

Willie International Holdings Limited

(Incorporated in Hong Kong with limited liability)

Listed Since 1972 Stock Code: 273

Willie

07

INTERIM REPORT

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Chuang Yueheng, Henry (*Chairman*)
King Phillip (*Managing Director*)
Lo Kan Sun (*Chief Operating Officer*)
Wong Ying Seung, Asiong
Wang Lin

Independent Non-Executive Directors

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

Alternate Director

Lee Kwan Ching
(Alternate Director to Lo Kan Sun)

AUDIT COMMITTEE

Shum Ming Choy (*Chairman*)
Nakajima Toshiharu
Lin Wai Yi
Yau Yan Ming, Raymond

REMUNERATION COMMITTEE

Wong Ying Seung, Asiong (*Chairman*)
Nakajima Toshiharu
Yau Yan Ming, Raymond

QUALIFIED ACCOUNTANT

Lee Kwan Ching

COMPANY SECRETARY

Lee Pui Shan

WEBSITE

<http://www.willie273.com>
<http://www.irasia.com/listco/hk/willie/index.htm>

AUDITORS

Mazars CPA Limited
Certified Public Accountants
34/F, The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL BANKERS

Chong Hing Bank Limited
The Bank of East Asia Limited
The Hongkong and Shanghai Banking
Corporation Limited

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited

Transfer Office

Shops 1712-1716, 17/F,
Hopewell Centre
183 Queen's Road East
Hong Kong

Investor Communication Centre

Rooms 1806-1807, 18/F,
Hopewell Centre
183 Queen's Road East
Hong Kong

RESULTS

The Board of Directors (the "Board") 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 2007 (the "Period"), together with the comparative figures for the six months ended 30 June 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

		Unaudited	
		Six months ended	
		30 June	
		2007	2006
	Note	HK\$'000	HK\$'000
Turnover	2	787,911	159,697
Other income	2	45,498	806
Cost of investments held for trading sold		(678,411)	(159,627)
Depreciation expense		(1,080)	(529)
Employee benefits expense		(4,616)	(4,476)
Other operating expenses		(7,343)	(15,362)
Loss on disposal of interests in subsidiaries		—	(143)
Loss on disposal of convertible note issued by an associate		—	(31,000)
Profit on deemed disposal of interest in an associate	6(b)(i)	21,087	8,429
Loss on disposal of interest in an associate	6(b)(ii)	(12,520)	—
Share of profit of associates		7,522	1,066
Finance costs		(1,067)	(1,294)
		<hr/>	<hr/>
Profit (Loss) before taxation	3	156,981	(42,433)
Taxation	4	(21,000)	—
		<hr/>	<hr/>
Profit (Loss) for the Period		135,981	(42,433)
		<hr/> <hr/>	<hr/> <hr/>
Profit (Loss) attributable to equity holders		135,981	(42,433)
		<hr/> <hr/>	<hr/> <hr/>
Earnings (Loss) per share — Basic	5	HK\$0.020	HK\$(0.013)
		<hr/> <hr/>	<hr/> <hr/>
Earnings (Loss) per share — Diluted	5	HK\$0.019	N/A
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Six months ended	
	30 June	
	2007	2006
	HK\$'000	HK\$'000
Opening balance – Total equity at 1 January (audited)	329,614	311,567
Equity-settled share-based payment	1,492	2,440
Issue of new shares, net of expenses	437,860	66,150
Issue of shares on conversion of convertible notes	350,000	—
Issue of shares under share option scheme	106,148	51,297
Realised on disposal of an associate	(8,198)	—
Profit (Loss) for the Period	135,981	(42,433)
Closing balance – Total equity at 30 June (unaudited)	1,352,897	389,021

