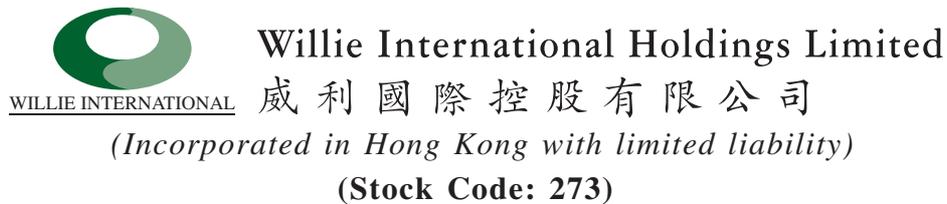


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*This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.*



- (1) PROPOSED CAPITAL REORGANISATION;**
- (2) CHANGE IN BOARD LOT SIZE;**
- (3) FURTHER CAPITAL REDUCTION;**
- (4) DISCLOSEABLE TRANSACTION IN RELATION TO THE SHARE SUBSCRIPTION AGREEMENT; AND**
- (5) RESUMPTION OF TRADING**

**(1) PROPOSED CAPITAL REORGANISATION**

The Directors propose to put forward a proposal to the Shareholders at the EGM to effect the Capital Reorganisation comprising (i) the Capital Reduction (i.e. the reduction of the nominal value of the Share of HK\$0.01 each to HK\$0.002 each by cancelling HK\$0.008 of the paid up capital on each Share and applying the credit arising from such reduction to the share premium account of the Company); and (ii) the Share Consolidation (i.e. the consolidation of five Reduced Shares of HK\$0.002 each into one Adjusted Share of HK\$0.01 each).

**(2) CHANGE IN BOARD LOT SIZE**

It is also proposed that following the Share Consolidation, the Adjusted Shares will be traded in board lots of 10,000 Adjusted Shares each.

### **(3) FURTHER CAPITAL REDUCTION**

The Directors further propose to reduce the amount standing to the credit of the Company's share premium account to the extent of approximately HK\$1,322 million and apply the credit arising from such reduction to set off against the equal amount of the Accumulated Losses (i.e. the entire audited balance in the accumulated losses account of the Company as at 31 December 2010 of approximately HK\$1,322 million) subject to the confirmation by the High Court.

### **(4) DISCLOSEABLE TRANSACTION IN RELATION TO THE SHARE SUBSCRIPTION AGREEMENT**

The Board is also pleased to announce that on 30 September 2011, the Company entered into the Share Subscription Agreement with Freeman pursuant to which Freeman shall subscribe for and the Company shall issue and allot the Willie Subscription Shares to Freeman for the Willie Subscription Consideration of HK\$48,079,754.55 in cash while the Company shall subscribe for and Freeman shall issue and allot 188,548,057 Freeman Subscription Shares to the Company for the Freeman Subscription Consideration also of HK\$48,079,754.55 (i.e. approximately HK\$0.255 per Freeman Subscription Share) in cash.

The Willie Subscription Shares to be issued and allotted by the Company to Freeman (i.e. (i) 641,063,394 new Shares of a par value of HK\$0.01 per Share if the Capital Reorganisation has not become effective or (ii) 128,212,678 new Adjusted Shares of a par value of HK\$0.01 per Adjusted Share if the Capital Reorganisation has become effective) represent in each case approximately 23.54% of the then issued share capital of the Company (as at the date of this announcement, the issued share capital of the Company was 2,723,843,687 Shares) and in each case approximately 19.05% of the enlarged issued share capital of Company immediately after the issue and allotment of the Willie Subscription Shares to Freeman. The net proceeds of the Willie Subscription Consideration, after the deduction of professional expenses, are estimated to be approximately HK\$47.4 million and will be used to subscribe the Freeman Subscription Shares.

As a result of the recent price downward plunge in the global and Hong Kong securities markets and a general deterioration in economic confidence, the preliminary review of the performance of the Group's securities investment portfolio as at the end of third quarter of 2011 shows a significant decline in the carrying value of the Group's securities investment portfolio as at 30 September 2011 compared with the position as at 30 June 2011 (being the date to which the most recently published unaudited interim financial statements of the Group were made up). Notwithstanding the securities price downward plunge, the Group is not in any way forced to liquidate its securities investment portfolio as the Group maintains a nil gearing ratio with healthy cash position, liquidity and financial position. Although Freeman has also faced the decline in value of its securities investment portfolio due to similar reasons as informed, the Directors are given to understand that Freeman's financial position has remained healthy and believe that the deep discount to historical consolidated net asset value for the Freeman Subscription Shares has adequately reflected the current market conditions.

The above is only based on a preliminary review and information currently available, and has not been confirmed nor audited by the Company's auditor.

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

The Directors propose to seek the grant of the Specific Mandate in relation to the Share Subscription Agreement from the Shareholders at the EGM to issue, allot and deal with the Willie Subscription Shares. The Willie Subscription is not conditional upon the Capital Reorganisation and/or the Further Capital Reduction having become effective.

