited of a convertible note issued by Hennabun Management International Limited to Equity Spin Investments Limited at a consideration of HK\$100 million;
- (6) On 5 December 2006, the Company and Get Nice Investment Limited entered into a placing agreement in relation to the placing of HK\$150 million convertible notes;
- (7) On 26 February 2007, the Company and Get Nice Investment Limited entered into a placing agreement in relation to the placing of 684,000,000 new Shares of the Company at HK\$0.12 per Share;
- (8) On 12 March 2007, the Company and the Underwriter entered into a placing agreement in relation to the placing of HK\$200 million convertible notes;
- (9) On 27 March 2007, the Company and Get Nice Investment Limited entered into a placing agreement in relation to the placing of 1,189,000,000 new Shares of the Company at HK\$0.11 per Share;

- (10) 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;
- (11) On 12 April 2007, Trade Well Investments Limited, an indirectly wholly owned subsidiary of the Company, and Mackey Limited entered into a sale and purchase agreement for the acquisition by Trade Well Investments Limited of a property known as House No. 6, Somerset Path, The Royal Oaks, 8 Kam Tsin South Road, Sheung Shui, New Territories from Mackey Limited at a consideration of HK\$57,800,000;
- (12) On 12 April 2007, Portstar Investments Limited and Hong Kong Cyberport (Ancillary Development) Limited entered into a sale and purchase agreement for the acquisition of a property known as Flat A, 39/F, Tower 5, Bel-Air No. 8, Bel-Air on the Peak, Island South at a consideration of HK\$17,680,000;
- (13) On 12 April 2007, Winsy Investments Limited and Hong Kong Cyberport (Ancillary Development) Limited entered into a sale and purchase agreement for the acquisition of a property known as Flat A, 40/F, Tower 5, Bel-Air No. 8, Bel-Air on the Peak, Island South at a consideration of HK\$17,680,000;
- (14) On 23 April 2007, Cordoba Homes Limited and Ms. Lo Ki Yan Karen entered into a sale and purchase agreement for the acquisition of a 10.21 carat, colour D and flawless diamond at a consideration of HK\$10 million;
- (15) 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;
- (16) On 4 May 2007, More Rich Investments Limited and E-Garden Properties Limited entered into a sale and purchase agreement for the acquisition of one share of Clear Point Limited at a consideration of HK\$998,755 and a deed of assignment of debt for the transfer of a loan owed by Clear Point Limited to E-Garden Properties Limited at a consideration of HK\$1,001,245 (the principal assets of Clear Point Limited comprised of three car parking spaces at China United Centre, 28 Marble Road, North Point);
- (17) 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 by More Rich Investments Limited of 1,000 shares of Million Regal Investment Limited at a consideration of HK\$1 and a deed of assignment of debt for the transfer of a loan owed by Million Regal Investments Limited to E-Garden Properties Limited at a consideration of HK\$1;

- (18) On 14 May 2007, Wealth Elegant Investments Limited and Caricom Limited entered into a sale and purchase agreement for the acquisition by Wealth Elegant Investments Limited of a property known as 26/F, China United Centre, 28 Marble Road, North Point, Hong Kong at a consideration of HK\$40,800,000;
- (19) On 14 May 2007, Hexham Enterprises Limited, Charming Profit Investments Limited, and Heritage International Holdings Limited entered into an agreement for the purchase by Hexham Enterprises Limited of 1 share in Top Trinity Assets Limited and a shareholder's loan extended to Top Trinity Assets Limited and Bestford Properties Limited at a consideration of HK\$20,828,069.11;
- (20) On 22 May 2007, Million Regal Investment Limited and First Luck Investment Limited entered into an agreement for the acquisition by Million Regal Investment Limited of certain car parking spaces at China United Centre, 28 Marble Road, North Point at a consideration of HK\$42,000,000;
- (21) On 29 May 2007, Pearl Decade Limited and Radford Capital Investment Limited entered into a subscription agreement for the subscription by Pearl Decade Limited of 284,078,810 shares in Radford Capital Investment Limited at HK\$0.120 per share;
- (22) On 6 June 2007, Thousand More Investments Limited and Mr. Leung Chi Wah entered into an agreement for the sale by Leung Chi Wah of one share in and a shareholder's loan extended to Longtop Enterprises Limited at a consideration of HK\$2,234,821;
- (23) On 6 June 2007, the Company, Get Nice Investment Limited and the Underwriter entered into a placing agreement in respect of an issue of 1,946,218,000 new Shares of the Company at HK\$0.126 per Share under the general mandate granted by the Shareholders at its annual general meeting held on 30 May 2007;
- (24) On 15 June 2007, Cordoba Homes Limited, a directly wholly owned subsidiary of the Company, and Hero City Trading Limited entered into an agreement for the acquisition by Cordoba Homes Limited of the entire equity interest in and a shareholder's loan extended to Apex Novel Limited from Hero City Trading Limited at HK\$88,000,000. The principal assets of Apex Novel Limited is a property known as Unit 1, Sunshine Villa, No. 48 Mount Kellett Road, The Peak, Hong Kong;
- (25) On 28 June 2007, Richful Zone International Limited, an indirectly wholly owned subsidiary of the Company, and Harvest Source Holdings Limited entered into an agreement for the sale by Harvest Source Holdings Limited of the entire equity interest in and a shareholder's loan extended to Allied Loyal International Investments Limited to Richful Zone International Limited at a consideration of HK\$136 million. The principal assets of Allied Loyal International Investments Limited comprise 50% of the forestry lands use rights (林地使用權) and forestry trees entitlement (林木所有權) of the forests granted by 雲南省普洱市翠雲區人民政府 in Simao District (思茅區), Puer City (普洱市), Yunnan Province, the PRC;

