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Willie International Holdings Limited

威利國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 273)

INSIDE INFORMATION AND BUSINESS UPDATE - JOINT VENTURE ARRANGEMENT

The Board announces that on 20 June 2014 after trading hours, Willie Link (a wholly-owned subsidiary of the Company) executed the Joint Venture Arrangement with FFSL (a wholly-owned subsidiary of Freeman), pursuant to which Willie Link and FFSL agreed to respectively exchange 92,687,861 and 174,426,127 HEC Shares into 92,687,861 and 174,426,127 JV Shares so that Willie Link and FFSL will respectively hold approximately 34.7% and 65.3% equity interest in the JV Company. The sole purpose of the JV Company's business is to hold HEC Shares for investment holding purpose.

The Joint Venture Arrangement is considered as inside information of the Company discloseable under Rule 13.09 of the Listing Rules and Part XIVA of the SFO.

This announcement is made pursuant to Rule 13.09 of the Listing Rules and Part XIVA of the SFO.

The Board announces that on 20 June 2014 after trading hours, Willie Link (a wholly-owned subsidiary of the Company) executed the Joint Venture Arrangement with FFSL (a wholly-owned subsidiary of Freeman) by way of entering into the Joint Venture Agreement together with the Joint Venture Partners' Agreement in relation to the JV Company.

JOINT VENTURE AGREEMENT

Date

20 June 2014 (after trading hours)

Parties

- (1) Willie Link as a joint venture partner to take up 92,687,861 JV Shares
- (2) FFSL as the other joint venture partner to take up 174,426,127 JV Shares
- (3) the JV Company as the joint venture vehicle to issue JV Shares

Nature of transaction

Upon completion of the Joint Venture Agreement, the JV Company will allot and issue 92,687,861 JV Shares to Willie Link. These JV Shares to be held by Willie Link represent approximately 34.7% of the JV Company's issued share capital to be enlarged by the JV Shares to be allotted and issued to Willie Link and FFSL.

In return for 92,687,861 JV Shares to be allotted and issued to Willie Link, the Group will contribute 92,687,861 HEC Shares to the JV Company. As at the date of this announcement, the carrying value of 92,687,861 HEC Shares held by the Company is approximately HK\$572.5 million representing approximately HK\$6.1768 per HEC Share whereas the latest unaudited pro-forma net asset value of the 92,687,861 HEC Shares known to the Board is approximately HK\$648.5 million representing approximately HK\$6.9962 per HEC Share. The latest unaudited pro-forma net asset value of a HEC Share is based on: (i) the sum of the unaudited net asset value (approximately HK\$6,284 million) of HEC Capital as at 31 March 2014 and the amount of subscription money (HK\$228 million) receivable by HEC Capital as disclosed in an announcement published by Heritage International Holdings Limited (stock code: 412) on 12 June 2014 divided by (ii) the number of HEC Shares in issue (i.e. 930,792,321) known to the Board as at the date of this announcement.

Ranking of JV Shares

The JV Shares, when issued to Willie Link as fully-paid shares, will on the date of allotment rank pari passu with other JV Shares issued or to be issued to FFSL pursuant to the Joint Venture Agreement.

Conditions precedent of the Joint Venture Agreement

The Joint Venture Agreement is conditional upon:-

- (a) the adoption of the new memorandum and articles of association of the JV Company to cater for the terms in the Joint Venture Partners' Agreement;

- (b) the taking of all actions and passing of all resolutions as may be required to issue the JV Shares in accordance with the terms contained in the Joint Venture Agreement;
- (c) each of the parties to the Joint Venture Agreement having obtained all necessary consents, approvals and permissions for the entering into of the Joint Venture Agreement and the Joint Venture Partners' Agreement and performance and completion of the transactions contemplated thereunder;
- (d) (if required) compliance with all legal and regulatory requirements relating to the Joint Venture Agreement and the Joint Venture Partners' Agreement and the transactions contemplated thereunder by the Company and Freeman, including, if required, the approval of the Joint Venture Agreement, the Joint Venture Partners' Agreement and the transactions contemplated thereunder by the shareholders of the Company and Freeman respectively as required under the Listing Rules; and
- (e) the execution and delivery of the Joint Venture Partners' Agreement by each of the parties to the Joint Venture Agreement.

