



WEALTHMARK INTERNATIONAL (HOLDINGS) LIMITED

和寶國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 039)

ANNOUNCEMENT OF INTERIM RESULTS FOR 2007

The Board of Directors (the “Board”) of Wealthmark International (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2007. These interim results have been reviewed by RSM Nelson Wheeler, the auditors of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), and by the Audit Committee of the Company, comprising the three independent non-executive directors of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Note	(Unaudited)	
		Six months ended 30 June	
		2007	2006
		HK\$'000	HK\$'000
Turnover	3	98,447	73,396
Cost of sales		<u>(93,514)</u>	<u>(73,758)</u>
Gross profit/(loss)		4,933	(362)
Other income		2,131	1,294
Distribution costs		(10,164)	(5,067)
Administrative expenses		(10,228)	(11,359)
Other operating expenses		—	(173)
Loss from operations		<u>(13,328)</u>	<u>(15,667)</u>
Finance costs	4	<u>(3,162)</u>	<u>(365)</u>
Loss before tax		<u>(16,490)</u>	<u>(16,032)</u>
Income tax credit	5	607	770
Loss for the period	6	<u><u>(15,883)</u></u>	<u><u>(15,262)</u></u>
Attributable to:			
Equity holders of the Company		(12,753)	(12,759)
Minority interests		<u>(3,130)</u>	<u>(2,503)</u>
		<u><u>(15,883)</u></u>	<u><u>(15,262)</u></u>
Dividend	7	<u>—</u>	<u>—</u>
Loss per share – basic	8	<u><u>(3.8) cents</u></u>	<u><u>(4.1) cents</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 June 2007 and 31 December 2006*

	(Unaudited) 30 June 2007 HK\$'000	(Audited) 31 December 2006 HK\$'000
Non-current assets		
Property, plant and equipment	43,430	46,881
Prepaid land lease payments	460	6,296
Goodwill	11,010	11,010
	<u>54,900</u>	<u>64,187</u>
Current assets		
Inventories	33,801	30,831
Trade and other receivables	39,748	34,225
Current tax assets	2,021	2,021
Bank and cash balances	103,550	8,614
	<u>179,120</u>	<u>75,691</u>
TOTAL ASSETS	<u><u>234,020</u></u>	<u><u>139,878</u></u>
Capital and reserves		
Share capital	39,000	33,200
Reserves	40,931	(32,478)
Equity attributable to equity holders of the Company	79,931	722
Minority interests	8,929	11,771
Total equity	<u>88,860</u>	<u>12,493</u>
Non-current liabilities		
Due to immediate holding company	79,589	76,150
Deferred tax liabilities	296	293
	<u>79,885</u>	<u>76,443</u>
Current liabilities		
Trade and other payables	55,569	43,650
Due to a minority shareholder of a subsidiary	6,259	3,084
Current tax payable	3,447	4,208
	<u>65,275</u>	<u>50,942</u>
Total liabilities	<u>145,160</u>	<u>127,385</u>
TOTAL EQUITY AND LIABILITIES	<u><u>234,020</u></u>	<u><u>139,878</u></u>
Net current assets	<u><u>113,845</u></u>	<u><u>24,749</u></u>
Total assets less current liabilities	<u><u>168,745</u></u>	<u><u>88,936</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” which is one of the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the 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 condensed consolidated financial statements should be read in conjunction with the 2006 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the 2006 annual financial statements.

2. CHANGES IN ACCOUNTING POLICIES

In the current period, the Group has adopted all of the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2007. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current and prior periods.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SEGMENT INFORMATION

An analysis of the Group’s revenue and results for the period by business segment is as follows:

	(Unaudited)					
	Handbags and other accessories		Dairy products		Group	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2007	2006	2007	2006	2007	2006
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Segment revenue	<u>76,902</u>	<u>65,966</u>	<u>21,545</u>	<u>7,430</u>	<u>98,447</u>	<u>73,396</u>
Segment results	<u>4,516</u>	<u>2,351</u>	<u>417</u>	<u>(2,713)</u>	<u>4,933</u>	<u>(362)</u>

4. FINANCE COSTS

	(Unaudited)	
	Six months ended 30 June	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on other loan wholly repayable within five years	119	365
Interest on amount due to immediate holding company wholly repayable within five years	3,043	—
	<u>3,162</u>	<u>365</u>

5. INCOME TAX CREDIT

	(Unaudited)	
	Six months ended 30 June	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax – Hong Kong Provision for the period	171	—
Current tax – Overseas Provision for the period	—	19
Overprovision in prior years	(778)	(789)
Income tax credit	<u>(607)</u>	<u>(770)</u>