The entering into the Share Subscription Agreement constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

**As the completion of the Share Subscription Agreement is subject to the satisfaction of the conditions precedent contained therein and it may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

A circular containing, among other things, details of the Capital Reorganisation, the Further Capital Reduction, the grant of the Specific Mandate in relation to the Share Subscription Agreement and the notice of the EGM will be despatched to Shareholders as soon as practicable.

**(5) RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 30 September 2011 at the request of the Company pending the release of this announcement and application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 4 October 2011.

**PROPOSED CAPITAL REORGANISATION**

The Directors propose to put forward a proposal to the Shareholders at the EGM to effect the Capital Reorganisation pursuant to the Companies Ordinance which will involve:

- (a) the Capital Reduction under which the authorised capital of the Company will be reduced from HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each to HK\$20,000,000 divided into 10,000,000,000 Reduced Shares of HK\$0.002 each and that such reduction be effected by cancelling HK\$0.008 of the paid up capital on each issued Share of HK\$0.01 and reducing the nominal value of each issued or unissued share in the capital of the Company from HK\$0.01 per Share to HK\$0.002 per Reduced Share; and
- (b) the Share Consolidation under which every five Reduced Shares of HK\$0.002 each into one Adjusted Share of HK\$0.01 each.

As at the date of this announcement, the authorised share capital of the Company was HK\$100,000,000 divided into 10,000,000,000 Shares and the issued share capital of the Company was HK\$27,238,436.87 divided into 2,723,843,687 Shares. In order to facilitate the Share Consolidation, the Company will use its best effort to repurchase and cancel two Shares prior to the date of the EGM. Disclosure will be made by the Company in respect of such share repurchase, if any, in accordance with the Listing Rules.

Assuming two Shares will be repurchased and cancelled by the Company and no further Shares will be issued between the date of this announcement and the EGM, immediately upon the Capital Reorganisation becoming effective, based on 2,723,843,685 Shares then in issue, the issued share capital of the Company will be reduced from HK\$27,238,436.85 to HK\$5,447,687.37 divided into 544,768,737 Adjusted Shares, giving rise to a total credit of HK\$21,790,749.48 which will, in its entirety, be credited to the share premium account of the Company.

As at the date of this announcement, the Company has no outstanding options, warrants, conversion rights or other similar rights giving rights to subscribe for the Shares.

### **Conditions of the Capital Reorganisation**

The Capital Reorganisation will be conditional upon the following:

- (a) the passing of a special resolution by the Shareholders at the EGM to approve the Capital Reorganisation;
- (b) the registration by the Registrar of Companies in Hong Kong of a copy of resolution passed by the Shareholders, a copy of a minute containing the particulars required under section 61A of the Companies Ordinance and a statement in the prescribed form signed by an officer of the Company certifying that the relevant conditions under the Companies Ordinance have been satisfied; and
- (c) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares to be issued and allotted upon the Capital Reorganisation becoming effective.

Assuming all the conditions are fulfilled, the Capital Reorganisation will become effective upon the registration of the minute required under section 61A of the Companies Ordinance, which is expected to take place on or around 21 November 2011.

The Capital Reorganisation does not require confirmation by the High Court pursuant to section 58(3) of the Companies Ordinance.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Adjusted Shares upon implementation of the Capital Reorganisation.

### **Effect of the Capital Reorganisation**

Implementation of the Capital Reorganisation would not, by itself, alter the underlying assets, liabilities, businesses, management or financial position of the

Group and the Company or the rights of the Shareholders, except for payment of the related expenses. The proportionate interests and the voting rights of the Shareholders in the Company will not be affected by the Capital Reorganisation.

The Adjusted Shares will rank pari passu in all respects with each other and the Capital Reorganisation will not result in any change in the rights of the Shareholders. Fractional Adjusted Shares will not be issued to the Shareholders but will be aggregated and sold for the benefit of the Company.

### **CHANGE IN BOARD LOT SIZE**

Currently, the Shares are traded on the Stock Exchange in board lots of 4,000 Shares each. The Board proposes to change the board lot size for trading in the Shares from 4,000 Shares to 10,000 Adjusted Shares upon the Capital Reorganisation becoming effective.

The Shares are currently traded in board lots of 4,000 Shares each and the market value per board lot of the Shares is HK\$300, based on the closing price of HK\$0.075 per Share as quoted on the Stock Exchange on the last trading day immediately preceding the date of this announcement. Assuming the Capital Reorganisation becoming effective, the Adjusted Shares will be traded in board lots of 10,000 Adjusted Shares and the estimated market value per board lot of the Adjusted Shares will HK\$3,750, based on the closing price of HK\$0.075 per Share as quoted on the Stock Exchange on the last trading day immediately preceding the date of this announcement. Save as disclosed herein, the Change in Board Lot Size will not affect the rights of the Shareholders.

### **REASONS FOR THE CAPITAL REORGANISATION AND THE CHANGE IN BOARD LOT SIZE**

The Capital Reduction can help to increase the flexibility for raising new funds in future by means of the issuance of new shares of the Company, although as the date of announcement, save as the Share Subscription Agreement disclosed above, the Company did not have any plan for or was not in any negotiation of any fund raising activities. The Share Consolidation will reduce the total number of Shares currently in issue and together with the Change in Board Lot Size will reduce the overall transaction costs for dealing in the Adjusted Shares which are calculated on per board lot basis.

