THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Wealthmark International (Holdings) Limited, you should at once hand this circular to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

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)

VERY SUBSTANTIAL ACQUISITION CONCERNING ETHANOL BUSINESSES AND CONNECTED TRANSACTION

VERY SUBSTANTIAL DISPOSAL CONCERNING EXISTING BUSINESSES AND CONNECTED TRANSACTION

CONTINUING CONNECTED TRANSACTIONS RELATING TO VERY SUBSTANTIAL ACQUISITION

ISSUANCE OF NEW SHARES PURSUANT TO VERY SUBSTANTIAL ACQUISITION

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Independent Financial Adviser to the Independent Board Committee

SOMERLEY LIMITED

A notice convening an extraordinary general meeting of Wealthmark International (Holdings) Limited to be held at The Ritz-Carlton Hotel, 3 Connaught Road, Central, Hong Kong, Chater Room I, Level B1 on 16 July 2007 at 10:00 a.m. is set out on pages 182 to 187 of this circular. Whether or not you intend to attend such meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude shareholders from attending and voting at the meeting or any adjourned meeting if they so wish.

29 June 2007

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisitions"	the BAPP Acquisition and the CEC Acquisition
"Announcement"	the announcement dated 18 May 2007 in relation to the Acquisitions and the Disposal
"associate"	has the meaning ascribed to it under the Listing Rules
"ATL"	Agricapital (Tianjin) Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"ATL Group"	ATL and its subsidiaries
"BAPP Acquisition"	the sale and purchase of the entire issued share capital of BAPP Ethanol pursuant to the BAPP Acquisition Agreement
"BAPP Acquisition Agreement"	the agreement for the sale and purchase of all of the shares in BAPP Ethanol dated 11 May 2007 between the BAPP Vendor, the Company and CEC, as amended and/or supplemented
"BAPP Consideration Shares"	96,000,000 Consideration Shares to be issued to the BAPP Vendor under the BAPP Acquisition Agreement
"BAPP Ethanol"	BAPP Ethanol Holdings Limited, a company incorporated in the British Virgin Islands
"BAPP Ethanol Group"	BAPP Ethanol and its subsidiaries
"BAPP Vendor"	BAPP Enzyme Engineering Limited, a company incorporated in the British Virgin Islands, and a connected person of the Company by reason of it being beneficially owned as to 51% by CEC, which also owns all of the shares in OIL, the Company's controlling shareholder
"Board"	the board of directors of the Company
"Business Day"	a day (not being a Saturday) on which banks are open for general banking business in Hong Kong

"CEC"	China Enterprise Capital Limited, a company incorporated in the British Virgin Islands and, through its interests in OIL, is the ultimate controlling shareholder of the Company
"CEC Acquisition"	the sale and purchase of entire issued share capital of CEC Ethanol pursuant to the CEC Acquisition Agreement
"CEC Acquisition Agreement"	the agreement for the sale and purchase of all of the shares in CEC Ethanol dated 11 May 2007 between the CEC Vendor, CEC and the Company, as amended and/or supplemented
"CEC Consideration Shares"	80,000,000 Consideration Shares to be issued to the CEC Vendor under the CEC Acquisition Agreement
"CEC Ethanol"	CEC Ethanol (Northeast) Limited, a company incorporated in the British Virgin Islands
"CEC Ethanol Group"	CEC Ethanol and its subsidiary
"CEC Vendor"	CEC Agricapital Group Limited, a company incorporated in the British Virgin Islands, and a connected person of the Company by reason of it being wholly beneficially owned by CEC, which also owns all of the shares in OIL, the Company's controlling shareholder
"Code"	the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong
"Combined Ethanol Group"	the BAPP Ethanol Group and the CEC Ethanol Group
"Company"	Wealthmark International (Holdings) Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange
"Company Laws"	the Company Law Cap. 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consideration Shares"	Shares to be issued at HK$1.25 per Share by the Company pursuant to the Acquisitions

"Continuing Connected Transactions"	the transactions under the New Processing Agreement upon completion of the CEC Acquisition
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Director"	any director of the Company
"Disposal"	the sale and purchase of all the shares in ATL and GAL under the Disposal Agreement
"Disposal Agreement"	the agreement for the sale and purchase of all of the shares in ATL and GAL dated 11 May 2007 between OIL and the Company, as amended and/or supplemented
"EGM"	the extraordinary general meeting of the Company to be held to consider, among other things, the Acquisitions, the Disposal, the Continuing Connected Transaction and the grant of the General Mandates
"Existing Businesses"	the ATL Group and the GAL Group
"GAL"	Glory Access Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"GAL Group"	GAL and its subsidiaries
"General Mandates"	the general mandate to issue Shares proposed to be granted to the Directors and the Repurchase Mandate as described in "Letter from the Board – General Mandates to issue and repurchase Shares"
"Group"	the Company and its subsidiaries as at the date of this circular
"Harbin Distillery"	哈爾濱中國釀酒有限公司 (Harbin China Distillery Co., Ltd.), a limited liability company organised as a Sino-foreign joint venture company established in the PRC, and a subsidiary of CEC Ethanol
"Harbin Factory"	哈爾濱中國釀酒廠 (Harbin China Distillery Factory), a State-owned enterprise established in the PRC and an associate of Harbin Light Industry

"Harbin Light Industry"	哈爾濱輕工資產經營有限責任公司 (Harbin Light Industry Asset Management Co., Ltd.), a State-owned enterprise established in the PRC, and the owner as to 27.3% of the equity interest in Harbin Distillery
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong Dollars, being the lawful currency of Hong Kong
"Independent Board Committee"	the independent committee of the Board, comprising all of the independent non-executive Directors
"Independent Shareholders"	Shareholders, other than CEC and OIL and their associates, who are not connected nor interested in the Acquisitions and the Disposal and related transaction, or not required to abstain from voting at the EGM
"Latest Practicable Date"	25 June 2007, being the latest practicable date for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
"New Processing Agreement"	the processing agreement entered into by Harbin Distillery and Harbin Factory on 23 May 2007 in relation to the production of ethanol for Harbin Distillery by Harbin Factory
"Ningxia New Tech"	寧夏西部光彩新能源高新技術有限公司 (Ningxia West Bright New Resource Technology Co., Ltd.), a limited liability company organised as a wholly-foreign owned enterprise established in the PRC, and a wholly-owned subsidiary of BAPP Ethanol
"OIL"	Orientelite Investments Limited, a company incorporated in the British Virgin Islands and a controlling shareholder of the Company

"Placing"	the placing of 58,000,000 existing Shares of OIL to independent placees and issue of 58,000,000 new Shares to OIL, as announced by the Company on 5 June 2007
"PRC"	the People's Republic of China
"Repurchase Mandate"	the general mandate to repurchase Shares proposed to be granted to the Directors as described in "Letter from the Board – General Mandates to issue and repurchase Shares"
"Resulting Group"	the Company and its subsidiaries after completion of the Acquisitions and the Disposal
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (CAP 571 of the Laws of Hong Kong)
"Shares"	ordinary shares of HK$0.10 each in the capital of the Company
"Shareholder"	holder of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$" or "US Dollars"	United States Dollars, being the lawful currency of the United States of America

For the purposes of this circular, translations of RMB to HK$ have been calculated using the exchange rate RMB1.00 = HK$1.02, and translations of US$ to HK$ have been calculated using the exchange rate US$1.00 = HK$7.80.

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)

Executive Directors:
Mr. Lo Peter *(Chairman)*
Mr. Sun David Lee *(Chief Executive Officer)*
Mr. Li Wentao
Mr. Fu Hui

Non-executive Director:
Mr. Yeung Ting-Lap Derek Emory

Independent Non-executive Directors:
Dr. Loke Yu
Dr. Leung Kwan-Kwok
Mr. Zuchowski Sam

Registered office:
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Ugland House
South Church Street
George Town
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Head office and principal place of business in Hong Kong:
2116 Hutchison House
10 Harcourt Road
Hong Kong

29 June 2007

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION CONCERNING ETHANOL BUSINESSES AND CONNECTED TRANSACTION

VERY SUBSTANTIAL DISPOSAL CONCERNING EXISTING BUSINESSES AND CONNECTED TRANSACTION

CONTINUING CONNECTED TRANSACTIONS RELATING TO VERY SUBSTANTIAL ACQUISITION

ISSUANCE OF NEW SHARES PURSUANT TO VERY SUBSTANTIAL ACQUISITION

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

1. INTRODUCTION

Reference is made to the Announcement and the subsequent announcement of the Company dated 25 May 2007.

On 11 May 2007, the Company, the BAPP Vendor and CEC entered into the conditional BAPP Acquisition Agreement pursuant to which the Company agreed to acquire from the BAPP Vendor the entire issued share capital in BAPP Ethanol for HK$120 million, to be satisfied by the issuance of 96,000,000 Consideration Shares to the BAPP Vendor upon completion.

On 11 May 2007, the Company, the CEC Vendor and CEC entered into the conditional CEC Acquisition Agreement pursuant to which the Company agreed to acquire from the CEC Vendor the entire issued share capital in CEC Ethanol for HK$100 million, to be satisfied by the issuance of 80,000,000 Consideration Shares to the CEC Vendor upon completion.

In addition, on 11 May 2007, the Company and OIL entered into the conditional Disposal Agreement pursuant to which the Company agreed to sell to OIL the entire issued share capital of each of ATL and GAL, representing the Existing Businesses for US$200,000 (HK$1,560,000), to be satisfied by cash payment in full upon completion.

Completion of the BAPP Acquisition Agreement and the CEC Acquisition Agreement are inter-conditional and shall take place simultaneously. Completion of the Disposal Agreement is conditional upon (among other things) the BAPP Acquisition Agreement and the CEC Acquisition Agreement becoming unconditional, and shall take place immediately after completion of the Acquisitions.

On 23 May 2007, Harbin Distillery, a subsidiary of CEC Ethanol, entered into the New Processing Agreement with Harbin Factory for the production of ethanol by Harbin Factory for Harbin Distillery on a tolling basis. The transactions under the New Processing Agreement would constitute continuing connected transactions of the Company upon completion of the CEC Acquisition.

The main purposes of this circular are:

(a) to provide you with further information relating to, among other things, the BAPP Acquisition Agreement, the CEC Acquisition Agreement, the Disposal Agreement as well as the New Processing Agreement;

(b) to set out the letter of advice from Somerley Limited to the Independent Board Committee and the Independent Shareholders and the recommendation and opinion of the Independent Board Committee as advised by Somerley Limited in relation to, among other things, the Acquisitions, the Disposal and the Continuing Connected Transactions; and

(c) to give you notice of the EGM to consider and, if thought fit, to approve, among other things, the Acquisitions, the Disposal, and the Continuing Connected Transactions.

2. BAPP ACQUISITION AGREEMENT

The principal terms and conditions of the BAPP Acquisition Agreement are as follows:

Date

11 May 2007

Parties

Seller:	the BAPP Vendor
Purchaser:	the Company
Guarantor:	CEC

Subject of the BAPP Acquisition

The Company has agreed to acquire from the BAPP Vendor the entire issued share capital in BAPP Ethanol. For further information on BAPP Ethanol, please refer to "Information on BAPP Ethanol and CEC Ethanol – BAPP Ethanol" below.

Consideration

The consideration for the BAPP Acquisition is HK$120 million, which will be satisfied by the Company by the allotment and issuance of 96,000,000 Consideration Shares at an issue price of HK$1.25 per Share to the BAPP Vendor, credited as fully paid. Such BAPP Consideration Shares will be issued at completion of the BAPP Acquisition, will rank pari passu with all other Shares in issue, and will not result in any change in the control (as defined in the Code) of the Company. There is no restriction on subsequent sales of the Consideration Shares.

Based on the closing price of the Shares of HK$1.89 per Share as at 11 May 2007, being the last trading day of the Shares immediately prior to the suspension of trading pending the release of the Announcement, the market value of the BAPP Consideration Shares amounts to approximately HK$181,440,000.

The consideration was arrived at after arm's length negotiation between the Company and the BAPP Vendor with reference to the favourable business prospects of the BAPP Ethanol Group in the ethanol sector, as discussed in "Reasons for and Benefits of the Acquisitions and the Disposal" below, and its unaudited combined net asset value as at 31 March 2007. The Board also took into consideration the unaudited combined net asset value of the BAPP Ethanol Group as at 31 March 2007 of approximately negative HK$2.1 million, a subsequent capitalisation of a shareholder's loan of HK$34.2 million in May 2007, and the proposed injection (for nominal consideration) of a technology for producing ethanol currently used by the BAPP Ethanol Group in its operations, which has passed the appraisal of the State Science and Technology Committee (國家科學技術委員會), with a value of HK$89.8 million. This technology is further described below in "Information on BAPP Ethanol and CEC Ethanol – BAPP Ethanol – Technology". The Directors consider the value of the innovative technology to be reasonable, on the basis of (i) the cost savings that this would provide for the BAPP Ethanol Group, as the enzyme technology would enable production of the same amount of ethanol as the BAPP Ethanol Group's competitors that use traditional ethanol technology for less and cheaper raw materials (beetroot) and lower capital expenditure, translating into lower costs of goods sold for the BAPP Ethanol Group; (ii) the Company's ability to deploy the technology to the CEC Ethanol Group's operations, thereby extending cost savings from the technology to the entire Combined Ethanol Group; and (iii) the licensing potential of the technology to ethanol producers that wish to move away from costly traditional technology, both within China and overseas, given that the technology is easily adaptable to production plants using traditional technology. The Directors also took into account a valuation performed by Sallmanns (Far East) Limited, which is based on the application of a market derived capitalisation rate on the estimated cost savings of the BAPP Ethanol Group under its current production capacity. The valuation was performed as of 30 April 2007 and the Directors do not believe there has been any material impairment to the valuation since the valuation basis date. The text of the valuation report is set out in Appendix VI to this circular.

The assets of the BAPP Ethanol Group presently consists mainly of construction in progress relating to the ethanol plant currently being built by the BAPP Ethanol Group, and related prepayments and deposits.

The issue price of HK$1.25 per Consideration Share was arrived at after arm's length negotiation between the BAPP Vendor and the Company and represents:

- a discount of approximately 33.9% to the price per Share quoted on the Stock Exchange of HK$1.89 as at 11 May 2007, being the last trading day of the Shares immediately prior to the suspension of trading pending the release of the Announcement; and

- a premium of approximately 5.0% to the average price per Share quoted on the Stock Exchange of approximately HK$1.19 for the last 30 trading days up to and including 11 May 2007.

Conditions Precedent

Completion of the BAPP Acquisition is conditional upon the following conditions being satisfied:

(i) the Company having made such due diligence inquiries as it deems necessary and being satisfied with the results of such inquiries;

(ii) the passing at a general meeting of the Company of resolutions approving (a) the BAPP Acquisition Agreement by the Independent Shareholders in accordance with the Listing Rules; and (b) the allotment and issue of the BAPP Consideration Shares to the BAPP Vendor pursuant to the BAPP Acquisition Agreement;

(iii) the Stock Exchange having granted or agreed to grant the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange;

(iv) the CEC Acquisition Agreement having become unconditional in accordance with its terms other than in relation to the BAPP Acquisition Agreement becoming unconditional; and

(v) the BAPP Vendor having assigned and transferred to BAPP Ethanol a technology for producing ethanol currently used by BAPP Ethanol Group in its operations.

If the above conditions are not fulfilled or (in the case of the conditions set out under paragraphs (i), (iv) and (v) above) waived by the Company by 30 September 2007, the BAPP Acquisition Agreement shall terminate.

Completion

Completion of the BAPP Acquisition is expected to take place on the fifth Business Day after the satisfaction of the conditions above, and shall take place simultaneously with the completion of the CEC Acquisition.

Guarantee by CEC

CEC has unconditionally and irrevocably guaranteed to the Company the due and punctual performance and observance by the BAPP Vendor of all of its obligations under the BAPP Acquisition Agreement, and has undertaken to indemnify the Company for any default by the BAPP Vendor under the BAPP Acquisition Agreement.

Non-competition

Each of the BAPP Vendor and CEC has undertaken to the Company (for itself and as trustee for the BAPP Ethanol Group), during the 12-month period following completion of the BAPP Acquisition, not to: (a) compete with the business carried on or proposed to be carried by the BAPP Ethanol Group in the Ningxia Autonomous Region, PRC as at completion of the BAPP Acquisition; (b) accept orders from any person who has ordered or will potentially order from the BAPP Ethanol Group of any goods or services which is competitive with those provided by the BAPP Ethanol Group; (c) solicit away from the BAPP Ethanol Group any past or existing suppliers or existing employees; (d) solicit away from the BAPP Ethanol Group any of its customers purchasing any goods or services which is competitive with any goods and services provided by the BAPP Ethanol Group; and (e) disclose or use any know-how not in the public domain in relation to the business of the BAPP Ethanol Group.

3. CEC ACQUISITION AGREEMENT

The principal terms and conditions of the CEC Acquisition Agreement are as follows:

Date

11 May 2007

Parties

Seller:	the CEC Vendor
Purchaser:	the Company
Guarantor:	CEC

Subject of the CEC Acquisition

The Company has agreed to acquire from the CEC Vendor the entire issued share capital in CEC Ethanol. For further information on CEC Ethanol, please refer to "Information on BAPP Ethanol and CEC Ethanol – CEC Ethanol" below.

Consideration

The consideration for the CEC Acquisition is HK$100 million, which will be satisfied by the Company by the allotment and issuance of 80,000,000 Consideration Shares at an issue price of HK$1.25 per Share to the CEC Vendor, credited as fully paid. Such CEC Consideration Shares will be issued at completion of the CEC Acquisition, will rank pari passu with all other Shares in issue, and will not result in any change in the control (as defined in the Code) of the Company. There is no restriction on subsequent sales of the Consideration Shares.

Based on the closing price of the Shares of HK$1.89 per Share as at 11 May 2007, being the last trading day of the Shares immediately prior to the suspension of trading pending the release of the Announcement, the market value of the CEC Consideration Shares amounts to approximately HK$151,200,000.

The consideration was arrived at after arm's length negotiations between the Company and the CEC Vendor with reference to the favourable business prospects of the CEC Ethanol Group in the ethanol sector, as discussed in "Reasons for and Benefits of the Acquisitions and the Disposal" below, as well as its unaudited combined revenue for the period ended 31 March 2007 and unaudited combined net asset value as at 31 March 2007. The Board also took into account the unaudited combined net asset value of the CEC Ethanol Group as at 31 March 2007 attributable to CEC Ethanol, being approximately HK$3.6 million, and the subsequent capitalisation of a shareholder's loan of HK$99.1 million in May 2007.

