



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

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

Interim Results
For the six months ended 30 June 2006

RESULTS

The Board of Directors of Willie International Holdings Limited (the “Company”) would like to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2006 (the “Period”), together with the comparative figures for the six months ended 30 June 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2006

		Unaudited	
		Six months ended	
		30 June	
		2006	2005
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	159,697	72,479
Other income	2	806	8,332
Cost of investments held for trading sold		(159,627)	(81,217)
Depreciation expense		(529)	(606)
Employee benefits expense		(4,476)	(4,637)
Other operating expenses		(15,362)	(17,989)
Profit on disposal of an unlisted investment		—	20,528
(Loss) Profit on disposal of interests in subsidiaries		(143)	6,031
Loss on disposal of amount due from an associate	5	(31,000)	—
Impairment loss on amount due from an associate		—	(15,738)
Profit on deemed disposal of interest in an associate		8,429	1,405
Loss on deemed acquisition of interest in an associate		—	(13,331)
Share of profit (loss) of associates		1,066	(41,864)
Finance costs		(1,294)	(4,736)
Loss before taxation	3	(42,433)	(71,343)
Taxation	4	—	—
Loss attributable to equity holders		(42,433)	(71,343)
Loss per share — Basic	6	HK\$(0.013)	HK\$(0.038)

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2006 and 31 December 2005

	Unaudited	Audited
	At	At
	30 June	31 December
	2006	2005
	HK\$'000	HK\$'000
Non-current assets		
Investment properties	6,630	9,650
Property, plant and equipment	22,257	22,391
Interests in associates	178,194	238,549
Other financial asset	<u>—</u>	<u>7,143</u>
	<u>207,081</u>	<u>277,733</u>
Current assets		
Investments held for trading	92,920	13,626
Loans receivable	93,651	40,280
Other receivables	26,031	1,138
Cash and cash equivalents	<u>2,603</u>	<u>11,420</u>
	<u>215,205</u>	<u>66,464</u>
Current liabilities		
Other payables	6,832	14,231
Current portion of interest-bearing borrowings	<u>14,621</u>	<u>4,629</u>
	<u>21,453</u>	<u>18,860</u>
Net current assets	<u>193,752</u>	<u>47,604</u>
Total assets less current liabilities	<u>400,833</u>	<u>325,337</u>
Non-current liabilities		
Long-term interest-bearing borrowings	<u>11,812</u>	<u>13,770</u>
Net assets	<u>389,021</u>	<u>311,567</u>
Capital and reserves		
Share capital	342,149	303,209
Reserves	<u>46,872</u>	<u>8,358</u>
Total equity	<u>389,021</u>	<u>311,567</u>

Six months ended 30 June 2005 (unaudited)

	Trading of investments <i>HK\$'000</i>	Provision of financial services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue						
Turnover	65,407	6,980	92	—	—	72,479
Other income	—	5,050	—	1,754	1,528	8,332
Total revenue	<u>65,407</u>	<u>12,030</u>	<u>92</u>	<u>1,754</u>	<u>1,528</u>	<u>80,811</u>
Segment results	(26,249)	4,738	(359)	(3,222)	1,454	(23,638)
Profit on disposal of an unlisted investment						20,528
Profit on disposal of interests in subsidiaries						6,031
Impairment loss on amount due from an associate						(15,738)
Profit on deemed disposal of interest in an associate						1,405
Loss on deemed acquisition of interest in an associate						(13,331)
Share of loss of an associate	(1,876)	(44,143)	—	2,893	1,262	(41,864)
Finance costs						<u>(4,736)</u>
Loss attributable to equity holders						<u>(71,343)</u>

3. LOSS BEFORE TAXATION

Unaudited
For the six months ended
30 June
2006 2005
HK\$'000 ***HK\$'000***

This is stated after charging (crediting):

Net unrealised holding loss on investments held for trading	7,551	10,367
Write back of provision for bad and doubtful debts	—	(5,050)
Loss on disposal of investment properties	490	162
Loss (Profit) on disposal of property, plant and equipment	199	(122)
Share-based payment	<u>2,440</u>	<u>—</u>

4. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the six months ended 30 June 2006 as well as the corresponding period in 2005.