Accordingly, the Directors consider that the Capital Reorganisation and the Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole.

## **EXCHANGE OF SHARE CERTIFICATES ARRANGEMENT**

Subject to the Capital Reorganisation becoming effective, the Shareholders may, during the period from 21 November 2011 to 29 December 2011 (both dates inclusive), submit existing certificates for the Shares to the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for exchange, at the expense of the Company, for new certificates for the Adjusted Shares. Thereafter, certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each certificate issued or cancelled, whichever is higher. Certificates for the Shares will continue to be good evidence of legal title and may be exchanged for certificates for the Adjusted Shares at any time at the expense of the Shareholders.

## **ODD LOT ARRANGEMENTS**

Fractional Adjusted Shares will be disregarded and not issued to the Shareholders, but all such fractional Adjusted Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Adjusted Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

In order to alleviate the difficulties arising from the existence of odd lots of the Adjusted Shares, the Company has agreed to procure an arrangement with an agent to stand in the market to provide matching services for the odd lots of the Adjusted Shares on the best effort basis. Further details in respect of the odd lots arrangement and the new share certificates will be set out in the circular of the Company to be despatched to the Shareholders.

## EXPECTED TIMEABLE

The expected timetable for the proposed Capital Reorganisation and Change in Board Lot Size is set out below:-

2011  
(Hong Kong time)

Latest time for lodging the proxy form for the EGM.....	9:00 a.m. on Wednesday, 16 November
Expected time and date of the EGM .....	9:00 a.m. on Friday, 18 November
Effective date of the Capital Reorganisation .....	Monday, 21 November
Dealings in the Adjusted Shares commences .....	9:00 a.m. on Monday, 21 November
Original counter for trading in Shares (in board lots of 4,000 Shares) closes.....	9:00 a.m. on Monday, 21 November
Temporary counter for trading in the Adjusted Shares in board lots of 800 Adjusted Shares (in form of existing share certificates in green colour) opens .....	9:00 a.m. on Monday, 21 November
Free exchange of existing share certificates for new share certificates for the Adjusted Shares commences .....	Monday, 21 November
Original counter for trading in the Adjusted Shares (in board lots of 10,000 Adjusted Shares) re-opens.....	9:00 a.m. on Monday, 5 December
Parallel trading in the Adjusted Shares (in form of new share certificates in brown colour and existing share certificates in green colour) begins.....	9:00 a.m. on Monday, 5 December

Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of the Adjusted Shares.....9:00 a.m. on Monday, 5 December

Temporary counter for trading in the Adjusted Shares in board lots of 800 Adjusted Shares (in form of existing share certificates in green colour) closes .....4:00 p.m. on Friday, 23 December

Parallel trading in the Adjusted Shares (in form of new share certificates in brown colour and existing share certificates in green colour) ends.....4:00 p.m. on Friday, 23 December

Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of the Adjusted Shares .....4:00 p.m. on Friday, 23 December

Free exchange of existing share certificates for new share certificates in brown colour ends .....4:00 p.m. on Thursday, 29 December

## **FURTHER CAPITAL REDUCTION**

The Directors further propose to reduce the amount standing the credit of the Company's share premium account to the extent of approximately HK\$1,322 million and applying the credit arising from such reduction to set off against the equal amount of the Accumulated Losses subject to the confirmation by the High Court.

The Further Capital Reduction is conditional upon the approval of the Shareholders at the EGM, the confirmation by the High Court and certain registration requirements.

According to the audited financial statements of the Company for the year ended 31 December 2010, the Company's share premium account and the accumulated losses account stood at approximately HK\$3,128 million and HK\$1,322 million respectively. Assuming there is no movement in the share premium account and the accumulated losses account during the year, but after taking into account of the above-mentioned amount of HK\$21,790,749.48 to be credited to the share premium

account pursuant to the Capital Reorganisation upon the completion of Further Capital Reduction, the share premium account of the Company will be reduced to approximately HK\$1,828 million and the balance of the accumulated losses account will be fully eliminated.

### **Conditions of the Further Capital Reduction**

The Further Capital Reduction will be conditional upon the following:

- (a) the passing of a special resolution by the Shareholders at the EGM to approve the Further Capital Reduction; and
- (b) the confirmation of the Further Capital Reduction by the High Court and the registration by the Registrar of Companies in Hong Kong of an office copy of the order of the High Court and the minute containing the particulars required by Section 61 of the Companies Ordinance.

Assuming that the above conditions are fulfilled, the Further Capital Reduction will become effective upon the registration of the order of the High Court and the minute referred to at (b) above.

The effective date of the Further Capital Reduction is not certain at present. An application will be made to the High Court in respect of the Further Capital Reduction as soon as practicable after the approval of the Further Capital Reduction by the Shareholders and further announcement(s) will be made informing the Shareholders of the expected effective date and, as necessary or appropriate, the progress and results of the application to the High Court.

