



# 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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

The Board of Directors (the “Board”) of Wealthmark International (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2006 together with the comparative amounts for 2005 as follows:

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	Note	2006 HK\$'000	2005 HK\$'000
<b>Turnover</b>	3	<b>167,420</b>	115,786
Cost of sales		<u>(160,073)</u>	<u>(116,367)</u>
<b>Gross profit/(loss)</b>		<b>7,347</b>	(581)
Other income		581	46
Gain on deregistration of an associate		–	299
Distribution costs		(14,124)	(5,084)
Administrative expenses		(21,070)	(25,319)
Other operating expenses		(1,159)	(142)
Reversal of allowance for impairment of receivables		<u>2,155</u>	<u>2,040</u>
<b>Loss from operations</b>		<b>(26,270)</b>	(28,741)
Finance costs	5	<u>(6,570)</u>	<u>(1,418)</u>
<b>Loss before tax</b>		<b>(32,840)</b>	(30,159)
Income tax credit	6	<u>1,122</u>	<u>2,441</u>
<b>Loss for the year</b>	7	<b><u>(31,718)</u></b>	<b><u>(27,718)</u></b>
<b>Attributable to:</b>			
Equity holders of the Company		(25,771)	(27,089)
Minority interests		<u>(5,947)</u>	<u>(629)</u>
		<b><u>(31,718)</u></b>	<b><u>(27,718)</u></b>
<b>Dividends</b>	8	<u>–</u>	<u>–</u>
<b>Loss per share – basic</b>	9	<b><u>(8.0) cents</u></b>	<b><u>(11.2) cents</u></b>

## CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	2006 HK\$'000	2005 HK\$'000
<b>Non-current assets</b>		
Property, plant and equipment	46,881	53,064
Prepaid land lease payments	6,296	6,465
Goodwill	11,010	11,010
	<u>64,187</u>	<u>70,539</u>
<b>Current assets</b>		
Inventories	30,831	20,918
Trade and other receivables	34,225	20,686
Due from a fellow subsidiary	–	511
Current tax assets	2,021	2,021
Bank and cash balances	8,614	27,472
	<u>75,691</u>	<u>71,608</u>
<b>TOTAL ASSETS</b>	<u>139,878</u>	<u>142,147</u>
<b>Capital and reserves</b>		
Share capital	33,200	30,000
Reserves	(32,478)	(20,746)
Equity attributable to equity holders of the Company	722	9,254
Minority interests	11,771	17,464
<b>Total equity</b>	<u>12,493</u>	<u>26,718</u>
<b>Non-current liabilities</b>		
Due to immediate holding company	76,150	69,543
Deferred tax liabilities	293	290
	<u>76,443</u>	<u>69,833</u>
<b>Current liabilities</b>		
Trade and other payables	43,650	27,899
Due to a minority shareholder of a subsidiary	3,084	2,398
Short-term borrowings	–	10,001
Current tax payable	4,208	5,298
	<u>50,942</u>	<u>45,596</u>
<b>Total liabilities</b>	<u>127,385</u>	<u>115,429</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>139,878</u>	<u>142,147</u>
<b>Net current assets</b>	<u>24,749</u>	<u>26,012</u>
<b>Total assets less current liabilities</b>	<u>88,936</u>	<u>96,551</u>

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2006. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations. 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 year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention as modified by the revaluation of buildings which are carried at their fair value.

## 3. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts and revenue from provision of subcontracting services during the year:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Sales of goods	163,031	111,376
Subcontracting fee income	4,389	4,410
	<u>167,420</u>	<u>115,786</u>

## 4. SEGMENT INFORMATION

### (a) Primary reporting format – business segments

The Group’s operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group’s business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

During the year, to better present the business operations of the Group, the Group has restructured its business segments, including, inter alia, combining the “Handbag products and related accessories” and “Garments” segments as defined in the annual report 2005 to form the “Handbags and other accessories” segment. Comparative figures have been reclassified to conform to the current year’s presentation.

The Group is organised into two main business segments:

- (i) manufacture and sale of handbags, garments and other accessories and provision of related subcontracting services; and
- (ii) manufacture and sale of liquid milk and yogurt.

There are no sales or other transactions among the business segments.