- (26) On 5 July 2007, the Company and the Underwriter entered into a placing agreement in respect of an issue of 2,335,000,000 new Shares of the Company at HK\$0.111 per Share under the issue mandate granted by the Shareholders of the Company at the extraordinary general meeting held on 4 July 2007;
- (27) On 3 August 2007, the Company and the Underwriter entered into a conditional placing and underwriting agreement in respect of a private placing of 3,000,000,000 Warrants in registered form to selected independent institutional and private investors;
- (28) On 3 September 2007, Smart Way Resources Limited, an indirectly wholly owned subsidiary of the Company, China Capital Advisors Corporation, CCEC Ltd., Wang Sing and the Company entered into a sale and purchase agreement for the disposal by Smart Way Resources Limited in respect of 50% interest in Amerinvest Coal Industry Holding Company Limited to CCEC Ltd. at a consideration of US\$12,190,032.50;
- (29) On 29 October 2007, Unity Investments Holdings Limited and Pearl Decade Limited, a wholly owned subsidiary of the Company entered into a subscription agreement in respect of the subscription of 410,118,799 shares of Unity Investments Holdings Limited by Pearl Decade Limited at a price of HK\$0.11 per share; and
- (30) the Underwriting Agreement.

#### 10. PARTICULAR OF DIRECTORS AND SENIOR MANAGEMENT

(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

*Independent Non-executive  
Directors*

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 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 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 53, 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 44, 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 practicing 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 39, 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 is an independent non-executive director of Grandtop International Holdings 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.

#### *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. PROFESSIONAL QUALIFICATION AND CONSENT**

- (a) The following is the qualification of Mazars CPA Limited (“Mazars”), which has given its report, opinion or advice, as the case may be, contained in this prospectus

<b>Name</b>	<b>Qualification</b>
Mazars CPA Limited	Certified Public Accountants, Hong Kong

- (b) As at the Latest Practicable Date, Mazars had no shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) As at the Latest Practicable Date, Mazars had no direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2006, being the date to which the latest published audited financial statements of the Group were made up.
- (d) Mazars has given and has not withdrawn their written consents to the issue of this prospectus with inclusion of its letter and the references to its name included herein in the form and context in which it appears.
- (e) the letter and report from Mazars are given as of the date of this prospectus for incorporation herein.

**12. GENERAL**

- (a) The company secretary of the Company is Ms. Chan Mee Sze, being an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.
- (b) The qualified accountant of the Company is Ms. Lee Kwan Ching, being a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (c) The registered office of the Company is situate at 32/F., China United Centre, 28 Marble Road, North Point, Hong Kong.
- (d) The Company’s share registrar is Computershare Hong Kong Investor Services Limited, Rooms 1806-1807, 18/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (e) In the event of any inconsistency, the English language text of this prospectus shall prevail over the Chinese language text.

**13. EXPENSES**

The expenses in connection with the Rights Issue, including the underwriting commission, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$11 million, and will be payable by the Company.

**14. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the registered office of the Company at 32/F, China United Centre, 28 Marble Road, North Point, Hong Kong from the date of this prospectus up to and including 16 January 2008:

- (a) Memorandum and articles of association of the Company;
- (b) the annual reports of the Group for the three financial years ended 31 December 2004, 31 December 2005 and 31 December 2006 and the interim report of the Company for the six months ended 30 June 2007;
- (c) a copy of each circular issued by the Company dated 27 April 2007, 25 June 2007, 11 July 2007 and 23 August 2007 and 5 December 2007 respectively;
- (d) the written consent of Mazars referred to in paragraph 11 of this appendix;
- (e) the Underwriting Agreement; and
- (f) all material contracts referred to in paragraph 9 headed under “Material Contracts” in this appendix.

**15. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

A copy of each of the Prospectus Documents, having attached thereto the written consent referred to under the paragraph headed “Professional Qualification and Consent” in this appendix, has been registered by the Registrar of Companies in Hong Kong as required by Section 38D of the Companies Ordinance.