5. LOSS ON DISPOSAL OF AMOUNT DUE FROM AN ASSOCIATE

Loss on disposal of amount due from an associate represents a loss of HK\$31,000,000 on disposal of Hennabun Management International Limited (“HMIL”) 8% convertible note recognised during the Period. The details of which were disclosed in the announcement and circular of the Company dated 2 May 2006 and 23 May 2006 respectively.

6. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the Period of HK\$42,433,000 (2005: HK\$71,343,000) and on the weighted average number of shares of 3,294,826,535 (2005: 1,888,379,793 shares) in issue during the Period.

No diluted loss per share was presented as there was an anti-dilutive effect after adjusting for the effects of all dilutive potential ordinary shares and, for the same reason, no comparative figure were presented.

7. DILUTED LOSS PER SHARE FOR THE 2005 INTERIM REPORT

As a result of greater management resources to assist with the checking of financial information, the Company has discovered the presentation of the diluted loss per share in the unaudited 2005 interim report should not have been necessary because the dilution effect should have been anti-dilutive.

INTERIM DIVIDEND

The Board of directors does not recommend any interim dividend for the six months ended 30 June 2006 (2005: Nil).

DIRECTORS AND DIRECTORS' EMOLUMENTS

Mr. Wang Lin has been appointed as the Executive Director of the Company with effect from 3 May 2006. Mr. Liu Jian and Mr. Shum Ming Choy have been appointed as the Independent Non-executive Directors of the Company with effect from 24 January 2006 and 1 August 2006 respectively. Ms. Lee Kwan Ching has been appointed as the Alternate Director to Mr. Lo Kan Sun with effect from 24 January 2006.

Mr. Wang Lin is entitled to a director's fee of HK\$20,000 per month. Mr. Liu Jian is entitled to a director's fee of HK\$10,000 per month. Mr. Shum Ming Choy is entitled to a director's fee of HK\$10,000 per month. Ms. Lee Kwan Ching did not receive any director's fee.

BUSINESS REVIEW AND PROSPECTS

Results

Turnover for the six months ended 30 June 2006 amounted to HK\$159.7 million, an increase of 120.3% when compared with HK\$72.5 million for the corresponding period last year. The increase in turnover was mainly attributable to the increase in the sale of listed investments during the Period. Loss attributable to equity holders for the Period was HK\$42.4 million compared with a loss of HK\$71.3 million for the corresponding period last year. Loss per share for the Period was HK\$0.013 compared with HK\$0.038 for the corresponding period last year.

Review

We entered 2005 as a company that is both financially and fundamentally stronger. We have adhered to our strategy of employing a less aggressive approach and investing or concentrating our efforts in medium term projects with potential for future growth. We believe that the investment public has received our message and changed its perception of the Company accordingly.

The Directors consider the energy sector as a major and critical development in China and an area with tremendous growth potential. With that in mind, towards the end of fiscal 2005, the Group started negotiation with Mr. Wang Sing for the acquisition of 25% of Amerinvest Coal Industry Holding Company Limited (“Amerinvest”), a company involved in the West China Coking Project in the Yunnan province in China. In March 2006, the Group acquired an additional 25% of Amerinvest thus making Mr. Wang Sing an equal partner of the Group.

During the first half of the fiscal 2006, much of the Company’s effort has been placed in the development of a core business, namely, the energy related business and more specifically, the West China Coking Project. In order to concentrate on this core business, we have further streamlined the Company. In April, the Group sold its interest in Tianjin Kai Sheng Automobile Services Co., Ltd and recorded a loss on disposal of approximately HK\$0.14 million. In May, the Group reduced its interest in HMIL by selling its holding of HMIL 8% convertible note and recorded a loss on disposal of approximately HK\$31 million. Both transactions provided the Group with additional working capital.

Liquidity and Capital Resources

During the Period, the Company has granted an aggregate of 219,408,635 share options and issued 139,408,635 new shares upon the partial exercise of the share options raising an additional equity of approximately HK\$51.3 million. The remaining 80,000,000 share options were subsequently surrendered by option holders for cancellation on 1 August 2006. Furthermore, the Company has issued 250,000,000 new shares to satisfy the acquisition cost of HK\$66.25 million for the investment in the initial 25% shareholding in Amerinvest.

