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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)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF 100% INTEREST IN ALLIED LOYAL**

On 28 June 2007, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares in Allied Loyal, representing 100% of the issued share capital of Allied Loyal and Shareholder's Loan for a total consideration of HK\$136 million. The Consideration will be satisfied by the Company in paying the Vendor or its nominee in cash upon Completion.

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14.06 of the Listing Rules.

A circular containing details of Acquisition with the valuation report will be dispatched to Shareholders as soon as practicable.

As the Acquisition Agreement may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

THE ACQUISITION AGREEMENT

Date : 28 June 2007

Parties : 1) Richful Zone International Limited (豐域國際有限公司), an indirect wholly-owned subsidiary of the Company and an investment holding company incorporated in the British Virgin Islands, being the Purchaser; and

- 2) Harvest Source Holdings Limited (豪源集團有限公司)
being the Vendor

The Vendor is an investment holding company incorporated in the British Virgin Islands with limited liability. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are not connected with any of the Directors, chief executive or substantial Shareholder(s) of the Company or its subsidiaries or their respective associate(s)

Interest to be acquired :

- 1) Sale Shares : 50,000 shares of USD1.00 each in the capital of Allied Loyal, representing 100% of the issued share capital of Allied Loyal, the principal asset of Allied Loyal is 50% of the Concession Rights and Interests of Forests in Simao District (思茅區), Puer City (普洱市), Yunnan Province, the PRC
- 2) Shareholder's Loan : The loan due from Allied Loyal to the Vendor as at Completion, which shall not be less than HK\$33,530,890

Consideration :

The Consideration for the Acquisition is HK\$136 million, which will be satisfied by the Company in paying the Vendor or its nominee in cash through utilizing the Group's internal resources upon Completion.

The Consideration was arrived at after arm's length negotiations between the Company and the Vendor by reference to the followings :

- (i) the valuation of Concession Rights and Interests of Forests. Pursuant to the opinion of the independent qualified appraiser that as of the date of valuation. The independent qualified appraiser adopted market approach. The market approach considered prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative. The market value of land use rights and inventory of stock of trees for the Forests, as part of a going-concern business of CCSL, is reasonably stated by the amounts of RMB298 million (approximately equivalent to HK\$306 million at prevailing exchange rate at HK\$1 to RMB0.9752). In other words, Allied Loyal's 50% of Concession Rights and Interests of Forests should be valued at RMB149 million (approximately equivalent to HK\$153 million at prevailing exchange rate at HK\$1 to RMB0.9752); and
- (ii) Allied Loyal has entered into a transfer agreement (特許協議轉讓合同) with CCSL. Allied Loyal will share 50% of distributable profits of the Forests and CCSL will be responsible for all the budget, management, and provision of the working capital requirement for operation and development of the Forests. Allied Loyal will not

participate in the daily operation of the Forests. CCSL will charge Allied Loyal an annual management fee at a lower of the distributable profits distributed to Allied Loyal or 8% of the annual turnover of the Forests. In the event that there are nil distributable profits to Allied Loyal, no annual management fee will be charged. Moreover, Allied Loyal is not required to contribute any further capital commitment to CCSL for operating the Forests.

The Consideration represents a discount of approximately 11% to the 50% of aforesaid valuation amounted to HK\$153 million (equivalent to RMB149 million at prevailing exchange rate at HK\$1 to RMB0.9752).

Conditions of the Acquisition Agreement :

Completion of the Acquisition Agreement shall not take place unless and until the Purchaser shall have been satisfied upon its due diligence investigations on the followings :

- (i) that the management accounts of Allied Loyal are true and accurate as on 25 June 2007 and that is/will be no material adverse change in the financial position of Allied Loyal from 25 June 2007 to the Completion;
- (ii) that the title deeds of Concession Rights and Interests of Forests remain valid and enforceable after the Completion and there is no fact or circumstances rendering any of the title deeds void, invalid illegal or unenforceable;
- (iii) that Allied Loyal has a good and marketable title to 50% of Concession Rights and Interests of Forests; and
- (iv) the warranties set out in the Acquisition Agreement remaining true, accurate and correct in all material respects.

If the conditions shall not be fulfilled on or before 11 July 2007 or such other date as the parties may agree in writing, the Acquisition Agreement shall terminate and the parties shall not have any further claims against each other for costs, damages, compensation or otherwise, save for antecedent breaches.