The issue price of the Consideration Shares pursuant to the CEC Acquisition Agreement is the same as the issue price of the Consideration Shares pursuant to the BAPP Acquisition Agreement. For a comparison of the issue price of the Consideration Shares to the recent trading price of the Shares, please refer to "BAPP Acquisition Agreement – Consideration" above.

Conditions Precedent

Completion of the CEC Acquisition is conditional upon the following conditions being satisfied:

(i) the Company having made such due diligence inquiries as it deems necessary and being satisfied with the results of such inquiries;

(ii) the passing at a general meeting of the Company of resolutions approving (a) the CEC Acquisition Agreement by the Independent Shareholders in accordance with the Listing Rules; and (b) the allotment and issue of the CEC Consideration Shares to the CEC Vendor pursuant to the CEC Acquisition Agreement;

(iii) the Stock Exchange having granted or agreed to grant the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange;

(iv) the BAPP Acquisition Agreement having become unconditional in accordance with its terms other than in relation to the CEC Acquisition Agreement becoming unconditional; and

(v) the Company having obtained the approval of the Independent Shareholders in general meeting in relation to a processing agreement (the "**New Processing Agreement**") to be entered into between Harbin Distillery and an associate of a shareholder of Harbin Distillery, who will become a connected person of the Company upon completion of the CEC Acquisition, in accordance with the Listing Rules.

If the above conditions are not fulfilled or (in the case of the conditions set out under paragraphs (i) and (iv) above) waived by the Company by 30 September 2007, the CEC Acquisition Agreement shall terminate.

Completion

Completion of the CEC Acquisition is expected to take place on the fifth Business Day after the satisfaction of the conditions above, and shall take place simultaneously with the completion of the BAPP Acquisition.

Guarantee by CEC

CEC has unconditionally and irrevocably guaranteed to the Company the due and punctual performance and observance by the CEC Vendor of all of its obligations under the CEC Acquisition Agreement and has undertaken to indemnify the Company for any default by the CEC Vendor under the CEC Acquisition Agreement.

Non-competition

Each of the CEC Vendor and CEC has undertaken to the Company (for itself and as trustee for the CEC Ethanol Group), during the 12-month period following completion of the CEC Acquisition, not to: (a) compete with the business carried on or proposed to be carried by the CEC Ethanol Group in Harbin, PRC as at completion of the CEC Acquisition; (b) accept orders from any person who has ordered or will potentially order from the CEC Ethanol Group of any goods or services which is competitive with those provided by the CEC Ethanol Group; (c) solicit away from the CEC Ethanol Group any past or existing suppliers or existing employees; (d) solicit away from the CEC Ethanol Group any of its customers purchasing any goods or services which is competitive with any goods and services provided by the CEC Ethanol Group; and (e) disclose or use any know-how not in the public domain in relation to the business of the CEC Ethanol Group.

4. DISPOSAL AGREEMENT

The principal terms and conditions of the Disposal Agreement are as follows:

Date

11 May 2007

Parties

Seller:	the Company
Purchaser:	OIL

Subject of the Disposal

ATL and GAL are each wholly-owned by the Company. The Company has agreed to sell to OIL the entire issued share capital of each of ATL and GAL.

The Existing Businesses, which comprise the ATL Group and GAL Group, include all of the Company's subsidiaries. As the Disposal is conditional upon the Acquisitions becoming unconditional, immediately before completion of the Disposal, the BAPP Ethanol Group and the CEC Ethanol Group will form the Company's subsidiaries.

Consideration

The consideration for the Disposal is US$200,000 (approximately HK$1,560,000) to be satisfied by payment of cash by OIL at completion of the Disposal. The consideration was arrived at after arm's length negotiations between the Company and OIL with reference to the diminishing business prospects in the handbag and accessories manufacturing sector, and the increasingly competitive business landscape in the PRC dairy segment, as discussed in "Reasons for and Benefits of the Acquisitions and the Disposal" below, and the unsatisfactory financial performance of the Existing Businesses, in particular, the sustained net loss position of the Group for the past few years, as well as their audited combined net losses for the three years ended 31 December 2006, and their audited combined net asset value as at 31 December 2006. The parties also took into account (i) a capitalisation of a shareholder's loan owed by ATL to the Company of HK$53.4 million in May 2007, and (ii) a write-off of a shareholder's loan owed by the GAL Group to the Company of HK$29.1 million in May 2007 (for which full allowance has been made in the financial statements of the Company).

Conditions Precedent

Completion of the Disposal is conditional upon the following conditions being satisfied:

(i) the passing at a general meeting of the Company of resolutions approving the Disposal Agreement by the Independent Shareholders in accordance with the Listing Rules; and

(ii) each of the BAPP Acquisition Agreement and the CEC Acquisition Agreement having become unconditional in accordance with its terms.

If the above conditions are not fulfilled or (in the case of the conditions set out under paragraph (ii) above) waived by the Company by 30 September 2007, the Disposal Agreement shall terminate.

Completion

Completion of the Disposal is expected to take place on the fifth Business Day after the satisfaction (or waiver) of the conditions above, and shall take place simultaneously with the completion of the BAPP Acquisition and the CEC Acquisition.

5. CHANGES IN SHAREHOLDING STRUCTURE

The allotment and issuance of the Consideration Shares pursuant to the Acquisitions are not expected to change the control (as defined in the Code) of the Company.

The following table illustrates the Company's shareholding structure, assuming no other changes to the share capital of the Company other than as contemplated under the BAPP Acquisition Agreement and the CEC Acquisition Agreement: (i) as at the date of this circular, and (ii) immediately after the allotment and issuance of the Consideration Shares upon the completion of the Acquisitions:

Shareholders	**As at the date of this circular**		**Upon completion of the Acquisitions and the issue of the Consideration Shares**	
	Number of Shares	*%*	*Number of Shares*	*%*
Connected persons:				
– OIL	195,000,000	50.0	195,000,000	34.5
– the BAPP Vendor	–	–	96,000,000	16.9
– the CEC Vendor	–	–	80,000,000	14.1
Subtotal:	195,000,000	50.0	371,000,000	65.5
Public Shareholders:	195,000,000	50.0	195,000,000	34.5
Total:	390,000,000	100.00	566,000,000	100.00

The Company does not anticipate any change in the composition of its board of directors as a result of the Acquisitions and the Disposal.

The Company will seek the approval of the Independent Shareholders at the EGM for (i) the allotment and issue of the BAPP Consideration Shares to the BAPP Vendor pursuant to the BAPP Acquisition Agreement; and (ii) the allotment and issue of the CEC Consideration Shares to the CEC Vendor pursuant to the CEC Acquisition Agreement. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares to be issued pursuant to the BAPP Acquisition Agreement and the CEC Acquisition Agreement.

6. INFORMATION ON THE COMPANY

The principal activities of the Company and its subsidiaries consist of the trading and manufacturing of handbag products and related accessories, manufacturing of garments, provision of related subcontracting services. Since December 2005, the Group has also engaged in the production and sales of dairy products.

7. INFORMATION ON THE BAPP VENDOR, THE CEC VENDOR, OIL AND CEC

BAPP Vendor

The BAPP Vendor is an investment holding company incorporated in the British Virgin Islands. In addition to its interests in BAPP Ethanol with operations in Yinchuan, PRC, the BAPP Vendor currently holds interests in a laboratory in Hainan, PRC that is engaged in the research, development and production of enzymes for a wide range of commercial applications, including but not limited to enzymes for ethanol production. The laboratory may supply enzymes for ethanol production to BAPP Ethanol and/or CEC Ethanol after completion of the Acquisitions. Such transactions would constitute connected transactions and the Company will comply with all applicable provisions of the Listing Rules in connection with any such transactions. Save for the above interest in a potential supplier to the Combined Ethanol Group, the BAPP Vendor does not hold any interest in any business similar to businesses of the Combined Ethanol Group that may result in competition. The BAPP Vendor is also bound by certain non-competition undertakings with respect to the ethanol production business, as further described in "Letter from the Board - BAPP Acquisition Agreement - Non-competition undertakings".

The BAPP Vendor is a connected person of the Company by virtue of it being an associate of OIL, the Company's controlling shareholder, as the BAPP Vendor is 51% owned by OIL's parent company, CEC. The remaining 49% of the BAPP Vendor is owned by Winning Heart Investments Limited and Clever Sino Holdings Limited, being investment holding companies incorporated in the British Virgin Islands that are owned by a number of individuals who are independent third parties.

CEC Vendor

The CEC Vendor is an investment holding company incorporated in the British Virgin Islands. The CEC Vendor currently only holds an interest in CEC Ethanol, and does not hold any interest in businesses similar to the businesses of the Combined Ethanol Group that may result in competition. The CEC Vendor is also bound by certain non-competition undertakings with respect to the ethanol production business, as further described in "Letter from the Board – CEC Acquisition Agreement – Non-competition undertakings".

The CEC Vendor is a connected person of the Company by virtue of it being an associate of OIL, the Company's controlling shareholder.

OIL

OIL is an investment holding company incorporated in the British Virgin Islands. OIL currently only holds an interest in the Company. OIL is a connected person of the Company by virtue of it being the Company's controlling shareholder.

CEC

CEC is an investment holding company incorporated in the British Virgin Islands. CEC currently holds interests in the manufacturing, distribution and retail sales of optical wear, wholesale and retail distribution of food and beverage, retail distribution of menswear, and the production and distribution of ethanol.

8. INFORMATION ON BAPP ETHANOL AND CEC ETHANOL

BAPP Ethanol

BAPP Ethanol is the holding company of the BAPP Ethanol Group and does not carry on any business activities. The operating company in the BAPP Ethanol Group is Ningxia New Tech, a wholly-foreign owned enterprise established in the PRC on 6 July 2006 that is 100% indirectly owned by BAPP Ethanol through BAPP (Northwest) Limited, a directly held wholly-owned subsidiary of BAPP Ethanol. Ningxia New Tech is a 15,000 tonne ethanol production plant located in Yinchuan. Ningxia New Tech operates as a research and development facility exploring more efficient methods of non-feedstock ethanol production. Ningxia New Tech is currently refining a proprietary enzymatic process by which beetroot can be used to generate ethanol in a cost efficient and environmentally conscientious manner. Since its establishment, Ningxia New Tech has focused on the testing of the process; limited production of ethanol commenced in April 2007. Ningxia New Tech intends to expand production capacity to 40,000 tonnes by 2010. The capital expenditure required to reach such capacity is estimated to be approximately RMB40 million. BAPP Ethanol expects to fund its capital expenditure requirements by a combination of bank borrowings and capital raisings. Ningxia New Tech currently has approximately 46 employees, with such number expected to increase to 60 when Ningxia New Tech's production capacity reaches 40,000 tonnes.

The BAPP Vendor originally invested the amount of RMB20 million for its indirect 100% equity interest in Ningxia New Tech, by way of contribution to its registered capital made through BAPP (Northwest) Limited, BAPP Ethanol's directly held wholly-owned subsidiary. The registered capital of Ningxia New Tech increased to RMB40 million in March 2007, and BAPP (Northwest) Limited, as the legal owner of the interest in Ningxia New Tech, has contributed RMB28 million in cash as at 31 December 2006 and a further RMB6 million of cash between January and May 2007. These amounts had been advanced by the BAPP Vendor as shareholder loans, which were capitalised on 9 May 2007. The outstanding amount of RMB6 million of registered capital of Ningxia New Tech is required to be contributed by March 2009. It is intended that the outstanding balance will be paid by the Company when it falls due after completion of the Acquisitions.

Technology

The technology to be injected into BAPP Ethanol prior to completion of the BAPP Acquisition consists of a process using a proprietary formulation of enzymes in a catalytic process to break down the cell wall of plants, with all components kept bio-active and chemically stable under normal temperatures (optimum 30-35°C). The process transforms the structural components of plant cells as well as sucrose into simple sugars directly for fermentation. Compared with conventional technology for ethanol production, this process produces a higher output as it requires only fermentation without liquefaction and saccharification under normal temperatures. Also, with this technology, the same equipment can be used for different kinds of raw materials (such as beetroot, sweet potato and tapioca), save that the different raw materials must be prepared differently, whereas different types of raw materials must be used with different equipment under traditional ethanol production technology.

The technology saves on capital expenditure (as no tanks are required to be built for liquefaction and saccharification) and operating costs (as the process operates under normal temperature and consumes less raw material for the same level of output).

With further testing and refinement, it is expected that the technology will be able to be applied to non-edible plant products, which would further lower the cost of production. This is in line with the industry trend of moving away from corn-based production to improve feedstock supply and efficiency of use of scarce arable land.

The Directors are of the view having sought appropriate advice that there are no title issues or restrictions on the transfer of the technology by the BAPP Vendor to BAPP Ethanol.

Financial information on the BAPP Ethanol Group

The following table shows certain audited and unaudited financial information on the BAPP Ethanol Group for the period commencing from 18 May 2006, being the date of incorporation of BAPP Ethanol, to 31 December 2006 and the three months ended 31 March 2007, prepared in accordance with HKFRS:

	Period from 18 May 2006 to 31 December 2006 *HK$'000* *(audited)*	**Three months ended 31 March 2007** *HK$'000* *(unaudited)*
Net loss before tax	(1,075)	(1,307)
Net loss after tax	(1,075)	(1,307)
Net asset value	(357)	(2,112)
Turnover	–	–
Total assets	27,283	46,197

For the period from 18 May 2006 to 31 December 2006, BAPP Ethanol had not commenced any trading and did not record any turnover. During this period, BAPP Ethanol incurred a net loss of approximately HK$1,075,000 as a result of general and administrative expenses incurred during the period.

As at 31 December 2006, BAPP Ethanol had assets of approximately HK$27,283,000 representing property, plant and equipment of approximately HK$11,131,000, deposits paid for the acquisition of property, plant and equipment and land use rights of approximately HK$9,116,000, inventories of approximately HK$2,053,000, other receivables of approximately HK$541,000 and bank and cash balances of approximately HK$4,442,000.

As at 31 December 2006, BAPP Ethanol had liabilities of approximately HK$27,640,000, consisting of trade and other payables of approximately HK$479,000 and an unsecured and interest-free loan from the BAPP Vendor in the amount of approximately HK$27,161,000, with no fixed repayment term. This loan was subsequently capitalised by BAPP Ethanol in May 2007.

The assets and liabilities of BAPP Ethanol did not have any significant exposure to fluctuations in exchange rates and BAPP Ethanol had not used any financial instruments for hedging purposes.

The gearing ratio of BAPP Ethanol as at 31 December 2006 calculated as a ratio of total borrowings to total assets was approximately 99.5%. As at 31 December 2006, BAPP Ethanol had not charged any of its assets and had capital commitments of approximately HK$9,242,000.

BAPP Ethanol, through Ningxia New Tech, commenced construction of an ethanol production facility with a 40,000 tonne production capacity during this period. Completion is expected to be completed by 2010, and the capital expenditure required for the construction of the facility is estimated to be approximately RMB40 million. BAPP Ethanol expects to fund its capital expenditure requirements by a combination of bank borrowings and capital raisings.

As at 31 December 2006, BAPP Ethanol had 29 employees. Remuneration expenses for the period ended 31 December 2006 amounted to approximately HK$314,000.

In June 2007, the BAPP Vendor injected into BAPP Ethanol a technology for producing ethanol with an attributed value of HK$89.8 million, for nominal consideration.

CEC Ethanol

CEC Ethanol is the holding company of the CEC Ethanol Group and does not carry on any business activities. The operating company in the CEC Ethanol Group is Harbin Distillery, a Sino-foreign equity joint venture established in the PRC on 23 June 2006 that is 72.7% owned by CEC Ethanol. The remaining 27.3% is owned by Harbin Light Industry. Since its establishment, Harbin Distillery has engaged in the sale and distribution of ethanol to traditional Chinese white spirits and overseas shochu producers. Harbin Distillery is currently developing a 150,000 tonne ethanol production facility in the Harbin LiMin Economic & Technological Development Zone. As the facility is under construction, Harbin Distillery is not presently engaged in any ethanol production. It is currently expected that construction with respect to a 60,000 tonne production capacity can be completed by the end of 2008, and construction with respect to the remaining 90,000 tonne production capacity can be completed in 2010. The capital expenditure required for the construction of the entire 150,000 tonne ethanol production facility is estimated to be approximately RMB320 million. CEC Ethanol expects to fund its capital expenditure requirements by a combination of bank borrowings and capital raisings.

The CEC Vendor, through CEC Ethanol, had originally committed to invest an amount of RMB160 million in Harbin Distillery for its indirect 72.7% equity interest in Harbin Distillery, by way of contribution to its registered capital through CEC Ethanol. CEC Ethanol, as the legal owner of the interest in Harbin Distillery, has contributed RMB100 million in cash as at 31 December 2006, which amount had been advanced by the CEC Vendor as a shareholder loan, and was capitalised on 9 May 2007. The remaining RMB60 million is required to be contributed by December 2007. It is intended that the outstanding balance will be paid by the Company when it falls due after completion of the Acquisitions.

The contribution made and to be made by Harbin Light Industry to Harbin Distillery for its 27.3% equity interest in Harbin Distillery consists of certain ethanol production plant and equipment to be transferred to Harbin Distillery once construction of its ethanol production plant is complete, as well as brands, technology know-how, and sales networks. Harbin Factory has produced and distributed premium grade ethanol since 1918, and includes in its customer base the premium liquor producers in China. The intangible assets involved, which were attributed a value of RMB50 million, had been valued by a qualified PRC valuation firm.

Harbin Distillery currently has 10 employees. It is expected that Harbin Distillery's headcount will increase to approximately 240 employees after Harbin Distillery reaches its full production capacity of 150,000 tonnes in 2009-2010.

Processing Agreement

As the CEC Ethanol Group does not presently have any production capability, Harbin Distillery has entered into the New Processing Agreement with Harbin Factory, pursuant to which Harbin Factory has agreed to produce ethanol for Harbin Distillery on a tolling basis. This agreement is intended to continue in force until Harbin Factory has completed the transfer of its plant and equipment to the CEC Ethanol Group upon completion of the construction of its production facility. Please refer to the section "New Processing Agreement" below for the details of the New Processing Agreement.

Harbin Factory is an associate of Harbin Light Industry. Upon completion of the CEC Acquisition, both Harbin Light Industry and Harbin Factory will become connected persons of the Company, and the transactions under the New Processing Agreement will constitute connected transactions of the Company. Please refer to "New Processing Agreement" below for further details.