The conditions precedent must be fulfilled not later than 30 September 2014 (or such later date as agreed by Willie Link and FFSL in writing), failing which the Joint Venture Agreement shall cease and determine, thereafter neither party to the Joint Venture Agreement shall have any obligations and liability towards each other under the Joint Venture Agreement, save for any antecedent breaches of the terms thereunder.

Completion of the Joint Venture Agreement

Completion of the Joint Venture Agreement will take place upon Willie Link and FFSL having contributed or procured contribution of 92,687,861 and 174,426,127 HEC Shares respectively to the JV Company in exchange for 92,687,861 and 174,426,127 JV Shares respectively within 3 Business Days after fulfillment of the conditions precedent of the Joint Venture Agreement.

JOINT VENTURE PARTNERS' AGREEMENT

Date

20 June 2014 (shortly after executing the Joint Venture Agreement)

Parties

- (1) Willie Link as a joint venture partner as well as a shareholder of the JV Company
- (2) FFSL as the other joint venture partner as well as a shareholder of the JV Company
- (3) the JV Company as the joint venture vehicle

Business scope

The JV Company shall solely engage in the business of investment holding of HEC Shares and such activities that are wholly incidental thereto (such as receiving dividends and exercising voting rights).

Term

There is no specific term for running the JV Company.

Board composition

Willie Link shall be entitled to nominate one candidate while FFSL will be entitled to nominate two candidates to serve as directors of the JV Company. Hence, the composition of the board of directors of the JV Company largely reflects the shareholding ratio in the JV Company held by Willie Link and FFSL respectively.

Profit sharing

The profit of the JV Company shall be shared by way of dividends between Willie Link and FFSL in proportion to their respective shareholding ratio in the JV Company.

Matters requiring joint venture partners' unanimous consent

The following matters of the JV Company require consent in writing of all the joint venture partners holding in aggregate 100% of voting rights of the JV Company:

- (a) any change of nature or scope of business, purpose, activity and duration and of the JV Company;
- (b) any change of voting rights of the joint venture partners in their capacity as shareholders of the JV Company;

- (c) any change of the nomination procedures of a director of the JV Company;
- (d) any change of capital or other contributions made by joint venture partners (in their capacity as shareholders of the JV Company) to the JV Company; and
- (e) any change of the sharing by the joint venture partners (in their capacity as shareholders of the JV Company) of the assets, liabilities, revenues, expenses or profit or loss of the JV Company.

Willie Link and FFSL have agreed to ensure the JV Company not to enter into any contract, engagement or transaction which: (i) is other than in the ordinary course of business and upon arm's length basis; (ii) is not in the interests of the JV Company; or (iii) is prejudicial to the interests of any of the joint venture partners, unless with their unanimous consent.