Hong Kong profits tax has been provided at a rate of 17.5% on the estimated assessable profit for the period (2006: Nil). Tax charge on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

6. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging/(crediting) the following:

	(Unaudited)	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Depreciation	3,453	4,808
Amortisation of prepaid land lease payments	6	85
Property, plant and equipment written off	–	121
Gain on disposal of property, plant and equipment	(270)	–
Gain on disposal of prepaid land lease payments	(898)	–
	<u> </u>	<u> </u>

7. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

8. LOSS PER SHARE

The calculation of loss per share attributable to equity holders of the Company is based on the loss for the period attributable to equity holders of the Company of approximately HK\$12,753,000 (2006: HK\$12,759,000) and the weighted average number of ordinary shares of 336,165,746 (2006: 309,104,972) in issue during the period.

Diluted loss per share amounts for the periods ended 30 June 2007 and 2006 have not been disclosed as there were no diluting events existed during these two periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

For the six months ended 30 June 2007 (the "Period"), the Group's turnover was approximately HK\$98.4 million, representing an increase of 34.1% over the corresponding period last year. Loss attributable to equity holders of the Company was approximately HK\$12.8 million, same as in the corresponding period last year. Loss per share for the Period was HK\$3.8 cents (2006: HK\$4.1 cents).

The performance of the handbags and other accessories segment and dairy products segment (collectively, the "Existing Businesses") during the Period is set out below.

During the Period, turnover of the handbags and other accessories segment was approximately HK\$76.9 million, up 20.2% over the corresponding period last year and accounted for 78.2% of the total turnover. Despite the increase in turnover, the handbags and other accessories segment recorded an operating loss

for the Period. The performance of the handbags and other accessories segment was seriously affected by the continuous keen competition in the market and the increasing labour costs across the PRC.

Turnover of the dairy products segment for the Period was approximately HK\$21.5 million, representing an increase of 190.5% as compared to the turnover of approximately HK\$7.4 million in the corresponding period last year and accounted for 21.8% of the total turnover. Nevertheless, the Group faced keen competition from the major players in the dairy market. The dramatic increase in promotion spending by the major players in the dairy market in an attempt to boost market share has made it increasingly difficult for small to medium size producers to compete. As such, the dairy products segment continued to incur an operating loss for the Period.

Significant acquisitions and disposals

On 11 May 2007, the Company entered into various agreements with its fellow subsidiaries for certain very substantial and connected transactions. These transactions have been completed subsequent to the balance sheet date, on 19 July 2007. Details are set out below:

- (i) The Company acquired from BAPP Enzyme Engineering Limited, a fellow subsidiary of the Company, the entire issued share capital in BAPP Ethanol Holdings Limited at a consideration of HK\$120 million, which was satisfied by the Company through the allotment and issuance of 96,000,000 shares of the Company at an issue price of HK\$1.25 per share.

BAPP Ethanol Holdings Limited and its subsidiaries (the “BAPP Ethanol Group”) are principally engaged in the production and sale of ethanol. The BAPP Ethanol Group operates as a research and development facility exploring more efficient methods of non-feedstock ethanol production and is currently refining a proprietary enzymatic process by which beetroot can be used to generate ethanol in a cost efficient and environmentally conscientious manner.

- (ii) The Company acquired from CEC Agricapital Group Limited, a fellow subsidiary of the Company, the entire issued share capital in CEC Ethanol (Northeast) Limited at a consideration of HK\$100 million, which was satisfied by the Company through the allotment and issuance of 80,000,000 shares of the Company at an issue price of HK\$1.25 per share.

CEC Ethanol (Northeast) Limited and its subsidiary (the “CEC Ethanol Group”) are principally engaged in the sale and distribution of ethanol. The CEC Ethanol Group owns brands and sales networks of premium grade ethanol and is currently developing a 150,000 tonne ethanol production facility in Harbin, the PRC. In order to ensure steady supply of ethanol products for the sale and distribution business during the construction period of the production plant, on 23 May 2007, the CEC Ethanol Group entered into a processing agreement with a connected party for the production of ethanol on a tolling basis.

(iii) The Company disposed of the entire issued share capital of each of Glory Access Limited and Agricapital (Tianjin) Limited, each a wholly-owned subsidiary of the Company, to Orientelite Investments Limited, the immediate holding company of the Company, for a total cash consideration of US\$200,000 (approximately HK\$1,560,000).

Glory Access Limited is the holding company of the Company's interests in its handbags and other accessories business while Agricapital (Tianjin) Limited is the holding company of the Company's interests in its dairy products business. The disposal represented disposal of the Existing Businesses of the Group.