Financial information on the CEC Ethanol Group

The following table shows certain audited and unaudited financial information on the CEC Ethanol Group for the period commencing from 28 March 2006, being the date of incorporation of CEC Ethanol, to 31 December 2006 and the three months ended 31 March 2007, prepared in accordance with HKFRS:

	Period from 28 March 2006 to 31 December 2006 *HK$'000* *(audited)*	**Three months ended 31 March 2007** *HK$'000* *(unaudited)*
Net profit/(loss) before tax	(677)	530
Net profit/(loss) after tax	(677)	530
Net asset value	959	3,577
Turnover	–	52,897
Total assets	148,438	180,914

For the period from 28 March 2006 to 31 December 2006, CEC Ethanol had not commenced any trading and did not record any turnover. During this period, CEC Ethanol incurred a net loss of approximately HK$677,000 as a result of general and administrative expenses incurred during the period.

As at 31 December 2006, CEC Ethanol had assets of approximately HK$148,438,000 representing property, plant and equipment of approximately HK$4,316,000, deposits paid for the acquisition of property, plant and equipment and land use rights of approximately HK$62,660,000, intangible assets of approximately HK$49,730,000 and bank and cash balances of approximately HK$31,732,000. The intangible assets comprise the brands and customer base contributed by Harbin Light Industry as part of its contribution to the registered capital of Harbin Distillery.

As at 31 December 2006, CEC Ethanol had liabilities of approximately HK$98,058,000, representing an unsecured and interest-free loan from the CEC Vendor with no fixed repayment terms. This loan was subsequently capitalised by CEC Ethanol in May 2007.

The assets and liabilities of CEC Ethanol did not have any significant exposure to fluctuations in exchange rates and CEC Ethanol had not used any financial instruments for hedging purposes.

The gearing ratio of CEC Ethanol as at 31 December 2006 calculated as a ratio of total borrowings to total assets was approximately 66.1%. As at 31 December 2006, CEC Ethanol had not charged any of its assets and had capital commitment of HK$60,169,000.

During the period, CEC Ethanol, through Harbin Distillery, commenced construction of an ethanol production facility. Completion of the first phase, with a 60,000 tonne production capacity, is expected to be completed by the end of 2008, and completion of the second phase, with a further 90,000 tonne capacity, is expected to be completed by 2010. The capital expenditure required for the construction of the entire facility is estimated to be approximately RMB320 million. CEC Ethanol expects to fund its capital expenditure requirements by a combination of bank borrowings and capital raisings.

As at 31 December 2006, CEC Ethanol had no employees, and no remuneration expenses had been incurred for the period ended 31 December 2006.

Business model and trading prospects

It is intended that the Combined Ethanol Group will enter into the ethanol market initially through the consumable ethanol sector, by way of CEC Ethanol's equity joint venture, Harbin Distillery, which owns brands and sales networks of premium grade ethanol. Harbin Distillery has acquired Harbin Factory's "Ice Land Brand Ethanol" (冰城牌酒精) from Harbin Factory, which branding is recognised by industry participants as being associated with quality premium grade ethanol. The CEC Ethanol Group's sales network comprises the customer base of Harbin Factory, which consists of Chinese white spirits producers throughout China, as well as overseas shochu producers.

Initially, the BAPP Ethanol Group intends to focus on producing and selling consumable ethanol in the Northwest region of China. The initial target customer base of Ningxia New Tech consists of traditional Chinese white spirit producers. BAPP Ethanol Group commenced limited production in April 2007, and its production capacity is expected to reach 40,000 tonnes by 2010.

The CEC Ethanol Group has taken over the marketing and sales functions of Harbin Factory, and is selling ethanol products produced for it by Harbin Factory through the processing agreement described above, to former customers of Harbin Factory. The customers are principally traditional Chinese white spirits and overseas shochu producers, with the former accounting for approximately 60% of the client base. The CEC Ethanol Group will continue to engage in sale and distribution of consumable ethanol manufactured for it by Harbin Factory, until construction of Harbin Distillery's 60,000 tonne capacity production facility is completed in 2008, at which time Harbin Distillery will commence production and Harbin Factory's operations will cease. All products produced by the CEC Ethanol Group initially will be consumable ethanol mainly supplied as a base for alcoholic beverages. Production capacity is expected to reach 150,000 tonnes by 2010.

For consumable ethanol, the marketing and distribution functions of the BAPP Ethanol Group and the CEC Ethanol Group will be centralised.

In the medium term, it is also intended that the Combined Ethanol Group will penetrate the fuel ethanol sector, which may be achieved by any combination of (i) applying for production licenses from the Chinese government, (ii) forming joint ventures with licensed producers in China; (iii) technology licensing to licensed producers in China and (iv) expanding into overseas markets through exporting, forming joint venture or technology licensing.

According to the National Development and Reform Commission ("**NDRC**"), the authorised regulator of fuel ethanol in China, and the Eleventh Five-year Plan, the government plans to increase the fuel ethanol consumption to 5 million tonnes by the end of 2010. The NDRC has published guidelines (in the process of discussions and approvals) for the approval of future licences to produce ethanol, especially fuel ethanol. It discourages producers that use feedstock such as corn and other grains as raw materials for any type of ethanol production, while encouraging the use of non-feedstock in the production process which uses less land. As most existing and proposed production processes for ethanol (including fuel ethanol) in China are based on grain, mainly corn, 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. Also, the BAPP Ethanol Group will explore the options of cooperating with licensed ethanol producers by joint venture or by technology licensing.

9. INFORMATION ON THE EXISTING BUSINESSES

The Existing Businesses comprise the ATL Group and the GAL Group. ATL is the holding company of the Company's interests in its production and sales of dairy products business. GAL is the holding company of the Company's interests in its handbag and garments business.

The following table shows certain financial information on the Existing Businesses for the two years ended 31 December 2006, prepared in accordance with HKFRS:

	The Existing Businesses		**The Group**	
	Year ended 31 December 2005	**Year ended 31 December 2006**	**Year ended 31 December 2005**	**Year ended 31 December 2006**
	HK$'000 *(audited)*	*HK$'000* *(audited)*	*HK$'000* *(audited)*	*HK$'000* *(audited)*
Net loss before tax	(17,655)	(26,787)	(30,159)	(32,840)
Net loss after tax	(15,214)	(25,665)	(27,718)	(31,718)
Net asset value[(1)]	(62,120)	(81,289)	9,254	722
Turnover	115,786	167,420	115,786	167,420
Total assets	140,720	139,051	142,147	139,878

Note (1): The difference in the net asset value of the Existing Businesses and the net asset value of the Group consists of (i) the net asset value of the Company of HK$52,903,000 as at 31 December 2006 and HK$42,266,000 as at 31 December 2005 comprised mainly of cash and cash equivalents and other receivables, and (ii) a provision for a shareholder's loan in the amount of HK$29,108,000 owed by the GAL Group to the Company in both 2006 and 2005.

As at 31 December 2006, the operations of the Existing Businesses constituted approximately 99.4% of the Group's total assets. The remaining 0.6% of the Group's total assets as at that date comprised mainly cash and cash equivalents and other receivables of the Company.

Prior to completion of the Disposal, ATL and GAL are each treated as a subsidiary of the Company and their financial results are consolidated with those of the Company. After completion of the Disposal, the Company will no longer hold any shareholding interest in either ATL or GAL, and they will cease to be subsidiaries of the Company.

Following the Disposal, the Company expects to recognise an unaudited gain of approximately HK$1,093,000 in its financial statements. Such gain is the difference between the consideration for the Disposal and the aggregate unaudited combined net asset value of the Existing Businesses as at 31 December 2006 of approximately HK$1,181,000 based on the audited financial statements of the Existing Businesses for the year ended 31 December 2006 and net of exchange reserve of HK$714,000 as at 31 December 2006. The final amount of the actual gain or loss as a result of the Disposal will be determined as at the date of completion of the Disposal when the amount of such gain or loss is actually realised based on the combined net asset value of ATL and GAL as at that date.

The Company expects to receive proceeds from the Disposal of approximately US$200,000 (approximately HK$1,560,000). The Company intends to use the estimated net proceeds as general working capital for the businesses of BAPP Ethanol and CEC Ethanol to be acquired pursuant to the BAPP Acquisition Agreement and the CEC Acquisition Agreement.

10. FINANCIAL EFFECTS OF THE TRANSACTIONS

Set out below is a summary of the unaudited pro forma financial information of the Resulting Group before and after the completion of the Acquisitions and the Disposal, as extracted from "Unaudited pro forma financial information on the Resulting Group" in Appendix V of this circular and prepared on the basis set out on page 152 of Appendix V of this circular. The unaudited pro forma financial information is prepared to provide information about how the Acquisitions and the Disposal would affect the relevant financial information of the Resulting Group as at and for the year ended 31 December 2006. As it is for illustrative purposes only and because of its nature, it may not give a true picture of the results and financial position of the Resulting Group for any future financial periods or dates.

	Before completion of Acquisitions and Disposal	**After completion of Acquisitions and Disposal**
	HK$'000	*HK$'000*
Total assets	139,878	267,908
Total liabilities	127,385	4,265
Net assets	12,493	263,643
Net current assets	24,749	36,836
Gearing ratio (total borrowings/total assets)	54.4%	–%
Turnover	167,420	–
(Loss)/profit for the year	(31,718)	85,423

Based on the above, upon completion of the Acquisitions and the Disposal on the basis set out on page 152 of Appendix V of this circular, the total assets and net assets of the Resulting Group would increase by 91.5% and 2,010.3%, respectively, whereas the total liabilities of the Resulting Group would decrease by 96.7%. This is mainly attributable to the deconsolidation of the Existing Businesses after the Disposal and the consolidations of the Combined Ethanol Group after the Acquisitions. The Existing Businesses contributed a deficiency of assets of HK$81,289,000 as at 31 December 2006 whereas the Combined Ethanol Group would contribute to the Company total assets of HK$265,521,000, total liabilities of HK$2,979,000 and net assets of HK$262,542,000.

Upon completion of the Acquisitions and the Disposal on the basis set out on page 152 of Appendix V of this circular, the turnover of the Resulting Group would be nil. This is because the Combined Ethanol Group was in a start up stage in 2006 and had not commenced operations. As at the Latest Practicable Date, both the BAPP Ethanol Group and the CEC Ethanol Group have commenced operations, and will be contributing turnover to the Resulting Group as a result of the Acquisitions and the Disposal.

The Group recorded a loss of approximately HK$31,718,000 in the year ended 31 December 2006. Upon completion of the Acquisitions and the Disposal on the basis set out on page 152 of Appendix V of this circular, the Resulting Group would record a profit of approximately HK$85,423,000. This is mainly due to an extraordinary gain arising from the excess of the Resulting Group's share of the fair value of the net identifiable assets of the Combined Ethanol Group over their cost of acquisition under the Acquisitions.

The gearing ratio of the Resulting Group would decrease from 54.4% before the Acquisitions and Disposal to zero after completion of Acquisitions and Disposal, due to the decrease in total liabilities of the Resulting Group.

Working Capital

The Directors are of the view that the Resulting Group will, following the completion of the Acquisitions and the Disposal and taking into account the present internal financial resources and available credit facilities as well as the proceeds of the Placing, have sufficient working capital for its requirements in the next 12 months from the Latest Practicable Date.

11. REASONS FOR AND BENEFITS OF THE ACQUISITIONS AND THE DISPOSAL

As set out in the Company's annual report for the year ended 31 December 2006, the Company recorded an audited loss attributable to Shareholders for the year of HK$25.8 million. In view of the loss position, the Board has been re-evaluating the Group's business operations and asset structure. The Board believes that the handbag and accessories manufacturing sector will continue to face intense competition and margin pressure. The Board anticipates that increasing labour costs across the PRC and lack of product differentiation for OEM producers will negatively impact profit margins for the foreseeable future.

The Group's dairy segment has not performed well in its first year of operations, and the overall prospects for the mainland dairy sector have become increasingly challenging. Earnings of all but the largest dairy companies are in decline as a result of higher operational costs. The dramatic increase in promotion spending by the major players in the industry in an attempt to boost market share has made it increasingly difficult for small to medium size producers to compete.

At the same time, the Directors consider that the Acquisitions provide an opportunity to improve the Group's earnings base. Base ethanol (grain alcohol), which Harbin Distillery distributes, represents 40-60% of the cost of goods sold in the production of traditional Chinese white spirits. The Chinese white spirits industry generates over RMB60 billion in revenues each year. The revenue growth for the industry is 13% per annum. This growth has been fuelled in part by the recent resurgence of premium traditional white spirits. Growth in this sector is expected to continue in double digits for the near to medium term. The Acquisitions should enable the Group to benefit from the continued growth in premium traditional white spirits sales. At the same time, demand of premium grade ethanol as raw material for cosmetic products in overseas markets, such as Japan and European countries, is also increasing, providing the Group with another avenue for growth.

The Acquisitions will provide the Company with important synergies. The CEC Ethanol Group has transferred the brands, technology know-how and sales networks from Harbin Factory, which has produced and distributed premium ethanol since 1918. Their customer base includes the premium liquor producers in China. Thus, the BAPP Ethanol Group is able to produce and distribute ethanol with the CEC Ethanol Group's brand and sales networks, while CEC Ethanol Group is able to produce ethanol with the BAPP Ethanol Group's cost-saving technology. The BAPP Ethanol Group produces ethanol with beetroot, a non-feedstock that demands less land than corn for each tonne of ethanol. The capital expenditure and operating costs per ton of output are lower than the output by traditional processes. The BAPP Ethanol Group's production process also satisfies the PRC Government's policies of increasing production of ethanol without straining feedstock and cultivating arable land in an efficient and cost effective manner.

The Directors feel that the Acquisitions could potentially also provide an alternative energy opportunity. 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 NDRC and the Eleventh Five-year Plan, the PRC Government plans to the expand fuel ethanol production capacity and consumption from the current approximately 1 million tonnes to 5 million tonnes by the end of 2010. 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.

The Directors have considered the potential disadvantages of the Acquisitions and the Disposal. These include the limited track record of the Combined Ethanol Group to be acquired, the capital intensive nature of the businesses of the Combined Ethanol Group, and the highly regulated nature of the proposed fuel ethanol business. The Directors believe that these risks can be adequately managed and/or are offset by the potential benefits of the Acquisitions and the Disposal as described above.

The terms and conditions of the BAPP Acquisition Agreement, the CEC Acquisition Agreement and the Disposal Agreement, as well as the consideration under each such agreement, were determined between the relevant parties at arms' length, and the Directors consider that the terms and conditions of these agreements are fair and reasonable and in the best interests of the Company and the Shareholders as a whole. In coming to their opinion, the Directors have taken into account, in particular, (i) their forecasts of the future prospects of the Group's handbag and accessories business and dairy business conducted through the Existing Businesses, respectively, (ii) the consideration payable by OIL for the Existing Businesses, which represents an estimated premium of approximately 32.1% to the aggregate unaudited combined net asset value of the Existing Businesses as at 31 December 2006 of approximately HK$1,181,000 based on the audited financial statements of the Existing Businesses for the year ended 31 December 2006, and (iii) the consideration payable by the Company as purchaser in the Acquisitions, which the Directors consider is fair and reasonable having regard to the unaudited combined net asset value of the Combined Ethanol Group as at 31 March 2007 of HK$1.5 million, plus the subsequent capitalisation of shareholder's loans for BAPP Ethanol and CEC Ethanol in the aggregate amount of

HK$133.3 million on 9 May 2007 as well as the proposed injection of a technology for producing ethanol with an attributed value of HK$89.8 million into BAPP Ethanol for nominal consideration in June 2007.

12. NEW PROCESSING AGREEMENT

Harbin Distillery and Harbin Factory entered into the New Processing Agreement on 23 May 2007 to regulate the arrangements by which Harbin Factory shall process raw materials supplied by Harbin Distillery into ethanol products for a processing fee. The principal terms of the New Processing Agreement are as follows:

Principal Terms

Parties: (1) Harbin Distillery
(2) Harbin Factory

Date: 23 May 2007

Processing arrangement: Harbin Distillery shall supply raw materials for Harbin Factory to manufacture into the following amounts of ethanol, gluten feed and carbon dioxide for a specified processing fee during the following periods:

	Ethanol *(tonnes)*	**Gluten feed and carbon dioxide** *(tonnes)*
1 May 2007 – 31 December 2007	40,000	35,000
1 January 2008 – 31 December 2008	60,000	52,800
1 January 2009 – 31 December 2009	60,000	52,800

Processing fee: The processing fee is charged at RMB1,320 per tonne of ethanol produced, subject to a 0.5% adjustment based on the actual costs of production incurred by Harbin Factory. The processing fee is inclusive of all production costs such as water, energy consumption and labour fees, plant and machinery depreciation costs, as well as value added tax. The fee is to be paid in cash upon invoice on a monthly basis.

The processing fee was determined from arm's length negotiations based on the actual costs previously incurred and likely to be incurred by Harbin Factory in providing the processing services.

Term:	The New Processing Agreement shall be effective from the date of execution of the agreement and expire on 31 December 2009, provided however that Harbin Distillery has the right to terminate the agreement earlier after the construction of its ethanol production facility has been completed (expected to take place in 2008).

Annual caps

Based on limited available historical data and Harbin Distillery's projected sales and distribution over the term of the New Processing Agreement as explained below, it is anticipated that, for the relevant periods covered by the New Processing Agreement, the maximum aggregate amounts to be paid to Harbin Factory by Harbin Distillery under the New Processing Agreement will not exceed:

	RMB	*HK$*
For the period from 1 May 2007 to 31 December 2007	53,064,000	54,125,280
For the year ending 31 December 2008	79,596,000	81,187,920
For the year ending 31 December 2009	79,596,000	81,187,920

These annual caps have been determined based on the maximum production capacity of the Harbin Factory of 60,000 tonnes per year, the processing fee of RMB1,320 per tonne of ethanol and the permitted 0.5% adjustment. They provide a monthly average fee of RMB6,633,000 (HK$6,765,660), representing 1.6 times the monthly average amount of RMB4,238,250 (HK$4,323,015) paid by Harbin Distillery to Harbin Factory for ethanol production since the transactions commenced, based on an aggregate of RMB16,953,000 (HK$17,292,000) for the four months ended 30 April 2007. The increase over the historical average monthly rate is due to the fact that Harbin Distillery's sales and distribution operations were in a start-up stage during such four month period.

Based on the above annual caps, the applicable percentage ratios for the transactions contemplated by the New Processing Agreement are greater than 25%. 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, assuming completion of the CEC Acquisition.