Completion:

Subject to the fulfillment of the conditions set out above, Completion will take place on or before 11 July 2007 (or such other date as may be agreed by the Vendor and the Purchaser).

INFORMATION ON ALLIED LOYAL

Allied Loyal is a limited liability company incorporated under the laws of the British Virgin Islands on 2 January 2007. Allied Loyal is an investment holding company and the principal asset of Allied Loyal is 50% of the Concession Rights and Interests of Forests in Simao District (思茅區), Puer City (普洱市), Yunnan Province, the PRC. Another 50% of the Concession Rights and Interests of Forests is owned by CCSL.

Concession Rights and Interests of Forests comprises three standing forests in Simao District (思茅區), Puer City (普洱市), Yunnan Province, the PRC. The logging right of forestry lands is 50 years from 2007 to 2057 with approximately total land area 36,735 Chinese Mu (or 24.5km²). The major species types in the Forests are Simao Pine (思茅松) and Oak (橡樹). The timber volume is approximately 227,885m³ with 55,558m³ attributable to Simao Pine (思茅松) and 172,327m³ attributable to Oak (橡樹). During the 50 years of logging right, 3 production cycles are feasible.

Since CCSL acquired the Concession Rights and Interests of Forests in this year, so there is no financial figure as at the date of this announcement. Save as the 50% of the Concession Rights and Interests of Forests, Allied Loyal does not have any other business since its incorporation, there is no audited accounts as at the date of this announcement. Based on the unaudited financial statements of Allied Loyal from the date of incorporation to 25 June 2007, the net asset value of Allied Loyal as at 25 June 2007 was approximately HK\$369,110. The net loss for the period from the date of incorporation to 25 June 2007 was approximately HK\$20,890. The net book value of the 50% of Concession Rights and Interests of Forests as at 25 June 2007 was HK\$33,900,000.

Financial Effect on the Acquisition

Upon completion of the Acquisition, the accounts of Allied Loyal will be wholly-owned subsidiary of the Company and will be consolidated with that of the Group. The Acquisition will bring an increase in the Group's non-current assets and but such increase will be offset by a decrease in cash balance. Given the fact that it is premature to quantify the financial effect on the Acquisition on the earnings of the Group. The Directors consider that the Acquisition would not have a material impact on the earnings and assets and liabilities of the Group. The Directors expect that the Acquisition will have a position impact on the earnings of the Group in long run.

Location Description

The Forests are situated in Puer City (普洱市). Puer City (普洱市) is located in the southwest of Yunnan Province, the PRC. In 2006, Yunnan province experienced strong economic growth. GDP growth in 2006 reached above RMB400 billion, up 11.9% year of year from 2005, while GDP per capita attained RMB1,148. Fixed asset investment in Yunnan Province in 2006 totaled RMB222 billion, increased by RMB46.5 billion from 2005, or up 26.5% year of year.

Puer City (普洱市) situates at the low latitude plateau South Asia tropics monsoon climatic region and is characterized by low latitude, high temperature, rainy and breeze. The average annual temperature is 17.9°C, the average annual rainfall is 1,517.8mm, and the frost-free period is 315 days a year. There is approximately 4,560,000 mu forestry land in the region with forest coverage 76.9% and it is the most important forestry region in the province.

According to State Forestry Administration (國家林業局), forestry in the PRC has been grown steadily and its total production value increased to RMB846 billion, up 22.7% year of year or increased by RMB156 billion from 2004. In the PRC, the coverage of economic forest was

about 21.39 million hectares in 2005 with a total output of 94 million tones (i.e. 132 million m³ in 2005). Capital invested in forestry in 2005 in the PRC was up to RMB47 billion, increased 8.6% year of year. The forestry land in Puer City (普洱市) is amongst the best sites in Yunnan Province producing high quality logs.

Market Overview

There is strong demand for wood products. The current trend in world consumption of all wood products is a gradual shift from North America and Europe to Asia and South America. The PRC is the most significant emerging market. The global change in consumption is mainly driven by the PRC's production of paper and panel to meet its large domestic demand.

The PRC has the world largest population (over 1.3 billion). It is evolving into an emerging market economy and the country has experienced significant growth, with an average annual growth rate in GDP of 8 to 9% over the past 10 years. This economic growth has been driven by low-cost manufacturing and exports, government and foreign investment, and the increasing personal disposable income of consumers. Many vibrant regional economies within the PRC are driving demand for essential resources such as water, electricity, oil, minerals and wood.