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007 and 31 December 2006

	Note	Unaudited At 30 June 2007 HK\$'000	Audited At 31 December 2006 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		175,100	7,200
Property, plant and equipment		29,482	22,977
Interests in associates	6	100,009	98,118
Other investments	7	39,934	—
Prepayments for acquisition of investment properties		53,459	—
		397,984	128,295
Current assets			
Investments held for trading		607,932	118,818
Loans receivable	8	230,829	103,529
Other receivables		3,904	1,631
Cash and cash equivalents		260,666	8,878
		1,103,331	232,856
Current liabilities			
Other payables	9	54,031	8,242
Tax payable		21,000	—
Current portion of interest-bearing borrowings	10	4,155	7,507
		79,186	15,749
Net current assets		1,024,145	217,107
Total assets less current liabilities		1,422,129	345,402
Non-current liabilities			
Long-term interest-bearing borrowings	10	69,232	15,788
NET ASSETS		1,352,897	329,614
CAPITAL AND RESERVES			
Share capital	11	1,167,731	350,649
Reserves	12	185,166	(21,035)
TOTAL EQUITY		1,352,897	329,614

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Unaudited	
	Six months ended	
	30 June	
	2007	2006
	HK\$'000	HK\$'000
Net cash used in operating activities	(509,406)	(157,178)
Net cash (used in) from investing activities	(182,906)	89,036
Net cash from financing activities	944,100	59,325
Net increase (decrease) in cash and cash equivalents	251,788	(8,817)
Cash and cash equivalents at beginning of period	8,878	11,420
Cash and cash equivalents at end of period	260,666	2,603

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

1. BASIS OF PREPARATION

The unaudited interim financial statements for the six months ended 30 June 2007 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2006. They have been prepared on the historical cost basis, except for investment properties and investments held for trading, which are measured at fair value.

The accounting policies applied in preparing these interim financial statements are consistent with those applied in preparing the Group’s financial statements for the year ended 31 December 2006. The adoption of the new / revised Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable individual HKFRS, HKAS and Interpretations issued by the HKICPA, that are relevant to the Group and effective from the current period did not have any significant effect on the financial position or performance of the Group.

The Group has not early adopted the new / revised HKFRS issued by the HKICPA that are not yet effective for the current period. The Group has already commenced an assessment of impact of these new / revised HKFRS but is not yet in a position to state whether they would have any significant impact on its results of operations and financial position.

2. TURNOVER AND SEGMENT INFORMATION

The analysis of the Group's revenue and results by business segments is as follows:

Six months ended 30 June 2007 (unaudited)

	Trading of investments HK\$'000	Provision of financial services HK\$'000	Property investment HK\$'000	Investment holding HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment revenue						
Turnover	781,482	6,429	—	—	—	787,911
Other income	42,149	—	—	—	3,349	45,498
Total revenue	<u>823,631</u>	<u>6,429</u>	<u>—</u>	<u>—</u>	<u>3,349</u>	<u>833,409</u>
Segment results	145,215	6,991	(986)	(1,214)	(8,047)	141,959
Profit on deemed disposal of interest in an associate						21,087
Loss on disposal of interest in an associate						(12,520)
Share of profit of associates	240	2,243	—	4,839	200	7,522
Finance costs						(1,067)
Taxation						(21,000)
Profit for the Period						<u>135,981</u>

2. TURNOVER AND SEGMENT INFORMATION (Continued)

Six months ended 30 June 2006 (unaudited)

	Trading of investments HK\$'000	Provision of financial services HK\$'000	Property investment HK\$'000	Investment holding HK\$'000	Unallocated HK\$'000	Total HK\$'000
Segment revenue						
Turnover	153,067	4,680	22	1,928	—	159,697
Other income	801	5	—	—	—	806
Total revenue	<u>153,868</u>	<u>4,685</u>	<u>22</u>	<u>1,928</u>	<u>—</u>	<u>160,503</u>
Segment results						
	(13,315)	4,662	(542)	(2,845)	(7,451)	(19,491)
Loss on disposal of interests in subsidiaries						(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 profit of associates	300	2,956	—	(2,154)	(36)	1,066
Finance costs						<u>(1,294)</u>
Loss for the period						<u><u>(42,433)</u></u>

3. PROFIT (LOSS) BEFORE TAXATION

Unaudited	
Six months ended	
30 June	
2007	2006
HK\$'000	HK\$'000

This is stated after charging (crediting):

Net unrealised holding (gain) loss on investments held for trading	(42,149)	7,551
Equity-settled share-based payment	1,492	2,440
Loss on disposal of investment properties	—	490
Loss on disposal of property, plant and equipment	—	199
	<u> </u>	<u> </u>

4. TAXATION

Hong Kong Profits Tax has been provided at the rate of 17.5% on the entities' estimated assessable profits for the Period but was not provided for the corresponding period in 2006 as the Group incurred a loss for taxation purposes.

5. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the profit attributable to equity holders for the Period of HK\$135,981,000 (2006: loss of HK\$42,433,000) and the weighted average number of ordinary shares of 6,934,262,344 (2006: 3,294,826,535 shares) in issue during the Period.

The calculation of diluted earnings per share is based on the profit attributable to equity holders for the Period of HK\$135,981,000 and the 7,331,701,910 shares which is the weighted average number of ordinary shares in issue during the Period adjusted for the number of dilutive potential shares under the share option scheme and the convertible notes of the Company. No diluted loss per share for 2006 was presented as there was an anti-dilutive effect after adjusting for the effects of all dilutive potential ordinary shares.

6. INTERESTS IN ASSOCIATES

		Unaudited At 30 June 2007 HK\$'000	Audited At 31 December 2006 HK\$'000
	Note		
Share of net assets	(a)	16,795	14,904
Goodwill		83,214	83,214
		100,009	98,118

Note:--

(a) Interests in associates as at 30 June 2007 represented the Group's 50% interest in Amerinvest Coal Industry Holding Company Limited ("Amerinvest").

(b) (i) During the Period, the Group's interest in Hennabun Management International Limited ("HMIL") was firstly reduced from 35.55% to 29.74% as a result of HMIL's issue of new shares to third parties and then further reduced from 29.74% to 16.17% after a shareholder of HMIL had the convertible note converted into 873,333,333 ordinary shares of HMIL.

As a result of the above changes in shareholding in HMIL, a profit on deemed disposal of HK\$21.1 million was recognised in the income statement.

(ii) In April 2007, the Group entered into agreements with third parties to dispose of the Group's remaining 16.17% interest in HMIL, leading to a loss on disposal of HK\$12.5 million recognised in the income statement.

7. OTHER INVESTMENTS

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

8. LOANS RECEIVABLE

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

	Unaudited At 30 June 2007 HK\$'000	Audited At 31 December 2006 HK\$'000
A related company	—	14,059
Third parties	230,829	89,470
	230,829	103,529

An aging analysis of loans receivable is set out below:

	Unaudited At 30 June 2007 HK\$'000	Audited At 31 December 2006 HK\$'000
Within maturity dates	230,829	103,529

9. OTHER PAYABLES

Included in other payables is an amount of HK\$50,855,000 (31 December 2006: HK\$6,072,000) payable to a securities broker of which the settlement term is two days after trade date.

10. INTEREST-BEARING BORROWINGS

During the Period, the Group assumed a bank loan of a subsidiary of HK\$13,358,000 following a business combination as detailed in note 14 and borrowed new bank loans in the total amount of HK\$58,460,000 for the purpose of financing the purchase of investment properties. The Group's interest-bearing borrowings are secured and bear interest at floating rates ranging from prime rate minus 3.1% to prime rate.

11. SHARE CAPITAL

	Unaudited		Audited	
	At 30 June 2007		At 31 December 2006	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	20,000,000,000	2,000,000	20,000,000,000	2,000,000
	Unaudited		Audited	
	At 30 June 2007		At 31 December 2006	
Note	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Issued and fully paid:				
At beginning of period/year	3,506,494,988	350,649	3,032,086,353	303,209
Issue of new shares (a)	3,819,218,000	381,922	250,000,000	25,000
Issue of shares under share option scheme (b)	851,600,000	85,160	224,408,635	22,440
Issue of shares on conversion of convertible notes (c)	3,500,000,000	350,000	—	—
At balance sheet date	11,677,312,988	1,167,731	3,506,494,988	350,649

11. SHARE CAPITAL (Continued)

Note:–

- (a) Pursuant to the placing agreements signed during the Period, an aggregate of 3,819,218,000 new ordinary shares of HK\$0.1 each of the Company were issued to independent investors at the prices ranging from HK\$0.11 to HK\$0.126 each.
- (b) Pursuant to the ordinary resolutions passed during the Period, an aggregate of 851,600,000 new ordinary shares of HK\$0.1 each of the Company were issued to certain individuals under the share option scheme at the exercise prices ranging from HK\$0.103 to HK\$0.134 each.
- (c) During the Period, the Company issued two years new convertible notes with aggregate principal amount of HK\$350,000,000 to third parties. The new convertible notes are non-interest bearing and could be converted into ordinary shares of the Company at 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 convertible notes.