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 New Processing Agreement

Harbin Factory is a State-owned enterprise established in the PRC and has been producing and distributing premium grade ethanol since 1918, and includes in its customer base premium liquor producers in the PRC. Harbin Factory is an associate of Harbin Light Industry.

Harbin Distillery, a Sino-foreign equity joint venture established in the PRC, is engaged in the sale and distribution of ethanol to traditional Chinese white spirits and overseas shochu producers, and is owned as to 72.7% by CEC Ethanol and as to 27.3% by Harbin Light Industry.

Under the terms of Harbin Distillery's articles of association and joint venture contract, the contribution to registered capital made and to be made by Harbin Light Industry to Harbin Distillery for its 27.3% equity interest consists of Harbin Factory's customer base, brands and ethanol production plant and equipment. During the construction of Harbin Distillery's production plant, Harbin Distillery is unable to take delivery of and deploy such plant and equipment for ethanol production. Accordingly, it is necessary during the construction of its production plant for Harbin Distillery to obtain ethanol from Harbin Factory under an effective outsourcing arrangement pursuant to the New Processing Agreement in order that Harbin Distillery can continue to sell to the customer base transferred to it by Harbin Factory. It is necessary for Harbin Distillery to outsource to Harbin Factory, and not to other third parties, as Harbin Distillery needs to ensure that production methods and product quality is maintained for the same customer base. The New Processing Agreement is intended to continue in force until Harbin Distillery has completed the construction of its production facility, at which time Harbin Factory can transfer such plant and equipment to Harbin Distillery, or until 31 December 2009, whichever is earlier. The agreement ensures that Harbin Distillery will have a steady supply of ethanol products for its sales and distribution business over the period that it is developing its production facility. Given that the processing fees are determined on an at-cost basis, and given that Harbin Distillery will be deploying the same plant and machinery currently used by Harbin Factory for its future production to serve the same customer base, the Directors believe that the terms of the transactions under the New Processing Agreement are fair and reasonable and in the interests of the Shareholders as a whole, assuming completion of the CEC Acquisition.

13. GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the Company's annual general meeting held on 23 May 2007, the resolution proposed to grant to the Directors the general mandate to allot, issue and deal with up to 66,400,000 Shares (the "**Present Mandate**"), representing 20% of the then issued capital of the Company was duly approved by the Shareholders. As at the Latest Practicable Date, the Company has allotted and issued 58,000,000 Shares under the Present Mandate, representing approximately 14.9% of the existing issued share capital of the Company, pursuant to the Placing which completed on 18 June 2007. The Company raised net proceeds of approximately HK$92,000,000 from the Placing, which the Company has utilised and will continue to utilise as general working capital. As at the Latest Practicable Date, the Company has not renewed the Present Mandate since the annual general meeting.

The share capital of the Company has been enlarged as a result of the Placing. At the EGM, the Directors will seek the approval of the Shareholders for the grant of a new general mandate to the Directors to allot, issue and deal with the additional Shares not exceeding 20% of the issued share capital of the Company as at the date of the grant of such mandate.

The Directors will also seek the approval of the Shareholders to add to such general mandate the number of any Shares repurchased by the Company representing up to 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the grant of such mandate.

An explanatory statement explaining the Repurchase Mandate is set out in Appendix VIII to this circular as required by the Listing Rules.

The results of the resolutions to be proposed at the EGM in relation to the General Mandates and the Repurchase Mandate described above will not affect the results of the resolutions relating to, or the completion of, the Acquisitions.

14. SHAREHOLDER APPROVAL

Acquisitions and issuance of Consideration Shares

As (i) each of the BAPP Vendor and the CEC Vendor is a connected person of the Company, and (ii) at least one of the relevant percentage ratios of the Acquisitions when aggregated (by reason of the Acquisitions constituting a series of related transactions as described in Rule 14.22 of the Listing Rules) equals to or exceeds 100%, the Acquisitions constitute a very substantial acquisition and a connected transaction for the Company. The Acquisitions are therefore conditional upon the approval of the Independent Shareholders at the EGM on which voting shall be taken by poll.

In addition, the issuance of the Consideration Shares shall be subject to the approval of the Shareholders at the EGM pursuant to Rule 13.36(1)(a) of the Listing Rules.

Disposal

As (i) CEC is a connected person of the Company, and (ii) at least one of the relevant percentage ratios of the Disposal equals to or exceeds 100%, the Disposal constitutes a very substantial disposal and a connected transaction for the Company. The Disposal is therefore conditional upon the approval of the Independent Shareholders at the EGM on which voting shall be taken by poll.

Continuing Connected Transactions

As (i) Harbin Factory is an associate of Harbin Light Industry, (ii) Harbin Light Industry would become a connected person of the Company upon completion of the CEC Acquisition, and (iii) at least one of the relevant percentage ratios of the annual caps under the New Processing Agreement exceeds 25%, the transactions under the New Processing Agreement would constitute continuing connected transactions of the Company upon completion of the CEC Acquisition. The New Processing Agreement and the transactions thereunder are therefore conditional upon the approval of the Independent Shareholders at the EGM on which voting shall be taken by poll.

General mandates to issue and repurchase Shares

The grant of the General Mandates is conditional upon the approval by the Independent Shareholders at the EGM on which voting shall be taken by poll.

As a Shareholder and connected person having a material interest in the Acquisitions and the Disposal, OIL and its associates shall abstain from voting on the respective resolutions regarding the Acquisitions, the issuance of the Consideration Shares, and the Disposals thereunder. As the approval of the New Processing Agreement and the Continuing Connected Transactions is a condition to the CEC Acquisition, in which OIL has a material interest, OIL shall also abstain from voting on the resolution regarding the Continuing Connected Transactions. Pursuant to Rule

13.36(4) of the Listing Rules, OIL shall as the Company's only controlling shareholder abstain from voting in favour of the resolutions regarding the grant of the General Mandates. The Shares held by OIL, being the only abstaining party, represent 50.0% of the Company's issued share capital as at the Latest Practicable Date.

The Company has established the Independent Board Committee comprising all the independent non-executive Directors to consider and advise the Independent Shareholders with respect to the Acquisitions, the Disposal, the Continuing Connected Transaction and the grant of the general mandates to issue Shares. The Company has appointed Somerley Limited as independent financial adviser to advise the Independent Board Committee and Independent Shareholders with respect to the Acquisitions, Disposal, Continuing Connected Transaction and grant of the general mandate.

15. EXTRAORDINARY GENERAL MEETING

Set out on pages 182 to 187 in this circular is a notice convening the EGM which will be held at The Ritz-Carlton Hotel, 3 Connaught Road, Central, Hong Kong, Chater Room I, Level B1 on 16 July 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing resolutions in respect of, among other things, the Acquisitions, the Disposal, the Continuing Connected Transactions and the grant of the General Mandates.

Enclosed is a form of proxy for use at the EGM. Whether or not you are able to attend the EGM, you are requested to complete the proxy form in accordance with the instructions printed thereon, and return and deposit the same at the Company's share register in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the holding of the EGM. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

Pursuant to the Article 80 of the articles of association of the Company, at any general meeting a resolution put to the vote the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

(i) the Chairman of the meeting; or

(ii) at least five members present in person or by proxy and entitled to vote; or

(iii) any member or members present in person (or in the case of a corporation, by its duly authorized representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or

(iv) any member or members present in person (or in the case of a corporation, by its duly authorized representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

In compliance with the Listing Rules, the votes taken at the EGM to seek approval of the Acquisitions, the Disposal, the Continuing Connected Transactions and the grant of the General Mandates will be taken by poll.

16. RECOMMENDATIONS

Your attention is drawn to the letter of advice from the Independent Board Committee set out on pages 35 to 36 of this circular containing its advice to the Independent Shareholders, and the Letter from Somerley Limited set out on pages 37 to 61 of this circular containing its advice to the Independent Board Committee and the Independent Shareholders, in relation to the Acquisitions, the Disposal, the Continuing Connected Transactions and the grant of the general mandates to issue Shares.

Taking into account the reasons set out above, the Directors (including the independent non-executive Directors) consider that the Acquisitions, Disposal, Continuing Connected Transactions and grant of the General Mandates are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and therefore recommend the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM to approve the Acquisitions, Disposal and Continuing Connected Transactions and grant of General Mandates. You are advised to read the letter from the Independent Board Committee and the letter from Somerley Limited referred to above before deciding on how to vote at the EGM.

17. FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
Wealthmark International (Holdings) Limited
Peter Lo
Chairman

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)

29 June 2007

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION CONCERNING ETHANOL BUSINESSES AND CONNECTED TRANSACTION

VERY SUBSTANTIAL DISPOSAL CONCERNING EXISTING BUSINESSES AND CONNECTED TRANSACTION

CONTINUING CONNECTED TRANSACTIONS RELATING TO VERY SUBSTANTIAL ACQUISITION

ISSUANCE OF NEW SHARES PURSUANT TO VERY SUBSTANTIAL ACQUISITION

GENERAL MANDATE TO ISSUE SHARES

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Acquisitions, Disposal, Continuing Connected Transactions and grant of the General Mandates, details of which are set out in the Letter from the Board in the circular of the Company dated 29 June 2007 (the "**Circular**"). Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

Your attention is drawn to the Letter from Somerley Limited in the Circular containing the advice of Somerley Limited in respect of the Acquisitions, Disposal, Continuing Connected Transactions and grant of the general mandates to issue Shares.

RECOMMENDATION

We have considered the principal factors taken into account by Somerley Limited in arriving at its opinion in respect of the Acquisitions, Disposal, Continuing Connected Transactions and grant of the general mandate to issue Shares. We concur with the views of Somerley Limited that the Acquisitions, Disposal, Continuing Connected Transactions and grant of the general mandate to issue Shares are fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions in respect of the Acquisitions, the Disposal, the Continuing Connected Transactions and the grant of the general mandate to issue Shares at the EGM.

Yours faithfully,
For and on behalf of the Independent Board Committee
Dr. Loke Yu, Dr. Leung Kwan-Kwok and Mr. Zuchowski Sam
Independent Non-executive Directors

The following is the letter of advice from Somerley Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.

SOMERLEY LIMITED
10th Floor
The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

29 June 2007

To: The Independent Board Committee
and the Independent Shareholders

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION CONCERNING THE ACQUISITION OF THE ETHANOL BUSINESSES AND VERY SUBSTANTIAL DISPOSAL CONCERNING THE DISPOSAL OF THE EXISTING BUSINESSES CONSTITUTING CONNECTED TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND GRANT OF GENERAL MANDATE TO ISSUE SHARES

I INTRODUCTION

We refer to our appointment to act as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of (i) the BAPP Acquisition whereby the Company will acquire the entire issued share capital in BAPP Ethanol; (ii) the CEC Acquisition whereby the Company will acquire the entire issued share capital in CEC Ethanol; (iii) the Disposal whereby the Company will sell the entire issued share capital of each of ATL and GAL; (iv) the New Processing Agreement in relation to the arrangements by which Harbin Factory shall process raw materials supplied by Harbin Distillery into ethanol products; and (v) the grant of the general mandate to issue Shares. Details of the Acquisitions, the Disposal, the New Processing Agreement and the grant of the general mandate to issue Shares are contained in the circular of the Company to the Shareholders dated 29 June 2007 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular.

Each of the BAPP Vendor and the CEC Vendor is a connected person of the Company and at least one of the relevant percentage ratios of the Acquisitions when aggregated (by reason of the Acquisitions constituting a series of related transactions as described in Rule 14.22 of the Listing Rules) equals to or exceeds 100%, the Acquisitions therefore constitute a very substantial acquisition and a connected transaction for the Company. As CEC is a connected person of the Company and at least one of the relevant percentage ratios of the

Disposal equals to or exceeds 100%, the Disposal therefore constitutes a very substantial disposal and a connected transaction for the Company. As Harbin Factory is an associate of Harbin Light Industry and Harbin Light Industry would become a connected person of the Company upon completion of the CEC Acquisition, and based on the amounts of the annual caps under the New Processing Agreement, the transactions under the New Processing Agreement would constitute continuing connected transactions of the Company upon completion of the CEC Acquisition. The Acquisitions, the Disposal and the Continuing Connected Transactions are therefore conditional upon the approval of Independent Shareholders at the EGM on which voting shall be taken by poll. The grant of the General Mandates is conditional upon the approval of the Independent Shareholders at the EGM on which voting shall be taken by poll.

As the Acquisitions and the Disposal are inter-conditional, we have considered the Acquisitions and the Disposal as one overall transaction and their effect on the Group in aggregate. As each of the counterparties in the various agreements relating to the Acquisitions, the Disposal and the Continuing Connected Transactions are associates of OIL, being the controlling shareholder of the Company, OIL and its associates shall abstain from voting at the EGM in respect of the resolutions to approve the aforesaid transactions. Upon Completion, the interests of OIL and its associates will increase from approximately 50.0% to 65.5% of the enlarged issued share capital of the Company. The Independent Board Committee, comprising the independent non-executive Directors, namely, Dr. Loke Yu, Dr. Leung Kwan-Kwok and Mr. Zuchowski Sam has been constituted to make a recommendation to the Independent Shareholders as regards to the terms of the Acquisitions, the Disposal, the Continuing Connected Transactions and the grant of the general mandate to issue Shares.

Somerley is not associated with the Company or its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the Acquisitions, the Disposal, the Continuing Connected Transactions and the grant of general mandate to issue Shares. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or its substantial Shareholders.

In formulating our opinion, we have reviewed, among other materials, the accountants' report on the BAPP Ethanol Group and the CEC Ethanol Group and the independent valuation reports on the technology to be injected into the BAPP Ethanol Group ("Technology") and the audited financial statements of the Group. We have discussed with the Board the past performance and future prospects of the Group and with Sallmanns (Far East) Limited (the "Valuer") the basis, assumptions and the methodology used in preparing the valuation reports on the Technology. We have relied on the information and facts supplied, and opinions expressed, by the Directors and management of the Company, which we have assumed to be true, accurate and complete in all material aspects at the time they were made and as at the date of the Circular and will continue to be true at the date of the EGM.

We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and no material facts have been omitted from the information supplied and opinions expressed. We have relied on such information and consider that we have been provided with and have reviewed sufficient information to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular. We have no reason to believe that any material information has been withheld. We have not, however, conducted an independent investigation into the affairs of the Group or each of the members of the Combined Ethanol Group.

In arriving at our opinion on the terms of the Acquisitions, the Disposal, the Continuing Connected Transactions and the grant of the general mandate to issue Shares, we have taken into consideration the following principal factors and reasons:

II BACKGROUND TO AND REASONS FOR THE ACQUISITIONS AND THE DISPOSAL

(a) Business of the Group

The Existing Businesses comprise the ATL Group and the GAL Group. The ATL Group is engaged in the production and sales of dairy products. The GAL Group is engaged in the handbag and garments business.

Initially established in 1987, the Group was principally engaged in the production of handbag and related garments, providing subcontracting services and the trading of raw materials used in the manufacture of handbags and related garments. The production operations of the GAL Group are located in Huizhou in the Guangdong Province, the PRC and the GAL Group's products were mainly produced on an original equipment manufacturer ("OEM") basis for brandnamed clients and agents to department stores in the United States of America and Europe. The Company was listed on the Stock Exchange in January 2001.

(b) Recent development and current business position of the Group

For the three financial years from the year ended 31 December 2001 to the year ended 31 December 2003, the Group recorded profits after taxation of between HK$11.3 million and HK$13.1 million. For the year ended 31 December 2004, the Group generated a significant loss of approximately HK$104.4 million. The loss incurred during 2004 was the result of a decrease in the sales revenue for handbag and garments or possible unrecorded sales, a decrease in the value of raw materials and provisions for doubtful debts in relation to trading of raw materials.

The significant loss incurred in 2004 has resulted in the Group suffering under severe financial difficulties. In April 2005, OIL became the controlling shareholder of the Group by acquiring an interest representing 75.0% of the then issued Shares and followed by a general offer for the Shares. At the same time, OIL acquired from a group of financial institutions providing financial facilities to the Group an amount of bank loans with an aggregate face value of HK$69 million. Subsequently in July 2005, the Group carried out a rights issue whereby HK$53 million net proceeds were raised as general working capital of the Group.

After the financial position of the Group became stabilised, the Group in December 2005 acquired a new business through ATL for an aggregate consideration of RMB55 million, which was engaged in the production and sales of dairy products in the PRC. At the time, the business acquired by ATL were suffering under significant losses and were under severe deficit in shareholders' funds. The operations were ceased and were under financial and corporate restructuring. It was the intention of the management of the Group that upon the acquisition, the Group will provide the necessary financial support and management support to turn around the new business acquired by ATL.

(c) Financial results and position of the Group

(i) Profit and loss

	Year ended 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*
Turnover	167,420	115,786	235,719
Loss from operations	(26,270)	(28,741)	(103,565)
Loss before tax and minority interests	(32,840)	(30,159)	(106,105)
Loss attributable to shareholders	(31,718)	(27,718)	(104,372)
Dividend	–	–	–

The Group has in recent years suffered from significant losses. Subsequent to the financial restructuring mentioned above, for the year ended 31 December 2005, the Group recorded turnover of HK$115.8 million, representing a decrease of 50.9% over 2004. Loss attributable to shareholders amounted to HK$27.7 million, representing a decrease of 73.4% over 2004. The Directors attributed the improvement to the cessation of raw materials trading of the Group which generated lower gross profit and the relatively lower raw materials costs during the year.

For the year ended 31 December 2006, the Group continued to record losses, recording HK$167.4 million sales and incurring HK$31.7 million loss for the year. The handbag and garments business continued to recover and recorded a 23.2% increase in turnover while gross profit remained low. The handbag industry continued to face keen competition. The performance in 2006 prompted the management to undergo a review of the business operations and asset structure of the Group in terms of the future strategic value.

(ii) Balance sheet

As at 31 December 2006, the Group had total assets of HK$139.9 million, comprising mainly of property, plant and equipment of HK$46.9 million, inventories of HK$30.8 million and trade and other receivables of HK$34.2 million. Cash balances amounted to approximately HK$8.6 million.

The Group had no material bank borrowings and the shareholder's loan from the Group's immediate holding company amounted to HK$76.2 million as at 31 December 2006. In addition, the Group had trade and other payables of approximately HK$43.7 million.

While the asset base of the Group remained relatively thin, the financial position of the Group as a whole is considered to be stable as the controlling shareholder of the Company continues to financially support the operations of the Group. As confirmed by the Directors, the controlling shareholder of the Company has not demanded for repayment of the outstanding shareholder's loan.