### **Reason for the Further Capital Reduction**

As at 31 December 2010, the Company had (on an unconsolidated basis) the Accumulated Losses of approximately HK\$1,322 million. The Further Capital Reduction will enable the Company to have a capital structure that would permit the payment of dividends, as and when the Directors consider it appropriate in future.

### **Impact of the Further Capital Reduction**

Implementation of the Further Capital Reduction will not, of itself, alter the underlying assets, liabilities, business, operations, management, financial position (other than as regards the payment of relevant expenses) or the share capital of the Company.

## **DISCLOSEABLE TRANSACTION IN RELATION TO THE SHARE SUBSCRIPTION AGREEMENT**

Further to the Company's announcement dated 30 September 2011 about the suspension of trading of the Shares, the Board is also pleased to announce that on 30 September 2011, the Company entered into the Share Subscription Agreement with Freeman pursuant to which (i) Freeman shall subscribe for and the Company shall issue and allot the Willie Subscription Shares to Freeman for the Willie Subscription Consideration of HK\$48,079,754.55 in cash and (ii) the Company shall subscribe for and Freeman shall issue and allot 188,548,057 Freeman Subscription Shares to the Company for the Freeman Subscription Consideration also of HK\$48,079,754.55 (i.e. approximately HK\$0.255 per Freeman Subscription Share) in cash.

### **SHARE SUBSCRIPTION AGREEMENT**

**Date:** 30 September 2011

**Parties:**

- (1) the Company; and
- (2) Freeman

At the date of this announcement, the Group holds 108,975,000 shares of Freeman and Mr. Wong Ying Seung, Asiong, Vice Chairman of the Company, holds 1,195,000 shares of Freeman representing about 2.31% and 0.03% respectively of the existing issued share capital of Freeman. Freeman Group currently holds 130,000,000 Shares and Mr. Andrew Liu, a director of Freeman, indirectly holds 37,926,000 Shares representing about 4.77% and 1.39% respectively of the existing issued share capital of the Company. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Freeman and its ultimate beneficial owners are third parties independent of the Company and its connected persons as defined under the Listing Rules.

#### **(I) The Willie Subscription**

##### **Willie Subscription Shares**

- (i) 641,063,394 new Shares with par value of HK\$0.01 each if the Capital Reorganisation has not become effective or (ii) 128,212,678 new Adjusted Shares of a par value of HK\$0.01 each if the Capital Reorganisation has become effective (representing in each case approximately 19.05% of the enlarged issued share capital of the Company immediately after the issue and allotment of the Willie Subscription Shares to Freeman) to be issued and allotted by the Company

to Freeman or as it may direct, credited as fully paid at par value of HK\$0.01 per Share or at par value of HK\$0.01 per Adjusted Share (as the case may be). After taking into account the 130,000,000 Shares currently held by Freeman, Freeman will hold in each case approximately 22.91% interest in the Company as enlarged by the Willie Subscription Shares.

### **Subscription price**

The subscription price of the Willie Subscription Shares is equal to (i) HK\$0.075 per Share or (ii) HK\$0.375 per Adjusted Share of which HK\$0.075 per Share represents:

- (i) the closing price per Share as quoted on the Stock Exchange on 28 September 2011, being the last trading day immediately preceding the date of the Share Subscription Agreement; and
- (ii) a discount of approximately 2.09% to the average closing price of HK\$0.0766 per Share as quoted on the Stock Exchange for the last five trading days up to and including 28 September 2011, being the last trading day immediately preceding the date of the Share Subscription Agreement.

The subscription price of the Willie Subscription Shares was determined after arm's length negotiation between Freeman and the Company with reference to the recent trading performance of the Shares and business prospects of the Group. The Directors consider that the subscription price is fair and reasonable under the current market conditions and the Willie Subscription is in the interest of the Company and Shareholders as a whole.

The Willie Subscription Shares have a market value of approximately HK\$48.08 million, based on the closing price of HK\$0.075 per Share on 28 September 2011, being the last trading day immediately preceding the date of the Share Subscription Agreement. Upon completion of the Willie Subscription, Freeman shall pay the Willie Subscription Consideration (equivalent to the aforesaid market value) to the Company by cheque.

### **Specific Mandate**

The issue and allotment of Willie Subscription Shares is subject to the approval of the Shareholders. The Willie Subscription Shares will be allotted and issued under the Specific Mandate to be granted by the Shareholders to the Directors at the EGM. As Freeman is a party to the Share Subscription Agreement, Freeman and its associates, being shareholders of the Company with a material interest in the Specific Mandate, will abstain from voting in respect of the Specific Mandate at the EGM.

## **Conditions precedent of the Willie Subscription**

Willie Completion is conditional upon the following:-

- (i) the approval of granting the Specific Mandate to issue and allot the Willie Subscription Shares to Freeman by Shareholders at the EGM in accordance with the Listing Rules;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Willie Subscription Shares;
- (iii) compliance with all the necessary requirements under the Listing Rules for issue and allotment of the Willie Subscription Shares by the Company; and
- (iv) all requisite consents, licenses and approvals from the relevant third parties (including regulatory authorities in Hong Kong and elsewhere) for the execution of the Share Subscription Agreement and completion of the transactions contemplated thereunder by the Company having been obtained.