During the Period, the convertible notes were fully converted into 3,500,000,000 ordinary shares of HK\$0.1 each of Company.

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

12. RESERVES

	Share premium HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2006 (audited)	210,046	18,273	—	(219,961)	8,358
Equity-settled share-based payment	—	—	5,899	—	5,899
Shares issued at premium, net of issuing expenses	41,150	—	—	—	41,150
Shares issued under share option scheme	40,071	—	(1,752)	—	38,319
Surrender of share option	—	—	(832)	832	—
Loss for the year	—	—	—	(114,761)	(114,761)
	<u>291,267</u>	<u>18,273</u>	<u>3,315</u>	<u>(333,890)</u>	<u>(21,035)</u>
At 31 December (audited)	291,267	18,273	3,315	(333,890)	(21,035)
At 1 January 2007 (audited)	291,267	18,273	3,315	(333,890)	(21,035)
Equity-settled share-based payment	—	—	1,492	—	1,492
Shares issued at premium, net of issuing expenses	55,938	—	—	—	55,938
Shares issued under share option scheme	25,795	—	(4,807)	—	20,988
Realised on disposal of an associate	—	(8,198)	—	—	(8,198)
Profit for the Period	—	—	—	135,981	135,981
	<u>373,000</u>	<u>10,075</u>	<u>—</u>	<u>(197,909)</u>	<u>185,166</u>
At 30 June 2007 (unaudited)	373,000	10,075	—	(197,909)	185,166

13. SHARE OPTION SCHEME

(a) Movement in share option scheme during the Period:

Name of category of participant	Date of grant	As at 1 January 2007	Granted during the Period	Exercised during the Period	As at 30 June 2007	Exercise price HK\$	Share price at the date of grant (note i) HK\$	Share price at the date of exercise (note ii) HK\$
Employees in aggregate	29 November 2006	169,000,000	—	(169,000,000)	—	0.103	0.100	0.121
	3 May 2007	—	278,600,000	(278,600,000)	—	0.134	0.131	0.132 to 0.134
Other in aggregate	29 November 2006	88,000,000	—	(88,000,000)	—	0.103	0.100	0.121
	3 May 2007	—	316,000,000	(316,000,000)	—	0.134	0.131	0.132 to 0.134
		<u>257,000,000</u>	<u>594,600,000</u>	<u>(851,600,000)</u>	<u>—</u>			

Note:

- (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.

(b) Fair value of share options and assumptions

The fair value of share options granted under the share option scheme at the grant date was HK\$0.0025 per share, which is calculated using the Black-Scholes option pricing model with the following inputs:

Average share price	HK\$0.134
Weighted average exercise price	HK\$0.134
Expected volatility	35.47%
Expected life	1-15 days
Risk free rate	2.5%

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

14. BUSINESS COMBINATION

During the Period, the Group acquired the entire equity interests in the following companies.

Acquisition date	Name of acquired companies	Place of incorporation	Principal activities	Cash consideration HK\$
4 May 2007	Clear Point Limited	British Virgin Islands	Property investment	999,000
4 May 2007	Million Regal Investment Limited	Hong Kong	Property investment	1
14 May 2007	Top Trinity Assets Limited (with its subsidiary, Bestford Properties Limited incorporated in Hong Kong)	British Virgin Islands	Investment holding and property investment	20,752,000
6 June 2007	Longtop Enterprises Limited	Hong Kong	Property investment	1
18 June 2007	Apex Novel Limited	British Virgin Islands	Property investment	14,900,000

14. BUSINESS COMBINATION *(Continued)*

The aggregate fair value of the identifiable assets and liabilities of the acquired companies as at the dates of acquisition and their carrying values determined in accordance with HKFRS immediately before combination are as follows:

	Carrying value	Fair value
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties	110,000	112,800
Property, plant and equipment	1,485	1,485
Cash and cash equivalents	14	14
Other receivables	12,377	12,188
Other payables	(149,562)	(76,411)
Interest-bearing borrowings	(13,358)	(13,358)
	<u>(39,044)</u>	<u>36,718</u>
Discount on acquisition		<u>(67)</u>
Total consideration, satisfied by cash		<u>36,651</u>
Net cash acquired from the subsidiaries		14
Cash paid		<u>(36,651)</u>
Net cash outflow		<u>36,637</u>

Since acquisition, the acquired business made no significant contribution to revenue and results of the Group.

If the business combinations effected during the Period had been taken place at the beginning of the period, the revenue and profit of the Group would have been HK\$787,911,000 and HK\$132,104,000 respectively.

15. CONTINGENT LIABILITIES

At the balance sheet date, the Group had contingent liabilities not provided for in the financial statements in respect of guarantee of HK\$30,000,000 (31 December 2006: HK\$30,000,000) for banking facilities granted to a former associate (which is now a third party), which was utilised to the extent of HK\$Nil (31 December 2006: HK\$24,500,000). The directors assessed the overall exposure of the corporate guarantee granted by the Group and considered that the fair value of such corporate guarantee is immaterial to the interim financial statements.

16. PLEDGE OF ASSETS

At the balance sheet date, certain assets of the Group with the following carrying values were pledged to secure general banking facilities granted to the Group:

	Unaudited	Audited
	At	At
	30 June	31 December
	2007	2006
	HK\$'000	HK\$'000
Leasehold land and buildings	20,202	20,531
Investment properties	85,100	7,200
	<hr/> 105,302 <hr/>	<hr/> 27,731 <hr/>

17. RELATED PARTY TRANSACTIONS

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

- (a) A property of the Group with net book value of HK\$20,202,000 (At 31 December 2006: HK\$20,531,000) is occupied by a brother of a director of the Company for free.
- (b) Compensation to key management personnel

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

	2007	2006
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	2,625	2,467
Contributions to MPF Scheme	30	24
	<u>2,655</u>	<u>2,491</u>

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

- (c) During the Period, the Group granted an unsecured short term loan of HK\$19 million to a subsidiary of HMIL, which was fully settled before 30 June 2007.

18. CAPITAL COMMITMENT

	Unaudited	Audited
	At	At
	30 June	31 December
	2007	2006
	HK\$'000	HK\$'000
Authorised but not contracted for (see also note 19(a))	<u>11,000</u>	<u>—</u>
Contracted but not provided for net of deposit paid (including commitment arising from the transaction as detailed in note 19(b))	<u>224,657</u>	<u>—</u>

19. POST BALANCE SHEET EVENTS

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

- (a) Pursuant to the directors' resolution dated 26 June 2007, the Group agreed to conditionally acquire the 100% issued share capital of Startech Business Limited ("Startech") at a consideration of HK\$11 million. Startech is principally engaged in property investment in Hong Kong. The acquisition of Startech will be completed after 30 June 2007.
- (b) Pursuant to the acquisition agreement dated 28 June 2007, the Group agreed to conditionally acquire the 100% issued share capital of Allied Loyal International Investments Limited ("Allied Loyal") at a cash consideration of HK\$136 million. Allied Loyal owns 50% of the interests in forests situated in Simao District, Puer City, Yunnan Province, the People's Republic of China. The acquisition of Allied Loyal has been completed after 30 June 2007.
- (c) Pursuant to the placing agreement dated 5 July 2007, the Company agreed to conditionally place 2,335,000,000 ordinary shares of HK\$0.10 each of the Company on a fully underwritten basis to independent investors at a price of HK\$0.111 per share.
- (d) Pursuant to the placing and underwriting agreement dated 3 August 2007, the Company agreed to conditionally place 3,000,000,000 warrants at a price of HK\$0.025 per warrant, which confer right to subscribe for ordinary shares of the Company at HK\$0.1 per share.
- (e) Pursuant to the share purchase agreement dated 3 September 2007, the Group agreed to conditionally dispose of its entire 50% interest in Amerinvest at a consideration of approximately HK\$94 million. The disposal of Amerinvest will be completed, subject to certain conditions, on or before 31 December 2007.
- (f) Pursuant to the directors' resolution dated 12 July 2007, an aggregate of 1,167,000,000 share options at an exercise price of HK\$0.1206 per share were granted to certain employees and other individuals under the share option scheme. Such share options were fully exercised on or before 19 July 2007.