(d) Reasons for and benefits of the Acquisitions and the Disposal

As stated in the letter from the Board, in response to the losses suffered by the Group, the Board has been re-evaluating the Group's business operations and asset structure. The Board believed that the handbag and accessories manufacturing sector would continue to face intense competition and margin pressure. The Board anticipated that increasing labour costs across the PRC and the lack of product differentiation for OEM producers would negatively impact profit margins for the foreseeable future.

The Group's dairy segment has not performed well in its first year of operations, and the overall prospects for the mainland dairy sector have become increasingly challenging. Earnings of all but the largest dairy companies are in decline as a result of higher operational costs. The dramatic increase in promotion spending by the major players in the industry in an attempt to boost market share has made it increasingly difficult for small to medium size producers to compete.

The Directors consider that the Acquisitions provide an opportunity to improve the Group's earnings base. Base ethanol (grain alcohol), which Harbin Distillery distributes, represents a key input to the production of traditional Chinese white spirits, accounting for 40%-60% of the cost of goods sold in the production of traditional Chinese white spirits. The Chinese white spirits industry generates over RMB60 billion in revenues each year. The revenue growth for the industry is 13% per annum. The growth has been fuelled in part by the recent resurgence of premium traditional white spirits. The Directors expect that growth in this sector will continue in double digits for the near to medium term. The Acquisitions should enable the Group to benefit from the continued growth in premium traditional white spirits. At the same time, demand for premium grade ethanol as a raw material for cosmetic products in overseas markets, such as Japan and European countries, is also increasing, providing the Group with another avenue for growth.

The Acquisitions will provide the Company with important synergies. The CEC Ethanol Group has transferred the brands, technology know-how and sales networks from Harbin Factory, which has produced and distributed premium ethanol since 1918. Their customer base includes the premium liquor producers in China. Thus, the BAPP Ethanol Group is able to produce and distribute ethanol with the CEC Ethanol Group's brand and sales networks, while CEC Ethanol Group is able to produce ethanol with the BAPP Ethanol Group's cost-saving technology. The BAPP Ethanol Group produces ethanol with beetroot, a non-feedstock that demands less land than corn for each tonne of ethanol. The capital expenditure and operating costs per ton of output are lower than the output by traditional processes. The BAPP Ethanol Group's production process also satisfies the PRC Government's policies of increasing production of ethanol without straining feedstock and cultivating arable land in an efficient and cost effective manner.

As discussed with the Directors, the ethanol produced by the BAPP Group could potentially be used as an alternative fuel. 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 "NDRC"), 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 from the current approximately 1 million tonnes to 5 million tonnes by the end of 2010. 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 enter this market such as required government licences and approvals, the Group intends to actively explore the potential opportunity.

Given the performance and prospects of the Existing Businesses of the Group, we consider that it is commercially logical that the Board shall seek to explore alternative business opportunities and diversification into the Combined Ethanol Group and at the same time seek to limit the losses that the Group is suffering from the ATL Group and the GAL Group.

III INFORMATION ON THE COMBINED ETHANOL GROUP

Information on BAPP Ethanol and CEC Ethanol

BAPP Ethanol

BAPP Ethanol is the holding company of the BAPP Ethanol Group and does not carry on any business activities. The operating company in the BAPP Ethanol Group is Ningxia New Tech, a wholly-owned subsidiary of BAPP Ethanol. Ningxia New Tech possess a 15,000 tonne ethanol production plant located in Yinchuan. Ningxia New Tech operates as a research and development facility exploring more efficient methods of non-feedstock ethanol production. Ningxia New Tech is currently refining a proprietary enzymatic process by which beetroot can be used to generate ethanol in a cost efficient and environmentally conscientious manner. Since its establishment, Ningxia New Tech has focused on the testing of the process; limited production of ethanol commenced in April 2007. Ningxia New Tech intends to expand production capacity to 40,000 tonnes by 2010. The capital expenditure required to reach such capacity is estimated to be approximately RMB40 million. Ningxia New Tech currently has approximately 46 employees, with such number expected to increase to 60 when Ningxia New Tech's production capacity reaches 40,000 tonnes.

The BAPP Vendor originally invested the amount of RMB20 million for its indirect 100% equity interest in Ningxia New Tech, by way of contribution to its registered capital made through BAPP Ethanol's wholly-owned subsidiary. The registered capital of Ningxia New Tech increased to RMB40 million in March 2007, and the BAPP Ethanol's wholly-owned subsidiary has contributed RMB28 million in cash as at 31 December 2006 and a further RMB6 million of cash between January and May 2007. The outstanding amount of RMB6 million of registered capital of Ningxia New Tech is required to be contributed by March 2009. It is intended that the outstanding balance will be paid by the Company when it falls due after completion of the Acquisitions.

Technology

The technology to be injected into BAPP Ethanol prior to completion of the BAPP Acquisition consists of a process using a proprietary formulation of enzymes in a catalytic process to break down the cell wall of plants, with all components kept bio-active and chemically stable under normal temperatures (optimum 30-35˚C). The process transforms the structural components of plant cells as well as sucrose into simple sugars directly for fermentation. Compared with conventional technology for ethanol production, this process produces a higher output as it requires only fermentation without liquefaction and saccharification under normal temperatures. Also, with this technology, the same equipment can be used for different kinds of raw materials (such as beetroot, sweet potato and tapioca), save that the different raw materials must be prepared differently, whereas different types of raw materials must be used with different equipment under traditional ethanol production technology.

This technology saves on capital expenditure (as no tanks are required to be built for liquefaction and saccharification) and operating costs (as the process operates under normal temperature and consumes less raw material for the same level of output).

With further testing and refinement, it is expected that the technology will be able to be applied to non-edible plant products, which would further lower the cost of production. This is in line with the industry trend of moving away from corn-based production to improve feedstock supply and efficiency of use of scarce arable land.

Financial information on the BAPP Ethanol Group

The following table shows certain audited and unaudited financial information on the BAPP Ethanol Group for the period commencing from 18 May 2006, being the date of incorporation of BAPP Ethanol, to 31 December 2006 and the three months ended 31 March 2007, prepared in accordance with HKFRS:

	Period from 18 May 2006 to 31 December 2006 *HK$'000* *(audited)*	**Three months ended 31 March 2007** *HK$'000* *(unaudited)*
Net loss before tax	(1,075)	(1,307)
Net loss after tax	(1,075)	(1,307)
Net asset value	(357)	(2,112)
Turnover	–	–
Total assets	27,283	46,197

For the period from 18 May 2006 to 31 December 2006, BAPP Ethanol had not commenced any trading and did not record any turnover. During this period, BAPP Ethanol incurred a net loss of approximately HK$1,075,000 as a result of general and administrative expenses incurred during the period.

As at 31 December 2006, BAPP Ethanol had assets of approximately HK$27,283,000 representing property, plant and equipment of approximately HK$11,131,000, deposits paid for the acquisition of property, plant and equipment and land use rights of approximately HK$9,116,000, inventories of approximately HK$2,053,000, other receivables of approximately HK$541,000 and bank and cash balances of approximately HK$4,442,000.

As at 31 December 2006, BAPP Ethanol had liabilities of approximately HK$27,640,000, consisting of trade and other payables of approximately HK$479,000 and an unsecured and interest-free loan from the BAPP Vendor in the amount of approximately HK$27,161,000, with no fixed repayment term. This loan was subsequently capitalised by BAPP Ethanol in May 2007.

In June 2007, the BAPP Vendor injected into BAPP Ethanol a technology for producing ethanol for a value of HK$89.8 million.

CEC Ethanol

CEC Ethanol is the holding company of the CEC Ethanol Group and does not carry on any business activities. The operating company in the CEC Ethanol Group is Harbin Distillery, a Sino-foreign equity joint venture established in the PRC on 23 June 2006 that is 72.7% owned by CEC Ethanol. The remaining 27.3% is owned by Harbin Light Industry. Since its establishment, Harbin Distillery has engaged in the sale and distribution of ethanol to traditional Chinese white spirits and overseas shochu producers. Harbin Distillery is currently developing a 150,000 tonne ethanol production facility in the Harbin LiMin Economic & Technological Development Zone. As the facility is under construction, Harbin Distillery is not presently engaged in any ethanol production. It is currently expected that construction with respect to a 60,000 tonne production capacity can be completed by the end of 2008, and construction with respect to the remaining 90,000 tonne production capacity can be completed in 2010. The capital expenditure required for the construction of the entire 150,000 tonnes ethanol production facility is estimated to be approximately RMB320 million.

The CEC Vendor had originally committed to invest an amount of RMB160 million in Harbin Distillery for its indirect 72.7% equity interest in Harbin Distillery, by way of contribution to its registered capital through CEC Ethanol. CEC Ethanol has contributed RMB100 million in cash as at 31 December 2006, and the remaining RMB60 million is required to be contributed by December 2007. It is intended that the outstanding balance will be paid by the Company when it falls due after completion of the Acquisitions.

The contribution made and to be made by Harbin Light Industry to Harbin Distillery for its 27.3% equity interest in Harbin Distillery consists of certain ethanol production plant and equipment to be transferred to Harbin Distillery once construction of its ethanol production plant is complete, as well as brands, technology know-how, and sales networks. Harbin Factory has produced and distributed premium grade ethanol since 1918, and includes in its customer base the premium liquor producers in China.

Harbin Distillery currently has 10 employees. It is expected that Harbin Distillery's headcount will increase to approximately 240 employees after Harbin Distillery reaches its full production capacity of 150,000 tonnes in 2009-2010.

Processing Agreement

As the CEC Ethanol Group does not presently have any production capability, Harbin Distillery has entered into the New Processing Agreement with Harbin Factory, pursuant to which Harbin Factory has agreed to produce ethanol for Harbin Distillery on a tolling basis. This agreement is intended to continue in force until Harbin Factory has completed the transfer of its plant and equipment to the CEC Ethanol Group upon completion of the construction of its production facility.

Financial information on the CEC Ethanol Group

The following table shows certain audited and unaudited financial information on the CEC Ethanol Group for the period commencing from 28 March 2006, being the date of incorporation of CEC Ethanol, to 31 December 2006 and the three months ended 31 March 2007, prepared in accordance with HKFRS:

	Period from 28 March 2006 to 31 December 2006 *HK$'000* *(audited)*	**Three months ended 31 March 2007** *HK$'000* *(unaudited)*
Net profit/(loss) before tax	(677)	530
Net profit/(loss) after tax	(677)	530
Net asset value	959	3,577
Turnover	–	52,897
Total assets	148,438	180,914

For the period from 28 March 2006 to 31 December 2006, CEC Ethanol had not commenced any trading and did not record any turnover. During this period, CEC Ethanol incurred a net loss of approximately HK$677,000 as a result of general and administrative expenses incurred during the period.

As at 31 December 2006, CEC Ethanol had assets of approximately HK$148,438,000 representing property, plant and equipment of approximately HK$4,316,000, deposits paid for the acquisition of property, plant and equipment and land use rights of approximately HK$62,660,000, intangible assets of approximately HK$49,730,000, and bank and cash balances of approximately HK$31,732,000. The intangible assets comprise the brands and customer base contributed by Harbin Light Industry as part of its contribution to the registered capital of Harbin Distillery.

As at 31 December 2006, CEC Ethanol had liabilities of approximately HK$98,058,000, representing an unsecured and interest-free loan from the CEC Vendor with no fixed repayment terms. This loan was subsequently capitalised by CEC Ethanol in May 2007.

Capital expenditure requirements for BAPP Ethanol and CEC Ethanol

BAPP Ethanol, through Ningxia New Tech, commenced construction of an ethanol production facility with a 40,000 tonne production capacity during the period from 18 May 2006 to 31 December 2006. Completion is expected to be completed by 2010, and the capital expenditure required for the construction of the facility is estimated to be approximately RMB40 million. BAPP Ethanol expects to fund its capital expenditure requirements by a combination of bank borrowings, and capital raisings. Out of the RMB40 million, RMB20 million has been paid for the acquisition of the plant and machinery up to 31 December 2006. Accordingly, a further RMB20 million is anticipated to incur for completion of the expansion of the facility.

The construction of the facility of Harbin Distillery with respect to a 60,000 tonne production capacity can be completed by the end of 2008 and the construction with respect to the remaining 90,000 tonne production capacity can be completed in 2010. The capital expenditure required for the construction of the ethanol production facility is estimated to be approximately RMB320 million, of which RMB67 million has been paid for acquisition of plant and machinery, land use right and construction costs up to 31 December 2006. As a result, a further RMB253 million is expected to incur for completion of the 150,000 tonnes facilities. CEC Ethanol expects to fund its capital expenditure requirements by a combination of bank borrowings and capital raisings.

Business model and plan

It is intended that the Combined Ethanol Group will enter into the ethanol market initially through the consumable ethanol sector, by way of CEC Ethanol's equity joint venture, Harbin Distillery, which owns brands and sales networks of premium grade ethanol. Harbin Distillery has acquired Harbin Factory's "Ice Land Brand Ethanol" (冰城牌酒精) from Harbin Factory, which branding is recognised by industry participants as being associated with quality premium grade ethanol. The CEC Ethanol Group's sales network comprises the customer base of Harbin Factory, which consists of Chinese white spirits producers throughout China, as well as overseas shochu producers.

Initially, the BAPP Ethanol Group intends to focus on producing and selling consumable ethanol in the Northwest region of China. The initial target customer base of Ningxia New Tech consists of traditional Chinese white spirit producers. BAPP Ethanol Group commenced limited production in April 2007, and its production capacity is expected to reach 40,000 tonnes by 2010.

The CEC Ethanol Group has taken over the marketing and sales functions of Harbin Factory, and is selling ethanol products produced for it by Harbin Factory through the processing agreement described above, to former customers of Harbin Factory. The customers are principally traditional Chinese white spirits and overseas shochu producers, with the former accounting for approximately 60% of the client base. The CEC Ethanol Group will continue to engage in sale and distribution of consumable ethanol manufactured for it by Harbin Factory, until construction of Harbin Distillery's 60,000 tonne capacity production facility is completed in 2008, at which time Harbin Distillery will commence production and Harbin Factory's operations will cease. All products produced by the CEC Ethanol Group initially will be consumable ethanol mainly supplied as a base for alcoholic beverages. Production capacity is expected to reach 150,000 tonnes by 2010.

For consumable ethanol, the marketing and distribution functions of the BAPP Ethanol Group and the CEC Ethanol Group will be centralised.

In the medium term, the Directors intend that the Combined Ethanol Group will penetrate the fuel ethanol sector, which may be achieved by any combination of (i) applying for production licenses from the Chinese government; (ii) forming joint ventures with licensed producers in China; (iii) technology licensing to licensed producers in China; and (iv) expanding into overseas markets through exporting, forming joint venture or technology licensing.

According to the NDRC, the authorised regulator of fuel ethanol in China, and the Eleventh Five-year Plan, the government plans to increase the fuel ethanol consumption to 5 million tonnes by the end of 2010. The NDRC has published guidelines (in the process of discussions and approvals) for the approval of future licences to produce ethanol, especially fuel ethanol. It discourages producers that use feedstock such as corn and other grains as raw materials for any type of ethanol production, while encouraging the use of non-feedstock in the production process which uses less land. As most existing and proposed production processes for ethanol (including fuel ethanol) in China are based on grain, mainly corn, 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. Also, the BAPP Ethanol Group will explore the options of cooperating with licensed ethanol producers by joint venture or by technology licensing.

With the Group's management expertise in developing business in the PRC, both the BAPP Ethanol Group and the CEC Ethanol Group intend to focus on producing and selling ethanol products in China with target customer base of traditional Chinese white spirit producers and also some overseas shochu producers.

We have discussed with the Company the aforesaid business model and plan, we consider the Company has an extensive plan in place regarding the development of the business of the Combined Ethanol Group.

IV EVALUATION OF THE CONSIDERATION FOR THE ACQUISITIONS

The BAPP Acquisition

The consideration for the BAPP Acquisition is HK$120 million. The consideration was arrived at after arm's length negotiations between the Company and the BAPP Vendor with reference to the favourable business prospects of the BAPP Ethanol Group in the ethanol sector, its unaudited combined net deficit of as at 31 March 2007 of approximately HK$2.1 million, a subsequent capitalisation of a shareholders' loan of HK$34.2 million in May 2007 and the proposed injection of the Technology for producing ethanol in its operations, which is valued at HK$89.8 million.

The following is a summary of the adjusted value of BAPP Ethanol Group:

	HK$ millions
Unaudited combined net deficit of BAPP Ethanol Group as at 31 March 2007	(2.1)
Capitalisation of shareholder's loan	34.2
Injection of the Technology	89.8
Adjusted value	121.9
Consideration for the BAPP Acquisition	120.0

The consideration for the BAPP Acquisition of approximately HK$120 million, represents a small discount of HK$1.9 million, or approximately 1.6% to the above adjusted value of the BAPP Ethanol Group. As the operations of the BAPP Ethanol Group are still in their early stages, the financial performance of the BAPP Ethanol Group will not be an appropriate benchmark for the valuation of the interest in the BAPP Ethanol Group. We consider that the consideration for the BAPP Acquisition, as referenced against the underlying net assets and adjusted for the value of the Technology, which is independently valued, to be appropriate.

The CEC Acquisition

The consideration for the CEC Acquisition is HK$100 million. The consideration was arrived at after arm's length negotiations between the Company and the CEC Vendor with reference to the favourable business prospects of the CEC Ethanol Group in the ethanol sector, and its unaudited combined revenue for the period ended 31 March 2007 and the unaudited combined net asset value as at 31 March 2007 attributable to CEC Ethanol, being approximately HK$3.6 million, and the subsequent capitalisation of a shareholders' loan of HK$99.1 million in May 2007.

The following is a summary of the adjusted value of CEC Ethanol Group:

	HK$ millions
Unaudited combined net asset value of CEC Ethanol Group as at 31 March 2007	3.6
Capitalisation of shareholder's loan	99.1
Adjusted value	102.7
Consideration for the CEC Acquisition	100.0

The consideration for the CEC Acquisition of approximately HK$100 million, represents a small discount of HK$2.7 million, or approximately 2.7% to the above adjusted value of the CEC Ethanol Group.

Taken together, the aggregate of the considerations for the BAPP Acquisition and the CEC Acquisition are determined to be at par with the adjusted net asset value of the BAPP Ethanol Group and the CEC Ethanol Group. On the above basis, we consider that the considerations to be fair and reasonable to the Company as a whole.