Further details of these transactions were set out in the Company's Circular dated 29 June 2007.

Prospects

Acquisitions of the BAPP Ethanol Group and CEC Ethanol Group (the "Acquisitions") and the disposal of the Existing Businesses were completed on 19 July 2007 and thereafter, the Group will concentrate on ethanol business.

The worldwide ethanol market is growing and expected to grow rapidly in the coming years due to governmental policies of using ethanol as fuel or a fuel additive in many countries, including China. According to the National Development and Reform Commission, the authorised regulator of fuel ethanol in China, and the Eleventh Five-year Plan, the PRC government plans to expand fuel ethanol production capacity and consumption substantially in the coming years. By 2020, fuel ethanol consumption is expected to reach 10 million tonnes. Given the existing shortage in capacity and these aggressive targets, the opportunity for producers who can manufacture ethanol on a cost-effective basis is significant. While there are certain imposing barriers to entry to this market, such as required government licenses and approvals, the Group intends to actively explore this potentially enormous opportunity.

Initially, the Group will enter into the ethanol market through the consumable ethanol sector. The BAPP Ethanol Group will focus on producing and selling ethanol with its proprietary technology and the CEC Ethanol Group will engage in sale and distribution of premium grade ethanol which is produced by a connected party. The BAPP Ethanol Group will also explore the options of cooperating with licensed ethanol producers by joint venture or by technology licensing.

In the medium term, the Group will also penetrate the fuel ethanol sector. As most existing and proposed production processes for ethanol in China are mainly based on corn or other feedstock, the BAPP Ethanol Group, with its proprietary technology that allows the use of non-feedstock in the production process, is well positioned to receive a licence for fuel ethanol.

The directors believe that the potential in the ethanol business is enormous and that the Acquisitions will improve the Group's earnings base.

Liquidity, Financial Resources and Capital Structure

During the Period, the issued share capital of the Company increased by 58,000,000 shares to 390,000,000 shares as a result of a top-up placing. On 18 June 2007, the Company raised net proceeds of approximately HK\$91.8 million by way of a top-up placing of 58,000,000 shares at HK\$1.62 each. The net proceeds have been and will be used for the Group's general working capital purposes. Apart from options to subscribe for shares in the Company, there were no other capital instruments in issue.

As at 30 June 2007, the Group has net current assets of approximately HK\$113.8 million (31 December 2006: HK\$24.7 million) and shareholders' equity of approximately HK\$79.9 million (31 December 2006: HK\$0.7 million). The increase in net current assets and shareholders' equity was mainly attributable to the net proceeds raised from the top-up placing during the Period. Bank and cash balances amounted to approximately HK\$103.6 million as at 30 June 2007 (31 December 2006: HK\$8.6 million).

Except for an amount due to the immediate holding company of approximately HK\$79.6 million, the Group had no other borrowings as at 30 June 2007. The gearing ratio of the Group, calculated as total debts divided by total assets, was approximately 34.0% as at 30 June 2007. The amount due to the immediate holding company bears interest at 1% above the Hong Kong dollar prime rate per annum and is not repayable within one year.

Subsequent to the balance sheet date, on 19 July 2007, the Group has completed various very substantial and connected transactions, as detailed in the section "Significant acquisitions and disposals" above. Following the completion of these transactions, the issued share capital of the Company further increased by 176,000,000 shares to 566,000,000 shares and the Group was released from the above-mentioned amount due to the immediate holding company and became debt free.

As the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars, United States dollars and Renminbi, the Group's exposure to exchange rate risk is limited. It is the Group's treasury policy to manage its foreign currency exposure only when its potential financial impact is material to the Group. The Group will continue to monitor its foreign exchange position and, if necessary, utilise hedging tools, if available, to manage its foreign currency exposure.

Charge on assets

As at 30 June 2007, there was no charge on the Group's assets (31 December 2006: Nil).

Contingent liabilities

As at 30 June 2007, the Group had no material contingent liabilities (31 December 2006: Nil).

Employee and Remuneration Policy

As at 30 June 2007, the Group had approximately 2,031 (2006: 2,088) employees with total staff costs amounted to approximately HK\$21.8 million (2006: HK\$17.3 million). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code on ethics and securities transactions, which incorporates a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. Specified employees who are likely to be in possession of unpublished price-sensitive information of the Company are also subject to the compliance with the code. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the code on ethics and securities transactions throughout the six months ended 30 June 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2007.

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

Hong Kong, 18 September 2007

As at the date hereof, the executive directors are Mr. Peter Lo, Mr. David Lee Sun, Mr. Li Wentao, Mr. Zhao Difei, Mr. Li Jian Quan and Mr. Lu Gui Pin; 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.