INTERIM DIVIDEND

The Board does not recommend any interim dividend for the six months ended 30 June 2007 (2006: Nil).

BUSINESS REVIEW AND PROSPECTS

Results

Turnover for the six months ended 30 June 2007 amounted to HK\$787.9 million, an increase of 393.4% when compared with HK\$159.7 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. Profit attributable to equity holders for the Period was HK\$135.9 million compared with a loss of HK\$42.4 million for the corresponding period last year. Earnings per share for the Period was HK\$0.020 compared with a loss per share of HK\$0.013 for the corresponding period last year.

Review and Prospects

During the Period, with a favorable stock market sentiment and a strong local economy, the Company has been able to strengthen its capital base through a series of placing of shares, issuance of convertible notes and the exercise of share options. During the Period, through placing of new shares, issuance of HK\$350 million convertible notes and the exercise of share options, the Company raised a total of approximately HK\$914.2 million (before issue expenses). In July, through placing of new shares and the exercise of share options, the Company further raised a total of approximately HK\$400 million (before issue expenses). The Board proposed to issue and placing of 3,000,000,000 listed warrants at an issue price of HK\$0.025 per warrant in August. Each warrant to be issued by the Company pursuant to this placing shall confer the right to subscribe for one share at the subscription price of HK\$0.10 each and exercisable during a period of 18 months commencing from the date of issue of the warrants.

Throughout the Period, the Board has been approached with or identified many potential investment projects and have looked into three particular projects of interests, namely the project with a PRC oil conglomerate to engage in the exploration of oil located in Azerbaijan, a coal bed methane drilling and recovery project around Urumqi City in the Xinjiang Province, and a forestry project in Simao District, in Yunnan Province. In June, an indirect wholly-owned subsidiary of the Company entered into the acquisition agreement to acquire 100% equity interest in Allied Loyal, which its sole assets is 50% of the forestry lands use rights and forestry trees entitlement of forests in Simao District, Yunnan Province, for a total consideration of HK\$136 million in cash. While we have evaluated and let pass the coal bed methane project, we are still working on the Azerbaijan oil project although that no agreement has been reached at the present moment.

The Board believes that the luxury residential property market in Hong Kong will continue to remain strong with a stable upward trend. In April 2007, the Company incorporated Cordoba Homes Limited ("Cordoba"), a wholly-owned subsidiary for the investment of luxury residential properties and commercial properties. During the Period, Cordoba has acquired various residential and commercial properties in the Peak, Sheung Shui, North Point, Central and Southern districts, and is in the process of negotiating several properties located in Sheung Wan, Central and Western districts for acquisition purpose.

As the global stock markets have seen a tremendous appreciation throughout the Period, the thought of an inevitable correction have sent jitters through the investment communities. The recent issues with sub-prime lending have cast shadows in the global as well as the Hong Kong stock markets. However, in August 2007, the State Administration of Foreign Exchange of PRC announced a pilot programme allowing mainland investors to invest directly in Hong Kong stocks through the Tianjin branch of Bank of China using foreign currency they had already deposited or bought from the lender. The money will then be placed in an account in Hong Kong managed by BOC International Limited. This pilot programme may have a positive influence on the investment sentiment and the ability for many Hong Kong based companies to raise capital in the market. The Company is in a good position for growth and the capital base is strongest ever. The Board believes that there are great investment opportunities in the energy and transportation business in the PRC and will continue to identify and invest in projects with potential for growth.

Liquidity and Capital Resources

During the Period, the Company has completed three share placements for 3,819,218,000 new shares and the issuance of 851,600,000 new shares arising from exercise of share options, raising a total additional equity of approximately HK\$458.1 million (before issue expenses) and HK\$106.1 million respectively.