Valuation of the Technology

The Technology have been valued by the Valuer as at 30 April 2007 at an aggregate market value of HK$89.8 million.

In assessing the consideration for the BAPP Acquisition, we have reviewed and discussed with the Valuer the methodology of, and basis and assumptions adopted for, the valuation of the Technology as contained in the independent valuation report. For the purpose of the valuation, the Valuer has principally adopted the income approach, taking into account the particular characteristics of the Technology.

Comparison with profit

Each of the BAPP Ethanol Group and the CEC Ethanol Group are in their early phase of development and are yet to record profits or a significant level of profits. Accordingly, in our analysis, it was not possible to evaluate currently the profitability of the two groups. Accordingly, our analysis have focused on the underlying value of the net assets and capital contributed to the two groups.

Method of funding

The consideration for the Acquisitions will be satisfied by issuance of an aggregate of 176,000,000 Consideration Shares at HK$1.25 per Share. Given the current financial position of the Group and the significant future capital expenditure required of the Group towards the Combined Ethanol Groups, we consider that it is prudent and appropriate to issue permanent equity capital as consideration for the Acquisitions.

Comparison of the issue price for the New Shares with market prices

The issue price of HK$1.25 per Consideration Share represents:

(1) a discount of approximately 33.9% to the closing price of the Shares of HK$1.89 on 11 May 2007, being the last trading day of the Shares immediately prior to the suspension of trading in the Shares pending the release of the Announcement (the "Last Trading Day");

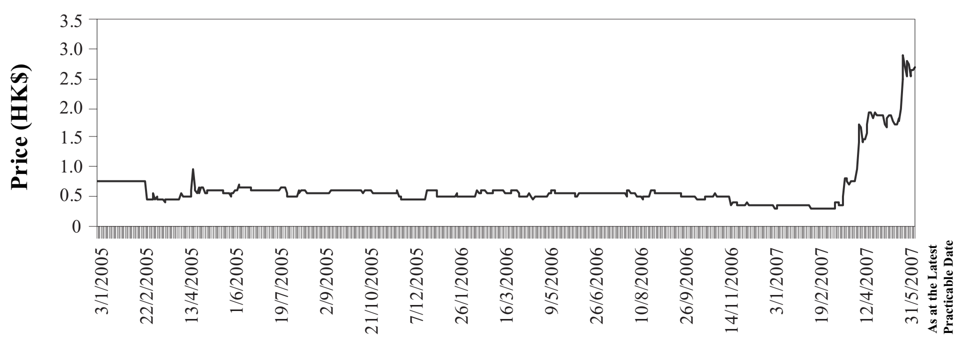
(2) a premium of approximately 5% to the average of the closing price of the Shares of HK$1.19 for the 30 trading days for the Shares up to and including the Last Trading Day;

(3) a premium of approximately 568 times the audited consolidated net asset value of approximately HK$0.0022 per Share as at 31 December 2006; and

(4) a discount of approximately 53.8% to the closing price of the Shares of HK$2.71 as at the Latest Practicable Date.

The chart below shows the daily closing prices and trading volume of the Shares traded on the Stock Exchange from January 2005 up to and including the Latest Practicable Date:

Share Price Chart



During the period from 3 January 2005 up to the Latest Practicable Date, the Shares were traded in the range of HK$0.30 per Share on 5 March 2007 to HK$2.90 per Share on 11 June 2007, with an average of approximately HK$0.64 per Share for the period. The average daily trading volume for the period was approximately 1.5 million Shares, representing approximately 0.4% and 0.8% of the number of total issued Shares and issued Shares in public as at the Latest Practicable Date respectively. From 30 March 2007 onwards, we have noted a significant surge in the price of the Shares. Such increase was probably the result of market speculation in relation to the Acquisitions and the Disposal. The price of the Shares reached a high of HK$2.90 per Share on 11 June 2007. Trading volume also increased to approximately 8.1 million Shares per day for the period of 2 May 207 to 25 June 2007. From the chart shown above, save for the period leading up to the Announcement, the issue price of the Consideration Shares represented a significant premium over the average of the trading prices of the Shares in the last 2 years.

The issue price of HK$1.25 per Consideration Share represents a significant premium of approximately 568 times the audited consolidated net asset value of HK$0.0022 per Share based on the audited consolidated balance sheet as at 31 December 2006 published by the Group. Such premium is in the interest of the Shareholders as a whole and will benefit Shareholders by enhancing the net asset value backing of the Shares.

Dilution of Independent Shareholders' holdings

The consideration for the Acquisitions will be satisfied entirely by the allotment and issue of the Consideration Shares. This enables the Group to make an acquisition of a very significant business without any outlay of cash, but involves the issue of a substantial number of Consideration Shares with consequent dilution to the Independent Shareholders.

The following table illustrates the Company's shareholding structure, assuming no other changes to the share capital of the Company other than as contemplated under the BAPP Acquisition Agreement and the CEC Acquisition Agreement: (i) as at the Latest Practicable Date, and (ii) upon the completion of the Acquisitions and the issue of the Consideration Shares:

Shareholders	**As at the Latest Practicable Date**		**Upon completion of the Acquisitions and the issue of the Consideration Shares**	
	Number of Shares	*%*	*Number of Shares*	*%*
OIL	195,000,000	50.0	195,000,000	34.5
the BAPP Vendor	0	0.0	96,000,000	16.9
Vendor *(Note)*	0	0.0	80,000,000	14.1
Sub-total	195,000,000	50.0	371,000,000	65.5
Independent Shareholders	195,000,000	50.0	195,000,000	34.5
Total	390,000,000	100.00	566,000,000	100.00

The interest of the existing Independent Shareholders will be diluted from approximately 50.0% to approximately 34.5% upon issue of the Consideration Shares. We consider the level of dilution to the existing Independent Shareholders significant. However, Independent Shareholders will participate in a new business with the potential of a better prospects as compared to the Existing Businesses which are significantly loss making with questionable prospects. On the basis, taking into account the favourable terms on which the Consideration Shares are to be issued for the Acquisitions, we are of the view that the level of dilution is acceptable.

Shareholders should note that the investments in the Combined Ethanol Group will involve further significant capital expenditure for the Group. On 5 June 2007, the Company announced that a top-up placement arrangement was entered into among the Company, OIL and Cazenove Asia Limited for 58,000,000 Shares at a price of HK$1.62 per Share. Such top-up placement was completed on 18 June 2007 and the net proceeds of around HK$92 million would be applied for general working purpose.

Save for the net proceeds of the aforesaid placement, the Group do not have significant financial resources or banking facilities and it is possible that future capital expenditures will be financed by way of further issue of equity securities of the Group, leading to further dilution for the Shareholders and the Independent Shareholders.

V INFORMATION ON THE EXISTING BUSINESSES

The Existing Businesses comprise the ATL Group and the GAL Group. ATL is the holding company of the Company's interests in its production and sales of dairy products business. GAL is the holding company of the Company's interests in its handbag and garments business.

The following table shows certain financial information on the Existing Businesses for the two years ended 31 December 2006, prepared in accordance with HKFRS:

	The Existing Businesses		The Group	
	Year ended 31 December 2005	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	*(audited)*	*(audited)*	*(audited)*
Net loss before tax	(17,655)	(26,787)	(30,159)	(32,840)
Net loss after tax	(15,214)	(25,665)	(27,718)	(31,718)
Net asset value(1)	(62,120)	(81,289)	9,254	722
Turnover	115,786	167,420	115,786	167,420
Total assets	140,720	139,051	142,147	139,878

Note (1): The difference in the net asset value of the Existing Businesses and the net asset value of the Group consists of (i) the net asset value of the Company of HK$52,903,000 as at 31 December 2006 and HK$42,266,000 as at 31 December 2005 comprised mainly of cash and cash equivalents and other receivables, and (ii) a provision for a shareholder's loan in the amount of HK$29,108,000 owed by the GAL Group to the Company in both 2006 and 2005.

As at 31 December 2006, the operations of the Existing Businesses constituted approximately 99.4% of the Group's total assets. The remaining 0.6% of the Group's total assets as at that date comprised mainly cash and cash equivalents and other receivables of the Company. Prior to completion of the Disposal, ATL and GAL are each treated as a subsidiary of the Company and their financial results are consolidated with those of the Company. After completion of the Disposal, the Company will no longer hold any shareholding interest in either ATL or GAL, and they will cease to be subsidiaries of the Company.

Following the Disposal, the Company expects to recognise an unaudited gain of approximately HK$1.1 million in its financial statements. Such gain is attributable to the (i) difference between the consideration for the Disposal and the aggregate unaudited combined net asset value of the Existing Businesses as at 31 December 2006 of approximately HK$1,181,000 based on the audited financial statements of the Existing Businesses for the year ended 31 December 2006; and (ii) the release of the net exchange reserve of approximately HK$714,000. The final amount of the actual gain or loss as a result of the

Disposal will be determined as at the date of completion of the Disposal when the amount of such gain or loss is actually realised based on the combined net asset value of ATL and GAL as at that date.

For illustrative purpose only, we also set out below the (loss)/gain on disposal of the Existing Businesses as if the Disposal has been completed on the following respective dates:

	At 1 January 2006 *HK$'000*	**At 31 December 2006** *HK$'000*
Sale proceeds	1,560	1,560
Share of net assets of the Existing Businesses	(20,090)	(1,181)
Transfer from exchange reserve	165	714
(Loss)/gain on disposal	(18,365)	1,093

Net assets of the Existing Businesses are as follows:

	At 1 January 2006 *HK$'000*	**At 31 December 2006** *HK$'000*
Property, plant and equipment	53,004	46,827
Prepaid land lease payments	6,465	6,296
Goodwill	11,010	11,010
Inventories	20,918	30,831
Trade and other receivables	20,446	33,947
Current tax assets	2,021	2,021
Bank and cash balances	26,856	8,119
Due to immediate holding company	(69,543)	(76,150)
Deferred tax liabilities	(290)	(293)
Trade and other payables	(25,662)	(42,390)
Due to a minority shareholder of a subsidiary	(2,398)	(3,084)
Short-term borrowings	(1)	–
Current tax payable	(5,272)	(4,182)
Minority interests	(17,464)	(11,771)
	20,090	1,181

The Company expects to receive proceeds from the Disposal of approximately US$200,000 (approximately HK$1,560,000). The Company intends to use the estimated net proceeds as general working capital for the businesses of BAPP Ethanol and CEC Ethanol to be acquired pursuant to the BAPP Acquisition Agreement and the CEC Acquisition Agreement.

VI EVALUATION OF THE CONSIDERATION FOR THE DISPOSAL

The consideration for the Disposal is US$200,000 (approximately HK$1,560,000) to be satisfied by payment of cash by OIL at completion of the Disposal. The consideration was arrived at after arm's length negotiations between the Company and OIL with reference to the diminishing business prospects in the handbag and garments manufacturing sector, and the increasingly competitive business landscape in the PRC dairy segment, as discussed above, and the unsatisfactory financial performance of the Existing Businesses, in particular, the sustained net loss position of the Group for the past few years, as well as their audited combined net losses for the three years ended 31 December 2006, and their audited combined net asset value as at 31 December 2006.

The parties also took into account:

(i) a capitalisation of a shareholders' loan owed by ATL to the Company of HK$53.4 million in May 2007; and

(ii) a write-off of a shareholders' loan owed by the GAL Group to the Company of HK$29.1 million in May 2007 (for which full provision has been made in the financial statements of the Company).

The following is a summary of the adjusted value of Existing Businesses:

	HK$ (millions)
Unaudited combined net asset value of Existing Businesses as at 31 March 2007	(81.3)
Capitalisation of shareholder's loan	53.4
Write off of shareholder's loan	29.1
Adjusted value	1.2

The consideration for the Disposal of approximately HK$1.56 million, represents a small premium of HK$0.36 million, or 30% to the above adjusted value of the Existing Businesses. In view of the significant losses generated by the Existing Businesses, we consider that the Disposal, which valued the Existing Businesses at approximately its adjusted net asset value, to be fair and reasonable to the Company as a whole.

VII FINANCIAL EFFECTS OF THE ACQUISTIONS AND THE DISPOSAL ON THE GROUP

(a) Net assets

	HK$ (million)	*NAV per Share (HK$)*
Unaudited consolidated net assets of the Group as at 31 December 2006	0.7	0.0022
Pro forma combined net assets of the Resulting Group	214.2	0.3785
Increase in combined net assets	213.5	0.3763
		171 times

As set out in Appendix V to the Circular, after Completion, the pro forma combined net assets of the Resulting Group (based on the respective balance sheets of the Group and that of the Combined Ethanol Group) will be approximately HK$214.2 million, representing an increase of approximately HK$213.5 million from the audited consolidated net assets of the Group of HK$0.7 million as at the 31 December 2006. On a per Share basis, the net asset value will increase from HK$0.0022 (calculated based on 332,000,000 Shares in issue as at 31 December 2006) to HK$0.3785 (calculated based on 566,000,000 Shares to be in issue upon Completion), an increase of 171 times. The improvement in the pro forma net assets of the Group represents a significant benefit to the Company and the Shareholders as a whole.

(b) Gearing

The Group's gearing ratio (defined as net debts divided by net assets) as at 31 December 2006 was 54.4%. After Completion, the gearing of the Resulting Group would be eliminated. The significant improvement in gearing is attributable to the elimination of shareholder's loan owing to the controlling shareholders of the Company as a result of the adjustments for the Disposal. The elimination may in due course assist the Group in securing future borrowing facilities when the cashflows of the Group strengthens.

(c) Earnings

Following Completion, the results of the Combined Ethanol Group will be consolidated into the Group and the results of the Existing Businesses will no longer be reflected in the financial statements of the Group. While the Combined Ethanol Group is yet to report any significant amount of profits, the combined profit and loss account showed a significant gain from the Acquisitions due to an extraordinary gain arising from the excess of the Resulting Group's share of the fair value of the net identifiable assets of the Combined Ethanol Group over their cost of acquisition under the Acquisitions.

The longer term financial effect of the Acquisitions will depend on the development progress of the production facilities and operations of the Combined Ethanol Group.

VIII NEW PROCESSING AGREEMENT

Upon completion of the Acquisitions (including the acquisition of an interest in Harbin Distillery pursuant to the CEC Acquisition) and the Disposal as referred to in the Announcement, the Group will be principally engaged in the production and distribution of ethanol products.

Harbin Distillery is currently engaged in the sale and distribution of ethanol. As disclosed in the Circular, Harbin Distillery is a sino-foreign equity joint venture between CEC Ethanol and Harbin Light Industry, and the contribution made and to be made by Harbin Light Industry to Harbin Distillery for its 27.3% equity interest consists of, among other things, certain ethanol production plant and equipment to be transferred to Harbin Distillery once construction of its ethanol production plant is complete. Such plant and equipment consists of machinery currently used by Harbin Factory. During the construction of Harbin Distillery's production plant, Harbin Distillery is unable to deploy such plant and equipment for ethanol production. Accordingly, it is necessary during the construction of its production plant for Harbin Distillery to obtain ethanol from Harbin Factory under the New Processing Agreement. The New Processing Agreement is intended to continue in force until Harbin Distillery has completed the construction of its production facility, at which time Harbin Factory can transfer its plant and equipment to Harbin Distillery, or until 31 December 2009, whichever is earlier. The agreement ensures that Harbin Distillery will have a steady supply of ethanol products for its sales and distribution business over the period that it is developing its production facility. Given that the processing fees are determined on an at-cost basis, and given that Harbin Distillery will be deploying the same plant and machinery currently used by Harbin Factory for its future production, the Directors believe that the terms of the transactions under the New Processing Agreement are fair and reasonable and in the interests of the Shareholders as a whole, assuming completion of the CEC Acquisition.

Harbin Distillery and Harbin Factory entered into the New Processing Agreement on 23 May 2007 to regulate the arrangements by which Harbin Factory shall process raw materials supplied by Harbin Distillery into ethanol, gluten feed and carbon dioxide for a specified processing fee as set out below.

The principal terms of the New Processing Agreement are as follows:

Period	**Ethanol** *(tonnes)*	**Gluten feed and carbon dioxide** *(tonnes)*
1 May 2007 – 31 December 2007	40,000	35,000
1 January 2008 – 31 December 2008	60,000	52,800
1 January 2009 – 31 December 2009	60,000	52,800

Processing fee: The processing fee is charged at RMB1,320 per tonne of ethanol produced, subject to a 0.5% adjustment based on the actual costs of production incurred by Harbin Factory. The processing fee is inclusive of all production costs such as water, energy consumption and labour fees, plant and machinery depreciation costs, as well as value added tax. The fee is to be paid upon invoice on a monthly basis.

The processing fee was determined from arm's length negotiations based on the actual costs previously incurred and likely to be incurred by Harbin Factory in providing the processing services.

Term: The New Processing Agreement shall be effective from the date of execution of the agreement and expire on 31 December 2009, provided however that Harbin Distillery has the right to terminate the agreement earlier after the construction of its ethanol production facility has been completed (expected to take place in 2008).

Annual caps

Based on limited available historical data and Harbin Distillery's projected sales and distribution over the term of the New Processing Agreement as explained below, it is anticipated that, for the relevant periods covered by the New Processing Agreement, the maximum aggregate amounts to be paid to Harbin Factory by Harbin Distillery under the New Processing Agreement will not exceed:

	RMB	*HK$*
For the period from 1 May 2007 to 31 December 2007	53,064,000	54,125,280
For the year ending 31 December 2008	79,596,000	81,187,920
For the year ending 31 December 2009	79,596,000	81,187,920

These annual caps have been determined based on the maximum production capacity of the Harbin Factory of 60,000 tonnes per year, the processing fee of RMB1,320 per tonne of ethanol and the permitted 0.5% adjustment. They provide a monthly average fee of RMB6,633,000 (HK$6,765,660), representing 1.6 times the monthly average amount of RMB4,238,250 (HK$4,323,015) paid by Harbin Distillery to Harbin Factory for ethanol production since the transactions commenced, based on an aggregate of RMB16,953,000 (HK$17,292,000) for the four months ended 30 April 2007. The increase over the historical average monthly rate is due to the fact that Harbin Distillery's sales and distribution operations were in a start-up stage during such four month period.

In assessing the reasonableness of the annual caps, we have discussed with the Directors (i) the amount and value of historical monthly transactions between Harbin Distillery and Harbin Factory for the four months ended 30 April 2007; (ii) the anticipated growth in the demand for ethanol products; and (iii) the production requirements and capacity of the Harbin Factory.