As at 30 June 2006, the Group’s total equity amounted to HK\$389.0 million as compared with HK\$311.6 million at 31 December 2005. As at 30 June 2006, the Group had net current assets of HK\$193.8 million including cash and cash equivalents of HK\$2.6 million as compared with HK\$47.6 million including cash and cash equivalents of HK\$11.4 million at 31 December 2005. The Group continued to closely monitor its equity-debt structure and maintained a relatively low gearing ratio of 6.8% (computed on the basis of total borrowings to total equity) and current ratio of 10.03 times at 30 June 2006 as compared to 5.9% and 3.52 times respectively at 31 December 2005.

As at 30 June 2006, the Group had bank and other borrowings amounted to HK\$26.4 million (31 December 2005: HK\$18.4 million). Of the Group’s bank and other borrowings of HK\$26.4 million, 55.3%, 8.3%, 26.7%, 9.7% are repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. The Group’s bank and other borrowings carrying interest rates were calculated with reference to prime rate and denominated in Hong Kong dollars. The Group did not have any financial instruments used for hedging purpose.

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

Pledge of Assets

As at 30 June 2006, certain assets of the Group with an aggregate carrying value of HK\$27.5 million (31 December 2005: HK\$30.8 million) have been pledged to a bank to secure banking facilities granted to the Group.

Contingent Liabilities

As at 30 June 2006, the Company had contingent liabilities not provided for in the financial statements in respect of guarantee of HK\$38 million (31 December 2005: HK\$38 million) and HK\$30 million (31 December 2005: HK\$30 million) for banking facilities granted to subsidiaries and an associate respectively, which were utilised by subsidiaries and an associate to the extent of HK\$16.4 million (31 December 2005: HK\$18.4 million) and HK\$22.9 million (31 December 2005: HK\$21.4 million) respectively.

Employees

As at 30 June 2006, the Group employed a total of 24 employees. The Group remunerates its employees based on their performance, working experience and prevailing market standards. Employee benefits include a medical insurance coverage, provident fund and a share option scheme.

Prospects

The West China Coking Project consists of three phases of development. The initial phase has been completed and is currently in operation. The development of the second and third phase is capital intensive. The Company and Mr. Wang Sing have been talking to investors and fund managers regarding investing in the project. It is possible that the Group's investment in Amerinvest will be diluted by outside investors.

Although interest rate and inflation have been rising, the economies in Hong Kong and China remain upbeat. The Group has a healthy balance sheet with financial liquidity and virtually no operational debt. While the Directors are working on the West China Coking Project, we continue to work with our associates and network of investment partners in identifying and evaluating projects that may be of interest. We will continue to focus our human and financial resources towards our growth plan.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Period.

AUDIT COMMITTEE

The Audit Committee, comprising four independent non-executive directors, Mr. Miu Frank H., Mr. Nakajima Toshiharu, Ms. Lin Wai Yi and Mr. Shum Ming Choy. The Audit Committee meets with the Group's management regularly to review the accounting principles and practices adopted by the Group, the effectiveness of the internal control systems and the interim and annual reports of the Company. The Audit Committee has reviewed the Group's unaudited interim results for the Period.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiry by the Company, all Directors of the Company confirmed that they had complied with the required standard as set out in the Model Code throughout the Period.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE’S WEBSITE

The 2006 Interim Report containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the Stock Exchange’s website (www.hkex.com.hk) in due course.

APPRECIATION

We would like to welcome Mr. Wang Lin and Mr. Shum Ming Choy to our Board. We would like to recognise the contributions of Mr. Lam Ping Cheung for his service to the Board of Directors. On behalf of the Board, we would like to thank our partners, employees, and shareholders for their continued confidence and support.

By order of the Board
Chuang Yueheng, Henry
Chairman

Hong Kong, 15 September 2006

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. Miu Frank H., Mr. Nakajima Toshiharu, Ms. Lin Wai Yi, Mr. Liu Jian and Mr. Shum Ming Choy.