If the Willie Conditions have not been fulfilled on or before 4:00 p.m. on 31 March 2012 (or such other date as the parties hereto may agree in writing), the Company's obligations to issue the Willie Subscription Shares shall terminate. The Company shall have no further obligations to issue and allot the Willie Subscription Shares to Freeman and the parties shall not have any further claims against each other under the Share Subscription Agreement in respect of the Willie Subscription Shares for costs, damages compensation or otherwise, save in respect of antecedent breaches and claims.

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Willie Subscription Shares.

## **Ranking of the Willie Subscription Shares**

Willie Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects with the Shares or the Adjusted Shares in issue (as the case may be) upon the Willie Completion, including the right to any dividends or distribution after the date of the Willie Completion and free from all encumbrances.

## **Willie Completion**

Willie Completion will take place on the next Business Day (or such other time as the parties may agree) after the fulfillment of all Willie Conditions.

**Shareholders and potential investors who wish to deal in the securities of the Company should note that the Willie Completion is subject to the satisfaction of the conditions precedent contained therein and it may or may not proceed; and therefore, they are advised to exercise caution when dealing in the securities of the Company.**

## **(II) The Freeman Subscription**

Upon Freeman Capital Reorganisation becoming effective and Freeman Completion, Freeman will issue and allot 188,548,057 Freeman Subscription Shares to the Company, representing approximately 16.67% of the issued share capital of Freeman as enlarged by the issue of the Freeman Subscription Shares. After taking into account the 108,975,000 Freeman Shares currently held by the Company, the Company will hold approximately 18.59% interest in Freeman as enlarged by the issue of the Freeman Subscription Shares and Freeman will become an investment of the Company.

### **Consideration and Payment**

The consideration for the Freeman Subscription Shares shall be HK\$48,079,754.55 (i.e. approximately HK\$0.255 per Freeman Subscription Share equivalent to approximately HK\$0.051 per Freeman Share before Freeman Capital Reorganisation becoming effective), which shall be paid by the Company to Freeman upon Freeman Completion (or such other date as may be agreed between the Company and Freeman) by cheque. The Company intends to fund the Freeman Subscription from the proceeds receivable from the Willie Subscription or (if the Willie Subscription is completed after the Freeman Subscription) from internal resources.

The consideration for the Freeman Subscription Shares was determined after arm's length negotiations with Freeman with reference to (i) Freeman Subscription Consideration for HK\$48,079,754.55 receivable by the Company; (ii) the audited consolidated net asset value per Freeman Share as at 31 March 2011 of approximately HK\$0.5308 before Freeman Capital Reorganisation becoming effective; and (iii) the historical performance and future prospects of Freeman. Therefore, the Directors consider that the Freeman Subscription Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Freeman Subscription Shares will be allotted and issued under a specific mandate to be granted to the directors of Freeman at an extraordinary general meeting of Freeman to be held subsequently.

## **Conditions precedent**

Freeman Completion is conditional on the fulfilment of the following conditions:

- (a) the passing of a special resolution to approve the Freeman Capital Reorganisation by the shareholders of Freeman at an extraordinary general meeting of Freeman;
- (b) the passing of a resolution to approve a specific mandate to issue and allot the Freeman Subscription Shares to the Company by the shareholders of Freeman at an extraordinary general meeting of Freeman;
- (c) approval of the Freeman Adjustment Proposal to the extent required by the Grand Court of the Cayman Islands;
- (d) the Freeman Capital Reorganisation having become effective, and compliance with any conditions imposed by the Grand Court of the Cayman Islands on the Freeman Adjustment Proposal;
- (e) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, (i) the Freeman Adjusted Shares in issue upon the Freeman Capital Reorganisation becoming effective and (ii) the Freeman Subscription Shares;
- (f) compliance with all the necessary requirements under the Listing Rules for completion of the transactions contemplated thereunder by Freeman; and
- (g) all requisite consents, licence and approvals from the relevant third parties (including regulatory authorities in the Cayman Islands or Hong Kong and elsewhere) for the execution of the Share Subscription Agreement and completion of the transactions contemplate thereunder by Freeman having been obtained.

If the Freeman Conditions have not been fulfilled on or before 4:00 p.m. on 31 March 2012 (or such other date as the parties hereto may agree in writing), Freeman's obligations to issue the Freeman Subscription Shares shall terminate. Freeman shall have no further obligations to issue and allot the Freeman Subscription Shares to the Company and the parties shall not have any further claims against each other under the Share Subscription Agreement in respect of the Freeman Subscription Shares for costs, damages compensation or otherwise, save in respect of antecedent breaches and claims.

## **Freeman Completion**

Freeman Completion will take place on the next Business Day (or such other time as the parties may agree) after the fulfillment of all Freeman Conditions.

At Freeman Completion, Freeman shall issue and allot the Freeman Subscription Shares, credited as fully paid at HK\$0.01 per Freeman Subscription Share to the Company or as it may direct, subject to the memorandum and articles of association of Freeman and free from all encumbrances and deliver to the Company the share certificates for the Freeman Subscription Shares issued in the name of the Company or as it may direct. The Freeman Subscription Shares, when issued, shall rank pari passu in all respects inter se and with all other Freeman Adjusted Shares in issue at Freeman Completion.