INFORMATION ON THE JOINT VENTURE PARTNER

As at the date of this announcement, FFSL (being Willie Link's joint venture partner under the Joint Venture Arrangement) is an indirect wholly-owned subsidiary of Freeman, which is a listed company in Hong Kong. FFSL is a limited company incorporated in Hong Kong principally engaged in investment holding. As at the date of this announcement, the Company and Mr. Wong Ying Seung, Asiong (Vice Chairman of the Company) hold 23,438,649 and 40 shares of Freeman respectively, representing about 6.81% and much less than 0.01% respectively of the issued share capital of Freeman. Mr. Cheung Wing Ping, an executive director of the Company, is also an independent non-executive director of Freeman. According to information provided by Freeman, a wholly-owned subsidiary of Freeman holds 37,406,335 shares of the Company representing about 4.97% of the issued share capital of the Company and directors of Freeman do not hold any discloseable interest within the meaning of Part XV of the SFO in the issued share capital of the Company as at the date of this announcement. As mentioned in the Company's announcement dated 9 May 2014, Co-Lead Holdings Limited ("Co-Lead", being another subsidiary of the Company) has entered into an agreement dated 7 May 2014 to acquire approximately 28.3% equity interest in Freeman Corporation Limited ("FCL", being another subsidiary of Freeman), subject to approval by shareholders of the Company at a general meeting to be convened. FFSL is a fellow subsidiary of FCL and is therefore unrelated to Co-Lead's proposed acquisition of equity interest in FCL.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, FFSL, Freeman and their ultimate beneficial owners (save as disclosed above) are third parties independent of the Company and its connected persons as defined under the Listing Rules.

REASONS FOR AND BENEFITS OF THE JOINT VENTURE ARRANGEMENT

The Group would like to join force with Freeman Group to hold HEC Shares in order to benefit from reinforcing both parties' shareholders' rights in HEC Capital. As at the date of this announcement, the Company holds 92,687,861 HEC Shares, representing approximately 9.96% of the issued share capital of HEC Capital. Upon completion of the Joint Venture Agreement with 92,687,861 and 174,426,127 HEC Shares being contributed by or being contribution procured by the Group and Freeman Group respectively to the JV Company, the JV Company will hold 267,113,988 HEC Shares in aggregate, representing approximately 28.70% of the issued share capital of HEC Capital based on the existing number of HEC Shares in issue. Then, HEC Capital will become an associate of the JV Company. Such a combined level of shareholding in HEC Capital is expected to facilitate the JV Company to exercise more influence on the financial and operating policies of HEC Capital so that the equity interests in HEC Capital held by the Group can be better served by changing the holding structure of the existing investment in HEC Shares pursuant to the Joint Venture Arrangement without cash outlay.

In view of the terms for contributing HEC Shares for exchange into JV Shares being set at the same ratio for both Willie Link and FFSL while profit sharing of the JV Company being based on the shareholding ratio in the JV Company between Willie Link and FFSL, the Board considers that the terms of the Joint Venture Agreement and the Joint Venture Partners' Agreement under the Joint Venture Arrangement are on normal commercial terms, fair and reasonable and are in the interests of the Company and its Shareholders as a whole, after arm's length negotiation between the Group and Freeman Group.

Shareholders of the Company and potential investors who wish to deal in the shares of the Company should note that completion of the Joint Venture Agreement 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 shares of the Company.

GENERAL INFORMATION AND FINANCIAL IMPACTS

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

The Joint Venture Arrangement would not change the Group's beneficial interest in HEC shares, i.e. the Group's beneficial interest in 92,687,861 HEC Shares would remain unchanged. Upon completion of the Joint Venture Agreement, the Company's investment in HEC Shares with carrying value of approximately HK\$572.5 million

will change from an investment directly held by the Company to an investment indirectly held through the JV Company. Then, the Company's direct investment in HEC Shares classified as "available-for-sale financial assets" under non-current assets in the Group's consolidated statement of financial position will be replaced by the Group's interest in the JV Company which will be classified as "joint venture" also under non-current assets in the Group's consolidated statement of financial position. Based on the preliminary assessment made by the Board, the Group's fair value of investment in the JV Company is expected to be based on the Group's share of the JV Company's net asset value which in turn is expected to be based on the value of HEC Shares to be held by the JV Company. As HEC Capital would be treated as an associate of the JV Company, a share (i.e. approximately 28.70%) of the HEC Capital's net asset value would be recognized by the JV Company as its asset classified as "interest in associates". As mentioned in the section titled "Nature of transaction" above, the latest unaudited pro-forma net asset value per HEC Share is approximately HK\$6.9962, which means approximately HK\$648.5 million in total for 92,687,861 HEC Shares (basically representing the Group's share of net assets of the JV Company) as at the date of this announcement; hence, the fair value of the Group's investment in the JV Company is expected to be approximately HK\$648.5 million. Comparing the carrying cost of HEC Shares held by the Company at approximately HK\$572.5 million as at the date of this announcement with the fair value of the Group's investment in the JV Company expected to be approximately HK\$648.5 million, a profit of approximately HK\$76 million is expected to be recorded by the Group upon completion of the Joint Venture Agreement, subject to the finalized net asset value per HEC Share by that time and any adjustments that may be necessary during the annual audit by the Group's independent auditor.