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.

IX GENERAL MANDATE TO ISSUE AND ALLOT SHARES

At the Company's annual general meeting held on 23 May 2007, the resolution proposed to grant to the Directors the general mandate to allot, issue and deal with up to 66,400,000 Shares (the "Present Mandate"), representing 20% of the then issued capital of the Company was duly approved by the Shareholders. As at the Latest Practicable Date and as stated above, the Company has issued 58,000,000 new Shares pursuant to the top-up placement and the remaining portion of the Present Mandate as at the Latest Practicable Date amounts to only around 2.2% of the existing issued share capital or around 1.5% of the issued share capital as enlarged by the issue of the Consideration Shares.

The share capital of the Company will be enlarged as a result of the Placing. At the EGM, the Directors will seek the approval of the Shareholders for the grant of a new general mandate to the Directors to allot, issue and deal with the additional Shares not exceeding 20% of the issued share capital of the Company as at the date of the grant of such mandate.

We consider that the renewal of the general mandate to allot and issue new Shares is in the interest of the Shareholders as a whole based on the following reasons:

(i) the renewal of the general mandate to allot and issue new Shares is based on the enlarged issued share capital as a result of the issue of Consideration Shares;

(ii) the renewal will provide the Company flexibility in determining financing alternatives for future investments or for financing of the Group's existing investments; and

(iii) the amount of general mandate to allot and issue new Shares is in accordance with the threshold as allowed by the Listing Rules.

X DISCUSSION AND CONCLUSION

The Group's operations have been in the manufacture and sale of handbag and garments products and more recently expanded to the production and sales of dairy products. Both divisions of the Group have suffered significant losses and the prospects for both industries remain tough and faced with fierce competition. The Directors consider that continuing to invest in such businesses will not be in the interest of the Company.

The transactions contemplated and considered in this circular represents a total change in the direction and business scope of the Group. Given the recent financial performances of the Existing Businesses and the current financial position of the Group, it is reasonable for the management to see to divest from the Existing Businesses and look for new opportunities.

The Acquisitions include interest in the BAPP Ethanol Group and the CEC Ethanol Group. Both businesses are in their early stage of development and are engaged in the area of processing ethanol products for sale to Chinese white spirits producers, a sector which has shown strong growth in recent years. The Acquisitions were made at the respective adjusted net asset value and contribution of the Technology which is at a small discount as an independent valuation on the technology.

The consideration for the Acquisitions will be satisfied by the issue of the Consideration Shares where the issue price represent substantial premium to the underlying net asset value of the Shares. We consider the method of payment and the issue price of the Consideration Shares to be favourable to the Company.

The Disposal of the Existing Businesses will be made at the consideration determined by reference to the net asset value of such businesses and the consideration will be received in cash. We consider that it is in the interest of the Company that operations with such significant losses will be eliminated from the Group.

The Acquisitions and the Disposal together will enhance the net asset value of the Resulting Group significantly, producing significant asset enhancement per Share for Shareholders. The effect on recurrent income will take longer to realize.

The Acquisitions involves an investment in a new technology for the utilisation of beetroot to produce ethanol based products, which is not widely accepted currently. Significant future capital expenditure for the construction of the factory will be required, which may result in further dilution to the equity interest of the Shareholders. In June 2007, the Company completed a placing and raised an approximately HK$92 million for the Group's working capital.

We are aware of the limited information and lack of track records, in terms of revenue generation and profitability, of both the BAPP Ethanol Group and the CEC Ethanol Group. However, in view of consecutive losses incurred by the Existing Businesses and the other factors as discussed above, we consider, in overall, the Acquisitions and the Disposal are in the interests of the Company and the Shareholders as a whole and the Acquisitions represent a feasible alternative currently available to the Shareholders.

The Completion will give rise to the Continuing Connected Transactions as Harbin Distillery does not currently have production operations. The processing transactions will be carried out on a cost basis and the amounts shall be limited by way of the annual cap. Such transactions will be replaced once the production capacity of Harbin Distillery is completed.

XI RECOMMENDATION

Taking into account the factors and reasons set out above, we consider that the Acquisitions, the Disposal, the Continuing Connected Transactions and the grant of the general mandate to issue Shares are fair and reasonable so far as the Independent Shareholders are concerned, the Acquisitions, the Disposal, the Continuing Connected Transactions and the grant of the general mandate to issue Shares are in the interests of the Company and the Shareholders as a whole. We also consider the Acquisitions and the Disposal are on normal commercial terms and in the ordinary and usual course of business of the Group.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisitions, the Disposal, the Continuing Connected Transactions and the grant of the general mandate to issue Shares.

Yours faithfully,
for and on behalf of
SOMERLEY LIMITED
Kenneth Chow
Director

RSM Nelson Wheeler
羅 申 美 會 計 師 行
Certified Public Accountants

7th Floor
Allied Kajima Building
138 Gloucester Road
Hong Kong

29 June 2007

The Directors
Wealthmark International (Holdings) Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Wealthmark International (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2006 (the "Relevant Periods") for inclusion in the circular of the Company dated 29 June 2007 (the "Circular") in connection with the proposed acquisition of BAPP Ethanol Holdings Limited ("BAPP Ethanol") and CEC Ethanol (Northeast) Limited ("CEC Ethanol") (hereinafter collectively referred to as the "Very Substantial Acquisition") and the proposed disposal of Agricapital (Tianjin) Limited ("ATL") and Glory Access Limited ("GAL") (the "Very Substantial Disposal").

The Company was incorporated in the Cayman Islands on 6 September 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands.

As at the date of this report, the Company has the following subsidiaries, which all are private companies with limited liability:

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership/ interest/voting power/profit sharing		Principal activities
			Direct	Indirect	
ATL(1)	The British Virgin Islands (The "BVI")	6,875,998 ordinary shares of US$1	100%	–	Investment holding
GAL(1)	The BVI	2,051,282 ordinary shares of US$1 each	100%	–	Investment holding
Eastway Corporation Limited(2)	Hong Kong	10,000 ordinary shares of HK$1 each	–	51%	Trading of handbag products
Wallmark Enterprise Company Limited(2)	Hong Kong	180,500 ordinary shares of HK$100 each	–	100%	Trading of handbag products and related accessories

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership/ interest/voting power/profit sharing		Principal activities
			Direct	Indirect	
惠州和寶黃氏手袋有限公司 Hui Zhou Wallmark Handbags Co., Ltd.[3]	The People's Republic of China (The "PRC")	Registered capital of HK$13,000,000	–	100%	Trading and manufacturing of handbag products and related accessories and provision of related subcontracting services
Wallmark Enterprise (Cambodia) Co., Ltd. [4]	Kingdom of Cambodia ("Cambodia")	1,000 ordinary shares of US$850 each	–	100%	Manufacturing of garments and provision of related subcontracting services
蓓蕾(天津)乳業有限公司 Beilei (Tianjin) Dairy Co., Ltd. ("Beilei")[5]	The PRC	Registered capital of US$12,000,000	–	70%	Production and sale of dairy products

Notes:

(1) No audited financial statements of these companies have been prepared as there is no requirement to prepare audited financial statements under the regulations of the BVI.

(2) We have audited the statutory financial statements of these companies for each of the three years/ period ended 31 December 2006, where applicable.

(3) Hui Zhou Wallmark Handbags Co., Ltd. is a wholly-foreign owned enterprise established in the PRC. The statutory financial statements of Hui Zhou Wallmark Handbags Co., Ltd. for each of the three years ended 31 December 2006 were audited by 廣州華天會計師事務所有限公司.

(4) No statutory financial statements of Wallmark Enterprise (Cambodia) Co., Ltd. have been prepared as there is no requirement to prepare statutory financial statements under the regulations of Cambodia. We have audited the financial statements of Wallmark Enterprise (Cambodia) Co., Ltd. for each of the three years ended 31 December 2006 which are prepared in accordance with accounting principles generally accepted in Hong Kong.

(5) Beilei is a Sino-foreign equity joint venture established in the PRC. The statutory financial statements of Beilei for the year ended 31 December 2004 were audited by 天津正則有限責任會計師事務所. The statutory financial statements of Beilei for each of the two years ended 31 December 2006 were audited by 天津市中大會計師事務所有限責任公司.

We have acted as auditors of the Company for the Relevant Periods. Audited consolidated financial statements of the Group for the Relevant Periods ("Underlying Financial Statements") have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements after making adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Circular. We have examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Underlying Financial Statements are the responsibility of the directors of the Company who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you. However, the evidence available to us was limited as follows:

(1) Completeness of books and records

Due to the seizure of a substantial part of the books and records of the Group by the Independent Commission Against Corruption and the significant staff and management turnover within the Group towards the end of the financial year ended 31 December 2004, certain underlying books and records of the Group were either lost, or could not be located. Accordingly, we have not been provided with adequate information and documents to satisfy ourselves as to the accuracy, completeness, classification and disclosures in respect of the following amounts included in the Financial Information:

Included in consolidated income statement for the year ended 31 December 2004

– Turnover of approximately HK$235,719,000

– Cost of sales of approximately HK$265,510,000

– Income tax credit of approximately HK$1,733,000

– Loss for the year of approximately HK$104,372,000

Included in consolidated balance sheet as at 31 December 2004

– Inventories of approximately HK$24,104,000

– Trade receivables of approximately HK$20,623,000

– Current tax assets of approximately HK$1,464,000

– Trade payables of approximately HK$3,241,000

– Other payables of approximately HK$22,590,000

– Current tax payable of approximately HK$7,702,000

(2) Inventories

At 31 December 2004, the Group had inventories of approximately HK$24,104,000. We have been unable either to obtain sufficient financial information, or to carry out alternative audit procedures that we considered necessary to confirm the ownership and valuation of inventories.

(3) Trade receivables

At 31 December 2004, included in trade receivables are amounts due from four customers totalling approximately HK$42,000,000 against which full allowance for impairment has been made. We have been unable either to obtain sufficient financial information, or to carry out alternative audit procedures that we considered necessary to confirm the existence, completeness and accuracy of these amounts. As a result, we are unable to satisfy ourselves that the carrying amounts of the debts are fairly stated and whether the allowance for impairment is appropriate.

Any adjustments that might have been found to be necessary in respect of the matters set out in points 1 to 3 above would have significant consequential effects on the net liabilities of the Group as at 31 December 2004, the results and cash flows of the Group for the year then ended and the related disclosures in the Financial Information.

Because of the significance of the possible effect of the limitations in the scope of our work 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.

Because of the significance of the matters described above, we do not express an opinion on the Financial Information as to whether it gives a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2004 and of the Group's results and cash flows for the year then ended in accordance with HKFRSs.

In our opinion, for the purpose of this report and except for the effect of the adjustments, if any, on the opening accumulated losses as at 1 January 2005 and the results of the Group for the year ended 31 December 2005 as described above, the Financial Information gives a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and 2006 and of the Group's results and cash flows for the two years then ended in accordance with HKFRSs.

A. FINANCIAL INFORMATION

1. CONSOLIDATED INCOME STATEMENTS

	Note	Year ended 31 December 2006 *HK$'000*	2005 *HK$'000*	2004 *HK$'000*
Turnover	*6*	167,420	115,786	235,719
Cost of sales		(160,073)	(116,367)	(265,510)
Gross profit/(loss)		7,347	(581)	(29,791)
Other income	*7*	581	46	804
Gain on deregistration of an associate		–	299	–
Distribution costs		(14,124)	(5,084)	(4,605)
Administrative expenses		(21,070)	(25,319)	(14,873)
Other operating expenses		(1,159)	(142)	(5,853)
Reversal of allowance/(allowance) for impairment of receivables		2,155	2,040	(49,247)
Loss from operations		(26,270)	(28,741)	(103,565)
Finance costs	*9*	(6,570)	(1,418)	(2,634)
Share of profit of an associate		–	–	94
Loss before tax		(32,840)	(30,159)	(106,105)
Income tax credit	*10*	1,122	2,441	1,733
Loss for the year	*11*	(31,718)	(27,718)	(104,372)
Attributable to:				
Equity holders of the Company	*14*	(25,771)	(27,089)	(104,486)
Minority interests		(5,947)	(629)	114
		(31,718)	(27,718)	(104,372)
Dividends	*15*	–	–	–
Loss per share – basic	*16*	(8.0) cents	(11.2) cents	(50.5) cents

2. CONSOLIDATED BALANCE SHEETS

	Note	At 31 December 2006	2005	2004
		HK$'000	HK$'000	HK$'000
Non-current assets				
Property, plant and equipment	17	46,881	53,064	26,156
Prepaid land lease payments	18	6,296	6,465	6,635
Goodwill	19	11,010	11,010	–
Interests in an associate	21	–	–	(299)
		64,187	70,539	32,492
Current assets				
Inventories	22	30,831	20,918	24,104
Trade and other receivables	23	34,225	20,686	21,144
Due from a fellow subsidiary	24	–	511	–
Current tax assets		2,021	2,021	1,464
Bank and cash balances	25	8,614	27,472	11,465
		75,691	71,608	58,177
TOTAL ASSETS		139,878	142,147	90,669
Capital and reserves				
Share capital	26	33,200	30,000	20,000
Reserves	27	(32,478)	(20,746)	(36,317)
Equity attributable to equity holders of the Company		722	9,254	(16,317)
Minority interests		11,771	17,464	119
Total equity		12,493	26,718	(16,198)

	Note	At 31 December 2006 HK$'000	2005 HK$'000	2004 HK$'000
Non-current liabilities				
Due to immediate holding company	*28*	76,150	69,543	–
Deferred tax liabilities	*29*	293	290	288
		76,443	69,833	288
Current liabilities				
Trade and other payables	*30*	43,650	27,899	25,831
Due to a minority shareholder of a subsidiary	*31*	3,084	2,398	–
Interest-bearing borrowings	*32*	–	10,001	72,850
Finance lease payables	*33*	–	–	196
Current tax payable		4,208	5,298	7,702
		50,942	45,596	106,579
Total liabilities		127,385	115,429	106,867
TOTAL EQUITY AND LIABILITIES		139,878	142,147	90,669
Net current assets/(liabilities)		24,749	26,012	(48,402)
Total assets less current liabilities		88,936	96,551	(15,910)

3. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										
	Share capital	Share premium	Properties revaluation reserve	Merger reserve	Statutory reserves	Exchange reserve	Retained earnings/ (accumulated losses)	Proposed final dividend	Sub-total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2004	20,000	27,645	296	2,150	2,223	202	35,515	5,500	93,531	–	93,531
Surplus on revaluation of properties	–	–	138	–	–	–	–	–	138	–	138
Net income recognised directly in equity	–	–	138	–	–	–	–	–	138	–	138
(Loss)/profit for the year	–	–	–	–	–	–	(104,486)	–	(104,486)	114	(104,372)
Total recognised income and expense for the year	–	–	138	–	–	–	(104,486)	–	(104,348)	114	(104,234)
Capital injection by a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	5	5
Dividend paid	–	–	–	–	–	–	–	(5,500)	(5,500)	–	(5,500)
At 31 December 2004 and 1 January 2005	20,000	27,645	434	2,150	2,223	202	(68,971)	–	(16,317)	119	(16,198)
Currency translation differences	–	–	–	–	–	(37)	-	-	(37)	–	(37)
Rights issue expenses	–	(1,303)	–	–	–	–	–	–	(1,303)	–	(1,303)
Net expense recognised directly in equity	–	(1,303)	–	–	–	(37)	–	–	(1,340)	–	(1,340)
Loss for the year	–	–	–	–	–	–	(27,089)	–	(27,089)	(629)	(27,718)
Total recognised income and expense for the year	–	(1,303)	–	–	–	(37)	(27,089)	-	(28,429)	(629)	(29,058)
Business combination	–	–	–	–	–	–	–	–	–	17,974	17,974
Rights issue	10,000	44,000	–	–	–	–	–	–	54,000	–	54,000
At 31 December 2005 and 1 January 2006	30,000	70,342	434	2,150	2,223	165	(96,060)	–	9,254	17,464	26,718
Currency translation differences	–	–	–	–	–	549	–	–	549	450	999
Share issue expenses	–	(590)	–	–	–	–	–	–	(590)	–	(590)
Net income recognised directly in equity	–	(590)	–	–	–	549	–	–	(41)	450	409
Loss for the year	–	–	–	–	–	–	(25,771)	–	(25,771)	(5,947)	(31,718)
Total recognised income and expense for the year	–	(590)	–	–	–	549	(25,771)	–	(25,812)	(5,497)	(31,309)
Dividend paid to minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	(196)	(196)
Issue of shares	3,200	14,080	–	–	–	–	–	–	17,280	–	17,280
At 31 December 2006	33,200	83,832	434	2,150	2,223	714	(121,831)	–	722	11,771	12,493

4. CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax	(32,840)	(30,159)	(106,105)
Adjustments for:			
Share of profit of an associate	–	–	(94)
Finance costs	6,570	1,418	2,634
Interest income	(239)	(40)	(358)
Gain on deregistration of an associate	–	(299)	–
Bad debts written off	62	–	–
Depreciation	8,580	7,674	8,392
Write down of inventories	5,812	318	682
Loss/(gain) on disposal of property, plant and equipment	944	–	(15)
Amortisation of prepaid land lease payments	169	170	169
Property, plant and equipment written off	152	12	–
Revaluation deficit on buildings	–	–	2,399
Impairment of property, plant and equipment	–	–	1,695
Amortisation of goodwill	–	–	74
Impairment of goodwill	–	–	74
(Reversal of allowance)/allowance for impairment of receivables	(2,155)	(2,040)	49,247
Operating loss before working capital changes	(12,945)	(22,946)	(41,206)
Increase in prepaid land lease payments	–	–	(196)
(Increase)/decrease in inventories	(15,725)	5,111	2,908
(Increase)/decrease in trade and other receivables	(11,446)	4,927	8,888
Decrease/(increase) in amount due from a fellow subsidiary	511	(511)	–
Increase in trade and other payables	15,751	2,068	1,967
Increase in amount due to an associate	–	–	60
Cash used in operations	(23,854)	(11,351)	(27,579)
Income taxes paid	(38)	(520)	(2,347)
Interest paid	(366)	(1,418)	(2,634)
Net cash used in operating activities	(24,258)	(13,289)	(32,560)

	Note	Year ended 31 December 2006 HK$'000	2005 HK$'000	2004 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of a subsidiary	*34*	–	(27,046)	–
Interest received		239	40	358
Purchases of property, plant and equipment		(3,767)	(2,893)	(4,130)
Proceeds from disposal of property, plant and equipment		1,628	511	77
Net cash used in investing activities		(1,900)	(29,388)	(3,695)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from rights issue		–	54,000	–
Rights issue expenses paid		–	(1,303)	–
Proceeds from issue of shares		17,280	–	–
Share issue expenses paid		(590)	–	–
New other loan		–	10,000	6,729
Repayment of other loan		(10,000)	–	–
Repayment of bank loans		–	(45,911)	(11,544)
Net (repayment)/inception of trust receipt loans		–	(26,867)	4,788
Payment of finance lease payables		–	(196)	(180)
Advance from immediate holding company		–	69,543	–
Advance from/(repayment to) a minority shareholder of a subsidiary		686	(217)	–
Capital injection by a minority shareholder of a subsidiary		–	–	5
Dividend paid		–	–	(5,500)
Dividend paid to minority shareholder of a subsidiary		(196)	–	–
Net cash generated from/(used in) financing activities		7,180	59,049	(5,702)

	Year ended 31 December		
	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(18,978)	16,372	(41,957)
Effect of foreign exchange rate changes, net	121	(294)	–
CASH AND CASH EQUIVALENTS AT 1 JANUARY	27,471	11,393	53,350
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	8,614	27,471	11,393
ANAYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	8,614	27,472	11,465
Bank overdrafts	–	(1)	(72)
	8,614	27,471	11,393

5. BALANCE SHEETS

	Note	At 31 December 2006 HK$'000	2005 HK$'000	2004 HK$'000
Non-current assets				
Property, plant and equipment	*17*	54	60	–
Interests in subsidiaries	*20*	–	–	–
		54	60	–
Current assets				
Trade and other receivables	*23*	278	240	34
Due from subsidiaries	*20*	53,360	53,102	–
Due from a fellow subsidiary	*24*	–	511	–
Bank and cash balances		495	616	100
		54,133	54,469	134
TOTAL ASSETS		54,187	54,529	134
Capital and reserves				
Share capital	*26*	33,200	30,000	20,000
Reserves	*27*	19,703	12,266	(20,043)
Total equity		52,903	42,266	(43)
Current liabilities				
Trade and other payables	*30*	1,258	2,237	151
Interest-bearing borrowings	*32*	–	10,000	–
Current tax payable		26	26	26
Total liabilities		1,284	12,263	177
TOTAL EQUITY AND LIABILITIES		54,187	54,529	134
Net current assets/(liabilities)		52,849	42,206	(43)
Total assets less current liabilities		52,903	42,266	(43)

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands. The address of its principal place of business is 2116 Hutchison House, 10 Harcourt Road, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company is an investment holding company.