There is rapidly growing segment of middle-income consumers. Millions of people are buying or building new homes each year, driving up demand for wood-based, roof and wall framing, flooring, doors, window frames and trim, furniture and interior decoration items.

GENERAL INFORMATION

The Acquisition constitutes a discloseable transaction under Chapter 14.06 of the Listing Rules.

REASONS FOR THE TRANSACTION

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

Reference is made to the Company's announcement dated 27 March 2007, in order to clearly identify the Group's focus into energy and natural resources business, and position the Company's financial and bargaining strength when negotiating projects with potential partners or to facilities the Company in making investments whenever opportunities arises, the Company has incorporated a wholly-owned subsidiary in the Cayman Islands, "**Willie Resources Incorporated**" (威利資源企業公司), as the holding company for the development of the energy and natural resources business. Moreover, the Company has injected HK\$100 million cash as equity and HK\$200 million cash as shareholder's loan into "**Willie Resources Incorporated**" (威利資源企業公司) to ensure adequate working capital for the investment in energy and natural resources business whenever opportunities arises. The Purchaser is an indirectly wholly-owned subsidiary of "**Willie Resources Incorporated**" (威利資源企業公司) and will utilize the internal resources of "**Willie Resources Incorporated**" (威利資源企業公司) for the Acquisition.

In order to increase the competitiveness of the Group, the Directors consider the diversification of business into new areas of high-growth potential will be in the best interest of its Shareholders. The Company takes initiative in identifying business opportunities in new emerging industries that will broaden its revenue sources. The Board considers that (i) there is an increase demand in world consumption of all wood products, especially the PRC market; (ii) there is rapidly growing segment of middle-income consumers in the PRC driving up the demands of wood products; (iii) the Acquisition is supported by the valuation of RMB298 million; (iv) there will be no financial burden and future capital commitment to the Group for the Acquisition and the operation, management and development of the Forests; (iv) the Acquisition is an investment that will generate stable distributable profit to the Group in the future; and (vii) with the improvement in technology and efficiency, the timber volume is expected to be higher during the production cycles. The terms of the Acquisition Agreement were arrived at after arm's length negotiations between the Company and the Vendor, and are fair and reasonable, so the Board considers the Acquisition is in the interest of the Group and the Shareholders as a whole.

GENERAL

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

A circular containing details of Acquisition with the valuation report will be dispatched to Shareholders as soon as practicable.

As the Acquisition Agreement may or may not complete, Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 28 June 2007 entered into between the Vendor and the Purchaser in relation to sale and purchase of the Sale Shares and the Shareholder’s Loan of Allied Loyal
“Allied Loyal”	Allied Loyal International Investments Limited, a company incorporated in the British Virgin Islands
“Board”	the board of Directors

“CCSL”	China Capital Strategy Limited (美信國銀資本策略有限公司), a company incorporated in Hong Kong. It is ultimate beneficially owned by a high net worth family in Asia and Mr. Wang Sing as 80% and 20% respectively. Mr. Wang Sing is the director of CCSL and is the brother of the Director, Mr. Wang Lin. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, CCSL and its controlling owner is not connected with any of the Directors, chief executive or substantial Shareholder(s) of the Company or its subsidiaries or their respective associate(s)
“Company”	Willie International Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition Agreement
“Concessionary Rights and Interests of Forests”	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
“Consideration”	HK\$136 million
“Director(s)”	director(s) of the Company
“Forests”	three standing forests in Simao District (思茅區), Puer City (普洱市), Yunnan Province, the PRC
“GDP”	gross domestic product
“Group”	the Company, its subsidiaries and its associated company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser”	Richful Zone International Limited (豐域國際有限公司), a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC

“Sale Shares”	50,000 shares, representing 100% of the issued capital of Allied Loyal
“Share(s)”	share(s) of a nominal value of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholder’s Loan”	the loan due from Allied Loyal to the Vendor as at Completion, which shall not be less than HK\$33,530,890 (outstanding amount as at 25 June 2007)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Harvest Source Holdings Limited (豪源集團有限公司), a company incorporated in the British Virgin Islands
”%”	per cent.

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

Hong Kong, 28 June 2007

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Chuang Yueheng, Henry, Mr. King Phillip, Mr. Lo Kan Sun, Mr. Wong Ying Seung, Asiong, and Mr. Wang Lin and five independent non-executive Directors, namely, Mr. Nakajima Toshiharu, Ms. Lin Wai Yi, Mr. Liu Jian, Mr. Shum Ming Choy and Mr. Yau Yan Ming, Raymond.