

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **WEALTHMARK INTERNATIONAL (HOLDINGS) LIMITED** **和寶國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 39)**

### **CONTINUING CONNECTED TRANSACTION**

The Directors announce that the Company's indirect 70%-owned subsidiary, Beilei, has entered into a Supply Agreement with Tianjin Agribusiness for the supply of raw milk to Beilei. Tianjin Agribusiness is a connected person and this transaction constitutes a connected transaction under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios (other than the profits ratio) for the transactions contemplated by the Supply Agreement is greater than 2.5%, in accordance with Rule 14A.35 of the Listing Rules, such transactions will be subject to reporting and announcement requirements and will require independent shareholder approval as set out in Rules 14A.45 to 14A.48 of the Listing Rules.

An independent board committee of the Company has been formed to advise the Independent Shareholders on the terms of the Supply Agreement, and an independent financial advisor will be appointed to advise the independent board committee and the Independent Shareholders on the same.

A circular containing, among other things, details of the terms of the Supply Agreement, a letter from the independent board committee of the Company and a letter of advice from the independent financial advisor to the independent board committee and the Independent Shareholders will be despatched to Shareholders before 19 June 2006.

### **BACKGROUND**

Beilei, a company that is 70%-held by Agricapital, a wholly-owned subsidiary of the Company, has been purchasing supplies of raw milk for the production of its dairy products from subsidiaries of Tianjin Agribusiness since the re-commencement of its production activities in December 2005. Tianjin Agribusiness is the owner of the other 30% equity interest in Beilei, and is therefore a connected person as defined in the Listing Rules. Accordingly, the purchase of raw milk supplies by Beilei from Tianjin Agribusiness constitutes a continuing connected transaction.

It has come to the attention of the Company that the amounts paid by Beilei to Tianjin Agribusiness for the raw milk supplies have exceeded the de minimis threshold set out in Rule 14A.33(3) of the Listing Rules. This occurred in April 2006 and was brought to the Company's attention during the review of management accounts. Accordingly, the transactions between Beilei and Tianjin Agribusiness first became subject to the disclosure requirements under Rule 14A.34 of the Listing Rules in April 2006. In accordance with Rule 14A.35 of the Listing Rules, Beilei has entered into a Supply Agreement with Tianjin Agribusiness, further details of which are set out below.

## SUPPLY AGREEMENT

### Background

Beilei is engaged in the production and sale of dairy products in the PRC. Raw milk is the primary raw material used to produce Beilei's dairy products. Since the re-commencement of its production activities in December 2005, Beilei has sourced its raw milk from subsidiaries of Tianjin Agribusiness. Beilei and Tianjin Agribusiness entered into the Supply Agreement on 26 May 2006 to regulate such supply of raw milk. The terms of the Supply Agreement have been negotiated on an arm's length basis and are on normal commercial terms.

### Principal Terms

The Supply Agreement has a term of three years commencing on 1 May 2006. Under the Supply Agreement, Tianjin Agribusiness will supply a specified amount of raw milk, which may be adjusted upwards or downwards by up to 5%, to Beilei on an annual basis. Beilei is free to procure additional milk supplies from other third party suppliers. Beilei may terminate the Supply Agreement if the quality of the raw milk supplied does not meet the specifications and requirements of Beilei. Beilei will pay Tianjin Agribusiness on a monthly basis for all purchases made during the previous month. Such payment terms are no less favourable than those offered by Tianjin Agribusiness to independent third parties.

### Pricing

The price of the milk supplied under the Supply Agreement is to be determined in accordance with the prevailing market price for raw milk at the time of supply.

### Annual caps

Based on the limited historical data available and Beilei's projected supplies requirements over the term of the Supply Agreement as explained below, it is anticipated that, for the relevant periods covered by the Supply Agreement, the maximum aggregate amounts to be paid to Tianjin Agribusiness by Beilei under the Supply Agreement will not exceed:

	<i>RMB</i>	<i>HK\$</i>
For the period from 1 May 2006 to 31 December 2006	11,188,800	10,862,913
For the year ending 31 December 2007	21,078,750	20,464,806
For the year ending 31 December 2008	26,980,800	26,194,951
For the period from 1 January 2009 to 30 April 2009	9,979,200	9,688,544

These annual caps have been extrapolated from the amounts paid by Beilei to Tianjin Agribusiness for raw milk since the transactions commenced, being RMB106,940 (approximately HK\$103,825) in December 2005 and RMB2,335,178 (approximately HK\$2,267,163) for the four months ended 30 April 2006. In respect of the cap for the eight-month period covered by the Supply Agreement in 2006, it has been assumed that Beilei's supplies requirements in such period, on a per month basis, will be approximately 2.4 times the average supplies purchased per month in the first four months of 2006, taking into account Beilei's production activities in the first four months of 2004 were still in start-up stage and were affected by Chinese New Year. In respect of the caps for the years ending 31 December 2007, 2008 and 2009, a growth rate of approximately 56%, 28% and 11% over the prior year has been applied, based on an expected increase in market share and market demand, and assuming volume growth only (with constant price). In particular, with respect to the high growth rate for 2007, it has been taken into account that Beilei's production activities will be ramping up over the course of 2006.