### **Other terms of the Share Subscription Agreement**

Pursuant to terms and conditions of the Share Subscription Agreement, the Freeman Subscription and the Willie Subscription are not inter-conditional with one another. The completion of the Willie Subscription and Freeman Subscription are independent of one another.

According to the Share Subscription Agreement, Freeman and the Company have agreed that no director will be nominated by one party to the Share Subscription Agreement to serve on the board of directors of the other party upon the issuance and allotment of the Willie Subscription Shares or Freeman Subscription Shares. Both parties to the Share Subscription Agreement had represented, warranted and undertaken to the other in the Share Subscription Agreement that each party does not intend to gain control or exert significant influence over the other but instead intends to hold the subject's shares as a passive security investment.

### **EFFECT ON THE SHAREHOLDING OF THE COMPANY FOLLOWING THE WILLIE COMPLETION**

Set out below is the table of the shareholding of the Company before and after the Willie Completion but before Capital Reorgansiation becoming effective:-

<b>Shareholders</b>	<b>Shareholding as at the date of this announcement</b>		<b>Shareholding upon Willie Completion</b>	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
<b>Director</b>				
Dr. Chuang Yueheng Henry ( <i>Note</i> )	189,506,688	6.96	189,506,688	5.63
<b>Other/Substantial Shareholders</b>				
Freeman	130,000,000	4.77	771,063,394	22.91
Other public shareholders	<u>2,404,336,999</u>	<u>88.27</u>	<u>2,404,336,999</u>	<u>71.46</u>
Total	<u>2,723,843,687</u>	<u>100.00</u>	<u>3,364,907,081</u>	<u>100.00</u>

*Note:* Dr. Chuang Yueheng Henry is the chairman of the Company and an executive Director.

## CAPITAL RAISING ACTIVITIES IN THE PAST 12 MONTHS OF THE COMPANY

Save as disclosed below, the Company has not carried out other capital raising activities during the past 12 months immediately preceding the date of this announcement.

<b>Date of announcement</b>	<b>Event</b>	<b>Net proceeds raised</b>	<b>Intended use of net proceeds</b>	<b>Actual use of net proceeds as at the date of this announcement</b>
29 October 2010	Placing of 246,000,000 new shares at the placing price of HK\$0.18 each	HK\$42.93 million	For future potential investments of the Group	(i) Approximately HK\$10.10 million utilised on LNG project; and (ii) the rest utilised on the acquisition of investment in Capital VC Limited
8 April 2011	Rights issue of 2,368,559,728 rights shares at HK\$0.125 per rights share on the basis of eight rights shares for every share held on the record date	HK\$286.72 million	Approximately 20% for the general working capital of the Group; and the remaining balance to finance any suitable future potential investment opportunities as and when they arise	(i) Approximately 20% (i.e. approximately HK\$57.34 million) fully utilised for the general working capital; (ii) approximately HK\$42.17 million utilised on the acquisition of investment in Capital VC Limited; and (iii) the rest is maintained at bank and as cash equivalent assets
19 May 2011	Subscription of 59,213,993 new Shares at the subscription price of HK\$0.20 each	HK\$11.84 million	For the general working capital of the Group	Fully utilised as intended

## USE OF PROCEEDS

The net proceeds from the Willie Subscription is expected to be approximately HK\$47.4 million, representing a net subscription price of approximately HK\$0.074 per Share or approximately HK\$0.370 per Adjusted Share. It is expected that the net proceeds from the Willie Subscription will be used by the Company for the Freeman Subscription, or (if the Willie Subscription is completed after the Freeman Subscription) for general working capital of the Group.

## INFORMATION ON FREEMAN

Freeman is incorporated in the Cayman Islands with limited liability and principally engaged in the trading of securities, provision of finance and securities brokerage services as well as investment holding.

As at the date of this announcement, the Group holds about 2.31% of the existing issued share capital of Freeman. The largest shareholder of Freeman is an individual who holds approximately 18.74% of the existing issued share capital of Freeman.

Freeman has proposed to put forward a proposal to its shareholders to effect the Freeman Capital Reorganisation which will involve the Freeman Share Consolidation, the Freeman Adjustment Proposal and the Freeman Share Subdivision.

Immediately after the Freeman Capital Reorganisation and Freeman Completion, Freeman will be owned as to approximately 18.59% by the Company.