The following tables present revenue, results and certain asset, liability and expenditure information for the Group’s business segments for the years ended 31 December 2006 and 2005:

	Handbags and other accessories <i>HK\$'000</i>	Dairy products <i>HK\$'000</i>	Group <i>HK\$'000</i>
<b>Year ended 31 December 2006</b>			
Segment revenue	<u>142,551</u>	<u>24,869</u>	<u>167,420</u>
Segment results	<u>13,476</u>	<u>(6,129)</u>	7,347
Other income			581
Reversal of allowance for impairment of receivables			2,155
Unallocated costs			<u>(36,353)</u>
Loss from operations			<u>(26,270)</u>
Finance costs			<u>(6,570)</u>
Loss before tax			<u>(32,840)</u>

**At 31 December 2006****Assets and liabilities**

Segment assets	75,184	49,933	125,117
Unallocated assets			14,761
Total assets			<u>139,878</u>
Segment liabilities	35,564	9,982	45,546
Unallocated liabilities			81,839
Total liabilities			<u>127,385</u>

**Year ended 31 December 2006****Other segment information**

Capital expenditure	898	2,862	3,760
Unallocated amounts			7
			<u>3,767</u>
Depreciation	4,542	4,025	8,567
Unallocated amounts			13
			<u>8,580</u>
Amortisation of prepaid land lease payments	169	–	169
Reversal of allowance for impairment of receivables	2,155	–	2,155
Write down of inventories	4,276	1,536	5,812
Bad debts written off	62	–	62

Handbags and other accessories <i>HK\$'000</i>	Dairy products <i>HK\$'000</i>	Group <i>HK\$'000</i>
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**Year ended 31 December 2005**

Segment revenue	<u>115,724</u>	<u>62</u>	<u>115,786</u>
Segment results	<u>(354)</u>	<u>(227)</u>	<u>(581)</u>
Other income			46
Gain on deregistration of an associate			299
Reversal of allowance for impairment of receivables			2,040
Unallocated costs			(30,545)
Loss from operations			(28,741)
Finance costs			(1,418)
Loss before tax			<u>(30,159)</u>

**At 31 December 2005****Assets and liabilities**

Segment assets	60,465	47,426	107,891
Unallocated assets			34,256
Total assets			<u>142,147</u>
Segment liabilities	24,508	3,392	27,900
Unallocated liabilities			87,529
Total liabilities			<u>115,429</u>

**Year ended 31 December 2005**

**Other segment information**

Capital expenditure	1,000	1,317	2,317
Unallocated amounts			576
			<u>2,893</u>
Depreciation	7,509	160	7,669
Unallocated amounts			5
			<u>7,674</u>
Amortisation of prepaid land lease payments	170	–	170
Reversal of allowance for impairment of receivables	2,040	–	2,040
Write down of inventories	318	–	318
	<u>318</u>	<u>–</u>	<u>318</u>

**(b) Secondary reporting format - geographical segments**

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers.

Sales or transactions between the geographical segments are eliminated on presentation of segment information of the Group.

	Segment revenue		Total assets		Capital expenditure	
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States of America	44,194	57,649	–	–	–	–
Europe	29,587	14,135	–	–	–	–
The People's Republic of China (the "PRC")	93,639	42,120	98,317	101,598	3,452	2,107
Asia region except the PRC	–	1,882	30,551	29,539	315	786
	<u>167,420</u>	<u>115,786</u>	<u>128,868</u>	<u>131,137</u>	<u>3,767</u>	<u>2,893</u>
Goodwill			11,010	11,010		
Total assets			<u>139,878</u>	<u>142,147</u>		

**5. FINANCE COSTS**

	2006	2005
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	–	1,154
Interest on other loan wholly repayable within five years	366	255
Interest on amount due to immediate holding company wholly repayable within five years	6,204	–
Finance lease charges	–	9
	<u>6,570</u>	<u>1,418</u>

**6. INCOME TAX CREDIT**

	2006	2005
	HK\$'000	HK\$'000
Current tax – Hong Kong profits tax Provision for the year	456	54
Current tax – Overseas Overprovision in prior years	(1,578)	(2,495)
Income tax credit	<u>(1,122)</u>	<u>(2,441)</u>

Hong Kong profits tax has been provided at a rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year ended 31 December 2006. Tax charge on profits assessable elsewhere have 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.

## 7. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Cost of inventories sold (including write down of inventories)	104,847	73,558
Depreciation	8,580	7,674
Staff costs (including Directors' emoluments)	39,732	33,348
Auditors' remuneration	818	780
Net foreign exchange losses	–	105
Operating lease charges on land and buildings	917	640
Write down of inventories	5,812	318
Loss on disposal of property, plant and equipment	944	–
Property, plant and equipment written off	152	12
Bad debts written off	62	–
	<u>104,847</u>	<u>73,558</u>

## 8. DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 December 2006 (2005: Nil).

## 9. LOSS PER SHARE

The calculation of loss per share attributable to equity holders of the Company is based on the loss for the year attributable to equity holders of the Company of approximately HK\$25,771,000 (2005: HK\$27,089,000) and the weighted average number of ordinary shares of 320,646,575 (2005: 241,842,230) in issue during the year.