Based on the above annual caps, each of the applicable percentage ratios (other than the profits ratio) for the transactions contemplated by the Supply Agreement is greater than 2.5%. Accordingly, in accordance with Rule 14A.35 of the Listing Rules, such transactions will be subject to reporting and announcement requirements and will require independent shareholder approval as set out in Rules 14A.45 to 14A.48 of the Listing Rules.

If the annual caps are subsequently expected to be exceeded, the Company will re-comply with the relevant provisions of the Listing Rules in accordance with Rule 14A.36 of the Listing Rules.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLY AGREEMENT**

The Group is principally engaged in the manufacturing and sale of handbag products, related accessories and garments, and provision of related subcontracting services. In December 2005, in pursuit of a second line of business, the Group acquired a 70% equity interest in Beilei, a company established in the PRC and engaged in the production and sale of dairy products in the PRC.

Tianjin Agribusiness, a state-owned enterprise established in the PRC, is a holding company with interests in agriculture-related and other businesses.

Raw milk in Tianjin is supplied by dairy farms and individual dairy farmers. Virtually all dairy farms in Tianjin are owned by Tianjin Agribusiness. Accordingly, Beilei has sourced its raw milk supplies from Tianjin Agribusiness since Beilei's re-commencement of production activities in December 2005. Beilei also sources its raw milk from Tianjin Agribusiness as the Directors believe that the dairy farms owned by Tianjin Agribusiness have better hygiene standards and better quality control over its raw milk supplies than the individual dairy farms in Tianjin, due to the larger scale of Tianjin Agribusiness' operations and the more advanced technology and animal husbandry methods employed by Tianjin Agribusiness. In addition, the Supply Agreement ensures that Beilei will have a steady supply of good quality raw milk over the term of the agreement. The Directors believe that the terms of the transactions under the Supply Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

## **INDEPENDENT SHAREHOLDER APPROVAL**

Under the Listing Rules, the transactions contemplated under the Supply Agreement are subject to the approval of the Independent Shareholders by poll. To the best knowledge of the Directors, no Shareholder has a material interest in the transactions contemplated under the Supply Agreement and therefore no Shareholder is required to abstain from voting at any general meeting convened for the approval of the Supply Agreement and the transactions contemplated thereunder. In addition, Orientelite Investments Limited, the controlling shareholder of the Company holding 195,000,000 shares of the Company, representing approximately 60.94% of the issued share capital of the Company and voting rights in general meeting, has indicated to the Company that it will vote in favour of any resolution to be proposed at any general meeting to approve the Supply Agreement and the transactions contemplated thereunder. Accordingly, application has been made to the Stock Exchange under Rule 14A.43 of the Listing Rules for the transactions under the Supply Agreement to be approved by a written Shareholders' approval in lieu of holding a general meeting. If the waiver is not granted, the Company will convene a general meeting to approve the Supply Agreement and the transactions contemplated thereunder.

An independent board committee of the Company has been formed to advise the Independent Shareholders on the terms of the Supply Agreement, and an independent financial advisor will be appointed to advise the independent board committee and the Independent Shareholders on the same.

A circular containing, among other things, details of the terms of the Supply Agreement, a letter from the independent board committee of the Company and a letter of advice from the independent financial advisor to the independent board committee and the Independent Shareholders, and, if required, a notice of the extraordinary general meeting to be convened to consider and, if thought fit, approve the terms of the Supply Agreement and the transactions thereunder, will be despatched to Shareholders before 19 June 2006.

## DEFINITIONS

“Agricapital”	Agricapital (Tianjin) Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Beilei”	蓓蕾 (天津) 乳業有限公司 (Beilei (Tianjin) Dairy Co., Ltd.), a company established in the PRC
“Company”	Wealthmark International (Holdings) Limited, a company incorporated in the Cayman Islands whose shares are listed on the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Shareholders”	Shareholders that are not persons who have a material interest in the transactions contemplated by the Supply Agreement or associates of such persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC”	the Peoples Republic of China, which for the purposes of this announcement shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders of shares of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Agreement”	the raw milk purchase agreement dated 26 May 2006 between Tianjin Agribusiness and Beilei
“Tianjin Agribusiness”	天津農墾集團總公司 (Tianjin State Farms Agribusiness Group Company), a state-owned entity established in the PRC

*As at the date hereof, the executive directors are Mr. Peter Lo, Mr. David Lee Sun and Mr. Li Wentao, the non-executive director is Mr. Derek Emory Ting-Lap Yeung, and the independent non-executive directors are Dr. Leung Kwan-Kwok, Mr. Sam Zuchowski and Dr. Loke Yu alias Loke Hoi Lam.*

By Order of the Board  
**Wealthmark International (Holdings) Limited**  
**Peter Lo**  
*Chairman*

Hong Kong, 26 May 2006