According to the latest audited financial statements of Freeman as at 31 March 2011, Freeman has an audited consolidated net asset value of approximately HK\$2,502 million. Further financial information of the Freeman for the past two financial years ended 31 March 2011 and 31 March 2010 based on its audited financial statements is set out as below:

	<b>For the year ended 31 March 2011 (HK\$ million)</b>	<b>For the year ended 31 March 2010 (HK\$ million)</b>
Turnover	89.6	169.6
(Loss) Profit before taxation	(168.8)	308.0
(Loss) Profit after taxation	(171.5)	303.9

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SHARE SUBSCRIPTION AGREEMENT**

Both the Company and Freeman are engaged in the business of securities trading, provision of finance and investment holding. The two companies also have similar consolidated net asset value. The Company's unaudited consolidated net asset value as at 30 June 2011 was approximately HK\$2,126 million while Freeman's audited consolidated net asset value as at 31 March 2011 was approximately HK\$2,502 million. The Board believes that the Share Subscription Agreement provides the Company with an opportunity to develop a strategic alliance and business co-operation with Freeman. The Board also believes that the proposed Freeman Share Subscription will bring additional value to and strengthen the capital base of the Company without net cash outlay (apart from professional fees) if Shareholders approve the Specific Mandate to issue and allot the Willie Subscription Shares to Freeman.

Shares of both the Company and Freeman are trading at deep discount to their respective consolidated net asset value. The subscription price of approximately HK\$0.255 per Freeman Subscription Share represents an approximate 90.39% discount to the audited consolidated net asset value per Freeman Share of HK\$0.5308 as at 31 March 2011 (being the date to which the most recently published audited annual financial statements of Freeman were made up) being adjusted to HK\$2.654 after Freeman Capital Reorganisation becoming effective. The subscription price of HK\$0.075 per Willie Subscription Share (before Capital Reorganisation becoming effective) also represents an approximate 90.39% discount to the unaudited consolidated net asset value per Share of the Company of HK\$0.7803 as at 30 June 2011 (being the date to which the most recently published unaudited interim financial statements of the Group were made up).

The Directors consider that the terms of the Share Subscription Agreement and the related Specific Mandate to be sought from Shareholders to issue and allot Willie Subscription Shares are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **DECLINE IN THE CARRYING VALUE OF SECURITIES INVESTMENT PORTFOLIO**

As a result of the recent price downward plunge in the global and Hong Kong securities markets and a general deterioration in economic confidence, the preliminary review of the performance of the Group's securities investment portfolio as at the end of third quarter of 2011 shows a significant decline in the carrying value of the Group's securities investment portfolio as at 30 September 2011 compared with the position as at 30 June 2011 (being the date to which the most recently

published unaudited interim financial statements of the Group were made up). Notwithstanding the securities price downward plunge, the Group is not in any way forced to liquidate its securities investment portfolio as the Group maintains a nil gearing ratio with healthy cash position, liquidity and financial position. Although Freeman has also faced the decline in value of its securities investment portfolio due to similar reasons as informed, the Directors are given to understand that Freeman's financial position has remained healthy and believe that the deep discount to historical consolidated net asset value for the Freeman Subscription Shares has adequately reflected the current market conditions.

The above is only based on a preliminary review and information currently available, and has not been confirmed nor audited by the Company's auditor.

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## **GENERAL INFORMATION**

The Company is incorporated in Hong Kong with limited liability. The principal business activities of the Group are investment in securities, money lending, property investment and investment holding.

A circular containing, among other things, details of the Capital Reorganisation, the Further Capital Reduction, the granting of the Specific Mandate in relation to the Share Subscription Agreement and the notice of the EGM will be despatched to the Shareholders as soon as practicable.

## **IMPLICATIONS UNDER THE LISTING RULES**

The entering into the Share Subscription Agreement constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

## **RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 30 September 2011 at the request of the Company pending the release of this announcement and application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 4 October 2011.

## DEFINITIONS

In this announcement, the following terms shall have the meanings respectively set opposite them unless the context requires otherwise:-

“Accumulated Losses”	the entire audited balance in the accumulated losses account of the Company as at 31 December 2010 of approximately HK\$1,322 million
“Adjusted Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company upon the Capital Reorganisation becoming effective
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or a public holiday) on which banks are open for business in Hong Kong
“Capital Reduction”	the proposed reduction of the share capital of the Company including the cancellation of the paid up capital to the extent of HK\$0.008 of each Share in issue from HK\$0.01 to HK\$0.002 and the reduction of the nominal value of all the issued and unissued Shares
“Capital Reorganisation”	the Capital Reduction and the Share Consolidation
“Change in Board Lot Size”	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 upon the Capital Reorganisation becoming effective
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Willie International Holdings Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of approving the Capital Reorganisation, the Further Capital Reduction and the granting of the Specific Mandate in relation to the Share Subscription Agreement
“Freeman”	Freeman Financial Corporation Limited, a company incorporated in the Cayman Islands with limited liability whose the shares are listed on the main board of the Stock Exchange with stock code of 279
“Freeman Adjusted Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of Freeman upon the Freeman Capital Reorganisation becoming effective
“Freeman Adjustment Proposal”	<p>(i) immediately following the Freeman Share Consolidation, the nominal value of each issued Freeman Consolidated Share will be reduced from par value of HK\$0.50 each to par value of HK\$0.01 each by cancellation of the paid-up capital to the extent of HK\$0.49 on each issued Freeman Consolidated Share; and</p> <p>(ii) the credit arising from such capital reduction described in paragraph (i) above will be applied to set-off the accumulated deficit of Freeman and the balance (if any) will be transferred to a distributable reserve called the distributable capital reduction reserve account or other reserve account of Freeman pursuant to the Share Subscription Agreement</p>
“Freeman Capital Reorganisation”	the Freeman Share Consolidation, the Freeman Adjustment Proposal and the Freeman Share Subdivision
”Freeman Completion”	the completion of the issue and allotment of the Freeman Subscription Shares pursuant to the Share Subscription Agreement