Up to the date of this announcement, the Board does not have any intention or plan to increase or reduce the Group's beneficial interest in the 92,687,861 HEC Shares through the JV Company indirectly.

LISTING RULES IMPLICATIONS

As the Joint Venture Arrangement is in line with the exemption criteria specified under Rule 14.04(1)(f) and (g) of the Listing Rules, the Board considers that the Joint Venture Arrangement is not a notifiable transaction under Chapter 14 of the Listing Rules. The commercial relationship between the Group and Freeman Group as described in the section titled "Information on the Joint Venture Partner" above would not cause the Joint Venture Arrangement to be a connected transaction under Chapter 14A of the Listing Rules. The Board has decided to publish this announcement in order to inform shareholders of the Company about the Group's recent business development, which is considered as inside information of the Company discloseable under Rule 13.09 of the Listing Rules and Part XIVA of the SFO.

DEFINITIONS

The following expressions in this announcement have the meanings set out below unless the context requires otherwise:

“Board”	the board of directors of the Company
“Business Day”	a day (other than Saturdays and Sundays) on which banks are open for business in Hong Kong
“Company”	Willie International Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 273)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Directors”	directors of the Company
“FFSL”	Freeman Financial Services Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of Freeman as at the date of this announcement
“Freeman”	Freeman Financial Corporation Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the main board of the Stock Exchange (stock code: 279)
“Freeman Group”	Freeman and its subsidiaries
“Group”	the Company and its subsidiaries
“HEC Capital”	HEC Capital Limited, a company incorporated in Cayman Islands with limited liability
“HEC Share(s)”	ordinary share(s) of par value HK\$0.1 each in the share capital of HEC Capital
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Joint Venture Agreement”	the agreement entered into on 20 June 2014 between Willie Link, FFSL and the JV Company about taking up JV Shares

“Joint Venture Arrangement”	the arrangement on 20 June 2014 to form a joint venture between Willie Link and FFSL by way of entering into the Joint Venture Agreement together with the Joint Venture Partners’ Agreement in relation to the JV Company
“JV Company”	Freewill Holdings Limited, a special purpose vehicle newly established in the Republic of the Marshall Islands with limited liability to serve as the joint venture company pursuant to the Joint Venture Arrangement
“Joint Venture Partners’ Agreement”	the agreement entered into on 20 June 2014 between Willie Link, FFSL and the JV Company to regulate their relationship with each other, the operations, management and business of the JV Company
“JV Share(s)”	new ordinary share(s) of no par value to be allotted and issued by the JV Company to each of Willie Link and FFSL pursuant to the terms of the Joint Venture Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Willie Link”	Willie Link Limited, a company incorporated in the British Virgin Islands with limited liability, which is an indirect wholly-owned subsidiary of the Company
“%”	percent

By order of the Board
Willie International Holdings Limited
Dr. Chuang Yueheng, Henry
Chairman

Hong Kong, 20 June 2014

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

Executive Directors:

Dr. Chuang Yueheng, Henry
Mr. Wong Ying Seung, Asiong
Mr. Cheung Wing Ping
Ms. Cheung Ka Yee
Mr. Man Wai Chuen

Independent Non-executive Directors:

Mr. Wen Louis
Mr. Yau Yan Ming, Raymond
Mr. Frank H. Miu
Dr. Antonio Maria Santos