During the Period, the Company has issued two series of two years non-interest bearing convertible notes at a conversion price of HK\$0.1 per share with an aggregate principal amount of HK\$350 million, the convertible notes were converted in full and resulted in the issuance of 3,500 million shares of the Company.

As at 30 June 2007, the Group's total equity amounted to HK\$1,352.9 million as compared with HK\$329.6 million at 31 December 2006. As at 30 June 2007, the Group had net current assets of HK\$1,024.1 million including cash and cash equivalents of HK\$260.7 million as compared with HK\$217.1 million including cash and cash equivalents of HK\$8.9 million at 31 December 2006. 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 at 30 June 2007 as compared to 7.1% and 14.79 times respectively at 31 December 2006.

As at 30 June 2007, the Group had bank borrowings amounted to HK\$73.4 million (31 December 2006: bank and other borrowings of HK\$23.3 million). Of the Group's bank borrowings of HK\$73.4 million, 5.7%, 6.0%, 19.7%, 68.6% are repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. The Group's bank 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 2007, certain assets of the Group with an aggregate carrying value of HK\$105.3 million (31 December 2006: HK\$27.7 million) have been pledged to banks to secure banking facilities granted to the Group.

Contingent Liabilities

As at 30 June 2007, the Group had contingent liabilities not provided for in the financial statements in respect of guarantee of HK\$30 million (31 December 2006: HK\$30 million) for banking facilities granted to a former associate (which is now a third party), which was utilised to the extent of HK\$Nil (31 December 2006: HK\$24.5 million).

Employees

As at 30 June 2007, the Group employed a total of 26 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2007, none of the directors or chief executive of the Company had any interest and short position in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO), the Model Code for Securities Transactions by Directors or Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2007, the Company was not notified of any interests in more than 5% of the issued share capital of the Company as recorded in the register maintained under section 336 of the SFO, and no person was interested in or had a short position in the shares or underlying shares which would fall to be disclosed to the Company under section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

Save for those transactions described in the paragraph headed "Related Party Transactions" in note 17 to the financial statements, none of the directors had any material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Period.

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.

THE BOARD

The Board is comprised of five executive directors and five independent non-executive directors.

The Board is responsible for approving the unaudited consolidated accounts of the Group for the six months ended 30 June 2007 and is accountable to shareholders for the overall activities and financial performance of the Group. The Board considers that the Group's unaudited consolidated financial statements for the six months ended 30 June 2007 have been prepared in conformity with the generally accepted accounting standards in Hong Kong, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board with an appropriate consideration to materiality.

AUDIT COMMITTEE

The Company's audit committee is comprised of four independent non-executive directors, namely, Mr. Shum Ming Choy (Chairman), Mr. Nakajima Toshiharu, Ms. Lin Wai Yi and Mr. Yau Yan Ming, Raymond. The primary duties of the Company's audit committee include the review and supervision of the Group's financial reporting process and internal control systems, the review of the Group's financial information and the monitoring of the appointment and function of the Group's external auditor.

The Group's unaudited consolidated financial statements for the six months ended 30 June 2007 have been reviewed by the Company's audit committee.

REMUNERATION COMMITTEE

The Company's remuneration committee is comprised of one executive director, namely, Mr. Wong Ying Seung, Asiong (Chairman), and two independent non-executive directors, namely, Mr. Nakajima Toshiharu and Mr. Yau Yan Ming, Raymond. The primary duties of the Company's remuneration committee are to make recommendations to the Board in relation to the remuneration of executive Directors, senior management as well as the fees and emoluments of non-executive Directors.

During the Period, the Company's remuneration committee made recommendations to the Board in relation to the granting of share options to but not limited to senior management and employees of the Group. The Board approved and adopted their recommendations, and granted such share options pursuant to the Company's share option scheme.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company is firmly committed to maintaining a quality Board, sound internal control, and transparency and accountability to all shareholders. The Company had complied with the Code on Corporate Governance Practices as set out in appendix 14 of the Listing Rules throughout the Period.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiries with all directors of the Company, the Company can confirm that all directors of the Company have complied with the Model Code throughout the Period.

APPRECIATION

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
Willie International Holdings Limited
Chuang Yueheng, Henry
Chairman

Hong Kong, 14 September 2007