“Freeman Consolidated Share(s)”	consolidated share(s) of HK\$0.50 each in the share capital of Freeman in issue immediately following completion of the Freeman Share Consolidation but before the Freeman Adjustment Proposal
“Freeman Conditions”	the conditions precedent set out in the Share Subscription Agreement pursuant to which the Freeman Completion shall be conditional upon
“Freeman Group”	Freeman and its subsidiaries
“Freeman Share(s)”	existing ordinary shares of a par value of HK\$0.10 each in the share capital of Freeman
“Freeman Share Consolidation”	the proposed consolidation of every five issued Freeman Shares of HK\$0.10 each in the share capital of Freeman into one issued Freeman Consolidated Share of HK\$0.50 each
“Freeman Share Subdivision”	the proposed share subdivision whereby each of the authorised but unissued Freeman Shares of par value of HK\$0.10 each will be subdivided into ten Freeman Adjusted Shares of a par value of HK\$0.01 each
“Freeman Subscription”	the subscription of the Freeman Subscription Shares by the Company pursuant to the Share Subscription Agreement
“Freeman Subscription Consideration”	HK\$48,079,754.55 to be satisfied by the Company for the Freeman Subscription pursuant to the Share Subscription Agreement
“Freeman Subscription Share(s)”	188,548,057 new Freeman Adjusted Shares (representing approximately 16.67% of the issued share capital of Freeman immediately after the Freeman Capital Reorganisation becoming effective and Freeman Completion) to be issued and allotted by Freeman to the Company or as it may direct, credited as fully paid at HK\$0.01 per Freeman Subscription Share

“Further Capital Reduction”	the proposed reduction of the amount standing to the credit of the Company’s share premium account to the extent of approximately HK\$1,322 million and applying the credit arising from such reduction to set off against the equal amount of the Accumulated Loss
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“High Court”	the High Court of Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Reduced Share(s)”	ordinary shares of HK\$0.002 each in the share capital of the Company immediately after the Capital Reduction but before the Share Consolidation becoming effective
“Share Consolidation”	the proposed consolidation of every five Reduced Shares of HK\$0.002 each into one Adjusted Share of HK\$0.01 each
“Share Subscription Agreement”	a conditional share subscription agreement dated 30 September 2011 entered into between the Company and Freeman in which Freeman shall subscribe for and the Company shall issue and allot the Willie Subscription Shares to Freeman for the Willie Subscription Consideration of HK\$48,079,754.55 in cash while the Company shall subscribe for and Freeman shall issue and allot 188,548,057 Freeman Subscription Shares to the Company for the Freeman Subscription Consideration also of HK\$48,079,754.55 in cash
“Share(s)”	existing ordinary share(s) of HK\$0.01 each in the share capital of the Company before the Capital Reorganisation becoming effective
“Shareholder(s)”	registered holder(s) of the Share(s), Reduced Shares(s) or Adjusted Share(s) (as the case may be)

“Specific Mandate”	the mandate proposed to be sought at the EGM to authorise the Directors to allot, issue and deal with the Willie Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Willie Completion”	the completion of the issue and allotment of the Willie Subscription Shares pursuant to the Share Subscription Agreement
“Willie Conditions”	the conditions precedent set out in the Share Subscription Agreement pursuant to which the Willie Completion shall be conditional upon
“Willie Subscription”	the subscription of the Willie Subscription Shares by Freeman pursuant to the Share Subscription Agreement
“Willie Subscription Consideration”	HK\$48,079,754.55 to be satisfied by Freeman for the Willie Subscription pursuant to the Share Subscription Agreement
“Willie Subscription Share(s)”	(i) 641,063,394 new Shares of a par value of HK\$0.01 each in the Company if the Capital Reorganisation has not become effective or (ii) 128,212,678 Adjusted Shares of a par value of HK\$0.01 each if the Capital Reorganisation has become effective (representing in each case approximately 19.05% of the enlarged issued share capital of the Company immediately after the issue and allotment of the Willie Subscription Shares to Freeman) to be issued and allotted by the Company to Freeman or as it may direct, credited as fully paid at par value of HK\$0.01 per Share or at par value of HK\$0.01 per Adjusted Share (as the case may be)
“%”	per cent

By order of the Board  
**Willie International Holdings Limited**  
**Wong Ying Seung, Asiong**  
*Vice Chairman*

Hong Kong, 3 October 2011

*As at the date of this announcement, the Board comprises:*

*Executive Directors*

Dr. Chuang Yueheng, Henry  
Mr. Wong Ying Seung, Asiong  
Mr. Fung Yue Tak, Derek  
Mr. Tsui Hung Wai, Alfred

*Independent non-executive Directors*

Mr. Cheung Wing Ping  
Mr. Wen Louis  
Mr. Yau Yan Ming, Raymond  
Mr. Frank H. Miu  
Mr. Gary Drew Douglas