Diluted loss per share amount for the years ended 31 December 2006 and 2005 have not been disclosed as there were no diluting events existed during these two years.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

For the year ended 31 December 2006, the Group's turnover was approximately HK\$167.4 million, representing an increase of 44.6% over last year. The substantial increase in turnover during the year was mainly attributable to the contributions from the dairy company acquired in late 2005 and the recovery of the handbags and other accessories segment. Gross profit was approximately HK\$7.3 million as opposed to gross loss of approximately HK\$0.6 million last year. Loss attributable to equity holders of the Company was approximately HK\$25.8 million, representing a decrease of 4.9% over last year. Loss per share for the year was HK\$8.0 cents (2005: HK\$11.2 cents).

The performance of the handbags and other accessories segment and dairy products segment during the year is set out below.

During the year, handbags and other accessories segment continued its recovery and remained the core business of the Group. Handbags and other accessories segment recorded a turnover of approximately HK\$142.5 million, up 23.2% over last year and accounted for 85.1% of the total turnover. Gross profit was approximately HK\$13.4 million as opposed to gross loss of approximately HK\$0.4 million last year. The increase in the turnover and the turnaround to gross profit was mainly due to the increase in PRC sales which have relatively higher gross margin than overseas sales, and the stringent control over the cost of sales. The Group will continue to tighten controls on operating costs, aiming to enhance operational efficiency and competitiveness and thus further improve business performance.

The Group completed the acquisition of a dairy company in mid December 2005. The operation of the dairy company was ceased before the acquisition and has been restarted in late December 2005. In 2006, the first year of operation, dairy products segment recorded a turnover of approximately HK\$24.9 million, representing a significant increase of 236% as compared to the turnover of approximately HK\$7.4 million in the first six months of 2006, and accounted for 14.9% the total turnover. At present, the main product of this segment is yogurt. As the Group was still in a preliminary investment stage in dairy market, it had yet to enjoy the benefits from scale of operation and market experience and hence, a gross loss of approximately HK\$6.1 million was recorded. The Group will continue to strengthen its market promotion and invest in packaging facilities so as to expand the output and lower product wastage.

### Prospects

In order to broaden the earnings base, the management will actively explore potential investment opportunities in the PRC that can benefit the Group in the long term. The Group will also place emphasis on the improvement of operational efficiency and cost control in order to improve its financial performance and position.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

During the year, the issued share capital of the Company increased by 32,000,000 shares to 332,000,000 shares as a result of two top-up placings. On 21 April 2006, the Company raised net proceeds of approximately HK\$10.4 million by way of a top-up placing of 20,000,000 shares at HK\$0.54 each. On 12 June 2006, the Company raised net proceeds of approximately HK\$6.3 million by way of a top-up placing of 12,000,000 shares at HK\$0.54 each. The total net proceeds of approximately HK\$16.7 million have been and will be used for the Group's general working capital purposes.

As at 31 December 2006, the Group has net current assets of approximately HK\$24.7 million (2005: HK\$26.0 million) and shareholders' equity of approximately HK\$0.7 million (2005: HK\$9.3 million). Bank and cash balances amounted to approximately HK\$8.6 million as at 31 December 2006 (2005: HK\$27.5 million).

Except for an amount due to the immediate holding company of approximately HK\$76.2 million, the Group had no other borrowings as at 31 December 2006. The gearing ratio of the Group, calculated as total debts divided by total assets, was approximately 54.4% as at 31 December 2006. 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.

As the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars, US 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 31 December 2006, there was no charge on the Group's assets (2005: Nil).

### **CONTINGENT LIABILITIES**

As at 31 December 2006, the Group had no material contingent liabilities (2005: Nil).

### **EMPLOYEE AND REMUNERATION POLICY**

As at 31 December 2006, the Group had approximately 2,088 (2005: 2,493) employees with total staff costs amounted to approximately HK\$39.7 million (2005: HK\$33.3 million). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications.

### **QUALIFIED OPINION**

An extract of the independent auditor's report to the shareholders is set out below:

#### **“Basis for qualified opinion**

Because of the significance of the possible effect of the limitations on the scope of our audit for the year ended 31 December 2004, we were unable to determine whether adjustments to the Group's results for the year ended 31 December 2005 and the opening accumulated losses as at 1 January 2005 might be necessary. Our auditor's report on the financial statements for the year ended 31 December 2005 dated 20 April 2006 was modified accordingly.

#### **Qualified opinion arising from prior year audit qualification**

In our opinion, except for the effect of the adjustments, if any, on the corresponding figures for 2005 as described above, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.”

### **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 year.

## REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2006 have been reviewed by the audit committee.

## 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 year ended 31 December 2006.

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

Hong Kong, 19 April 2007

*As at the date hereof, the executive directors are Mr. Peter Lo, Mr. David Lee Sun, Mr. Li Wentao and Mr. Fu Hui; 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.*