In the opinion of the directors, Orientelite Investments Limited ("OIL"), a company incorporated in the British Virgin Islands, is the immediate holding company and China Enterprise Capital Limited, a company incorporated in the British Virgin Islands, is the ultimate holding company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

Except for goodwill for the year ended 31 December 2004, for the purpose of preparing and presenting the Financial Information of the Relevant Periods, the Group has early 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 2006. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations.

The Group applied the HKFRSs applicable to goodwill which are effective for accounting period beginning on 1 January 2004 for the year ended 31 December 2004.

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 Information of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has 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 and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared under the historical cost convention as modified by the revaluation of buildings which are carried at their fair values.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4 to the Financial Information.

The significant accounting policies applied in the preparation of the Financial Information are set out below.

(a) Consolidation

The Financial Information includes the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised profits on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Until 31 December 2004, goodwill was amortised on a straight-line basis over 5 years and assessed for an indication of impairment at each balance sheet date. The Group ceased amortisation of goodwill from 1 January 2005. Accumulated amortisation as at 31 December 2004 was eliminated with a corresponding decrease in the cost of goodwill. From the year ended 31 December 2005 onwards, goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the Financial Information by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

The Group's share of an associate's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the associate which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Buildings comprise mainly factories and offices. Buildings are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Revaluation increases of buildings are recognised in the income statement to the extent that the increases reverse previous revaluation decreases of the same asset. All other revaluation increases are credited to the properties revaluation reserve in shareholders' equity. Revaluation decreases that offset previous revaluation increases of the same asset are charged against properties revaluation reserve directly in equity. All other decreases are recognised in the income statement. On the subsequent sale or retirement of a revalued building, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained profits.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2% – 5%
Plant and machinery	11% – 50%
Leasehold improvements, furniture and fixtures	20% – 50%
Motor vehicles	20% – 25%
Moulds	25%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(f) Leases

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the balance sheet as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis for the dairy product segment and the first-in, first-out basis for the handbags and other accessories segment. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(i) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(j) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(l) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of manufactured goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Subcontracting fee income is recognised when the subcontracting services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(p) Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

(q) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(r) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment, goodwill, inventories and trade receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

(t) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(v) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Financial Information. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the Financial Information when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment test of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill was approximately HK$11,010,000 and HK$11,010,000 at 31 December 2005 and 2006 respectively. More details are given in Note 19 to the Financial Information.

(b) Deferred tax

The Group recognises deferred tax assets to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amounts of unrecognised tax losses at 31 December 2004, 2005 and 2006 were approximately HK$94,998,000, HK$114,764,000 and HK$141,565,000 respectively. Further details are contained in Note 29 to the Financial Information.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars, United States dollars and Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The carrying amount of the trade receivables included in the consolidated balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(d) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's exposure to interest rate risk arises from its long-term borrowings. These borrowings bear interests at variable rates varied with the then prevailing market condition.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

6. 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 Relevant Periods:

	Year ended 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Sales of goods	163,031	111,376	230,026
Subcontracting fee income	4,389	4,410	5,693
	167,420	115,786	235,719

7. OTHER INCOME

	Year ended 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Interest income	239	40	358
Net foreign exchange gains	306	–	–
Rental income	36	6	–
Sundry income	–	–	446
	581	46	804

8. 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.

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 table presents revenue, results and certain asset, liability and expenditure information for the Group's business segments for the Relevant Periods:

	Handbags and other accessories			Dairy products			Group		
	2006	**2005**	**2004**	**2006**	**2005**	**2004**	**2006**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December									
Segment revenue	142,551	115,724	235,719	24,869	62	–	167,420	115,786	235,719
Segment results	13,476	(354)	(29,791)	(6,129)	(227)	–	7,347	(581)	(29,791)
Other income							581	46	804
Gain on deregistration of an associate							–	299	–
Reversal of allowance/ (allowance) for impairment of receivables							2,155	2,040	(49,247)
Unallocated costs							(36,353)	(30,545)	(25,331)
Loss from operations							(26,270)	(28,741)	(103,565)
Finance costs							(6,570)	(1,418)	(2,634)
Share of results of an associate	–	–	94	–	–	–	–	–	94
Loss before tax							(32,840)	(30,159)	(106,105)
At 31 December									
Assets and liabilities									
Segment assets	75,184	60,465	77,518	49,933	47,426	–	125,117	107,891	77,518
Interests in an associate	–	–	(299)	–	–	–	–	–	(299)
Unallocated assets							14,761	34,256	13,450
Total assets							139,878	142,147	90,669
Segment liabilities	35,564	24,508	52,400	9,982	3,392	–	45,546	27,900	52,400
Unallocated liabilities							81,839	87,529	54,467
Total liabilities							127,385	115,429	106,867
Year ended 31 December									
Other segment information									
Capital expenditure	898	1,000	4,130	2,862	1,317	–	3,760	2,317	4,130
Unallocated amounts							7	576	–
							3,767	2,893	4,130
Depreciation	4,542	7,509	8,392	4,025	160	–	8,567	7,669	8,392
Unallocated amounts							13	5	–
							8,580	7,674	8,392
Amortisation of prepaid land lease payments	169	170	169	–	–	–	169	170	169
Amortisation of goodwill	–	–	74	–	–	–	–	–	74
(Reversal of allowance)/ allowance for impairment of receivables	(2,155)	(2,040)	49,247	–	–	–	(2,155)	(2,040)	49,247
Impairment charge									
– property, plant and equipment	–	–	1,659	–	–	–	–	–	1,659
– goodwill	–	–	74	–	–	–	–	–	74
Revaluation deficit on buildings	–	–	2,399	–	–	–	–	–	2,399
Write down of inventories	4,276	318	682	1,536	–	–	5,812	318	682
Bad debt written off	62	–	–	–	–	–	62	–	–

(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 Year ended 31 December			Total assets As at 31 December			Capital expenditure Year ended 31 December		
	2006	**2005**	**2004**	**2006**	**2005**	**2004**	**2006**	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
United States of America	44,194	57,649	100,975	–	–	–	–	–	–
Europe	29,587	14,135	67,556	–	–	–	–	–	–
The PRC	93,639	42,120	59,893	98,317	101,598	43,056	3,452	2,107	2,984
Asia region except the PRC	–	1,882	7,295	30,551	29,539	47,912	315	786	1,146
	167,420	115,786	235,719	128,868	131,137	90,968	3,767	2,893	4,130
Goodwill				11,010	11,010	–			
Interests in an associate				–	–	(299)			
Total assets				139,878	142,147	90,669			

9. FINANCE COSTS

	Year ended 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Interest on bank loans and overdrafts	–	1,154	2,626
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	8
	6,570	1,418	2,634

10. INCOME TAX CREDIT

	Year ended 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Current tax – Hong Kong profits tax			
Provision for the year	456	54	94
Current tax – Overseas			
Overprovision in prior years	(1,578)	(2,495)	(1,827)
Income tax credit	(1,122)	(2,441)	(1,733)

Hong Kong profits tax has been provided at a rate of 17.5% on the estimated assessable profit during the Relevant Periods. Tax charges 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.

The reconciliation between the income tax credit and the product of loss before tax multiplied by the Hong Kong profits tax rate is as follows:

	Year ended 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Loss before tax	(32,840)	(30,159)	(106,105)
Tax at the domestic income tax rate of 17.5%	(5,747)	(5,278)	(18,568)
Tax effect of income not subject to tax	(76)	(86)	(136)
Tax effect of expenses not deductible for tax	1,572	3,086	2,219
Tax effect of temporary differences not recognised	111	178	(39)
Tax effect of tax losses not recognised	9,464	3,230	18,892
Tax effect of tax losses utilised from previous period	(1,768)	–	–
Overprovision in prior years	(1,578)	(2,495)	(1,827)
Effect of different taxation rates of subsidiaries	(3,100)	(1,076)	(2,274)
Income tax credit	(1,122)	(2,441)	(1,733)

11. LOSS FOR THE YEAR

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

	Year ended 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Cost of inventories sold (including write down of inventories)	104,847	73,558	217,286
Depreciation	8,580	7,674	8,392
Revaluation deficit on buildings	–	–	2,399
Impairment charge (included in other operating expenses)			
– property, plant and equipment	–	–	1,695
– goodwill	–	–	74
Staff costs (including Directors' emoluments) *(Note 12)*	39,732	33,348	33,301
Auditors' remuneration	818	780	1,000
Net foreign exchange losses	–	105	1,080
Amortisation of goodwill	–	–	74
Operating lease charges on land and buildings	917	640	759
Write down of inventories	5,812	318	682
Loss/(gain) on disposal of property, plant and equipment	944	–	(15)
Property, plant and equipment written off	152	12	–
Bad debts written off	62	–	–

12. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Wages and salaries	37,028	32,522	32,091
Unutilised annual leave	–	–	113
(Write back of provision)/provision for long service payments *(Note (a))*	(38)	–	653
Contributions to pension schemes			
– to the MPF Scheme *(Note (b))*	179	193	207
– to the PRC retirement scheme *(Note (c))*	1,140	393	237
Other benefits	1,423	240	–
	39,732	33,348	33,301

Notes:

(a) At each of the balance sheet date, several employees of the Group had completed the required number of years of service under the Employment Ordinance (the "Ordinance") to be eligible for long service payments upon termination of their employment. The Group is only liable to make such payments where the termination meets the required circumstances specified in the Ordinance. If the termination of the employees met the circumstances required by the Ordinance, the Group's liability at 31 December 2004, 2005 and 2006 would have been approximately HK$653,000, HK$551,000 and HK$513,000 respectively.

(b) The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(c) The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

13. DIRECTORS' EMOLUMENTS

	Year ended 31 December		
	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*
Executive Directors			
Fees	458	270	–
Basic salaries and other allowances	–	662	2,170
Contributions to pension schemes	16	40	58
Non-executive Directors			
Fees	270	311	–
Independent Non-executive Directors			
Fees	450	377	173
	1,194	1,660	2,401

There was no arrangement under which a director waived or agreed to waive any emoluments during the Relevant Periods. During the Relevant Periods, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

14. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated losses attributable to equity holders of the Company for the years ended 31 December 2004, 2005 and 2006 included losses of approximately HK$42,131,000, HK$10,388,000 and HK$6,053,000 respectively, which have been dealt with in the Financial Information of the Company.

15. DIVIDENDS

The Directors do not recommend the payment of a dividend for the years ended 31 December 2004, 2005 and 2006.

16. 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$104,486,000, HK$27,089,000 and HK$25,771,000 for the years ended 31 December 2004, 2005 and 2006 respectively and the weighted average number of ordinary shares of 206,896,522 (as adjusted for the rights issue on 18 August 2005), 241,842,230 and 320,646,575 in issue during the years ended 31 December 2004, 2005 and 2006 respectively.

Diluted loss per share amounts for the Relevant Periods have not been disclosed as there were no diluting events existed during the Relevant Periods.

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Plant and machinery	Leasehold improvements, furniture and fixtures	Motor vehicles	Moulds	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation						
At 1 January 2004	17,400	26,485	29,470	2,292	2,157	77,804
Additions	97	3,200	657	159	17	4,130
Disposals	–	(108)	–	–	–	(108)
Revaluation	(4,550)	–	–	–	–	(4,550)
At 31 December 2004 and 1 January 2005	12,947	29,577	30,127	2,451	2,174	77,276
Additions	–	802	711	1,359	21	2,893
Acquisition of a subsidiary	–	30,961	66	926	–	31,953
Disposals / write off	–	–	(14)	(511)	–	(525)
Exchange differences	136	299	264	18	26	743
At 31 December 2005 and 1 January 2006	13,083	61,639	31,154	4,243	2,221	112,340
Additions	–	2,321	492	940	14	3,767
Disposals / write off	–	(2,593)	(32)	(1,858)	–	(4,483)
Exchange differences	254	1,604	507	81	50	2,496
At 31 December 2006	13,337	62,971	32,121	3,406	2,285	114,120
Accumulated depreciation and impairment						
At 1 January 2004	1,688	18,424	19,451	1,840	1,965	43,368
Charge for the year	601	3,185	4,329	181	96	8,392
Disposals	–	(46)	–	–	–	(46)
Revaluation	(2,289)	–	–	–	–	(2,289)
Impairment charge	–	316	1,379	–	–	1,695
At 31 December 2004 and 1 January 2005	–	21,879	25,159	2,021	2,061	51,120
Charge for the year	581	3,482	3,326	208	77	7,674
Disposals / write off	–	–	(2)	–	–	(2)
Exchange differences	–	218	232	11	23	484
At 31 December 2005 and 1 January 2006	581	25,579	28,715	2,240	2,161	59,276
Charge for the year	587	5,949	1,441	565	38	8,580
Disposals / write off	–	(267)	(5)	(1,487)	–	(1,759)
Exchange differences	26	561	477	30	48	1,142
At 31 December 2006	1,194	31,822	30,628	1,348	2,247	67,239
Carrying amount						
At 31 December 2006	12,143	31,149	1,493	2,058	38	46,881
At 31 December 2005	12,502	36,060	2,439	2,003	60	53,064
At 31 December 2004	12,947	7,698	4,968	430	113	26,156

	Buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements, furniture and fixtures HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Total HK$'000
Analysis of cost or valuation:						
At 31 December 2006						
At cost	–	62,971	32,121	3,406	2,285	100,783
At valuation	13,337	–	–	–	–	13,337
	13,337	62,971	32,121	3,406	2,285	114,120
At 31 December 2005						
At cost	–	61,639	31,154	4,243	2,221	99,257
At valuation	13,083	–	–	–	–	13,083
	13,083	61,639	31,154	4,243	2,221	112,340
At 31 December 2004						
At cost	–	29,577	30,127	2,451	2,174	64,329
At valuation	12,947	–	–	–	–	12,947
	12,947	29,577	30,127	2,451	2,174	77,276

The Group's buildings were last revalued at 31 December 2004 on the open market value basis by reference to market evidence of recent transactions for similar properties by Norton Appraisals Limited, an independent firm of professional valuers. A revaluation surplus of approximately HK$138,000 was credited to properties revaluation reserve and a revaluation deficit of approximately HK$2,399,000 was charged to the consolidated income statement for the year ended 31 December 2004.

The Group's other property, plant and equipment were last revalued at 31 December 2004 on the open market value basis by Norton Appraisals Limited. An impairment of approximately HK$1,695,000 was charged to the consolidated income statement for the year ended 31 December 2004.

The carrying amount of the Group's buildings would have been approximately HK$15,589,000, HK$14,978,000 and HK$14,359,000 as at 31 December 2004, 2005 and 2006 respectively, had they been stated at cost less accumulated depreciation and impairment losses.

Company

	Leasehold improvements, furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2004 and 2005	–	–	–
Additions	65	511	576
Disposals	–	(511)	(511)
At 31 December 2005 and 1 January 2006	65	–	65
Additions	7	–	7
At 31 December 2006	72	–	72
Accumulated depreciation			
At 1 January 2004 and 2005	–	–	–
Charge for the year	5	–	–
At 31 December 2005 and 1 January 2006	5	–	5
Charge for the year	13	–	13
At 31 December 2006	18	–	18
Carrying amount			
At 31 December 2006	54	–	54
At 31 December 2005	60	–	60
At 31 December 2004	–	–	–

18. PREPAID LAND LEASE PAYMENTS

The Group's prepaid land lease payments represent prepaid operating lease payments of the land element of properties situated in Hong Kong which are held on medium-term leases of between 10 to 50 years.

19. GOODWILL

	Group
	HK$'000
Cost	
At 1 January 2004 and 2005	370
Arising on acquisition of a subsidiary	11,010
Elimination of accumulated amortisation upon the adoption of HKFRS 3 *(Note 3(b))*	(370)
At 31 December 2005 and 2006	11,010
Accumulated amortisation and impairment	
At 1 January 2004	222
Charge for the year	74
Impairment charge	74
At 1 January 2005	370
Elimination of accumulated amortisation upon the adoption of HKFRS 3 *(Note 3(b))*	(370)
At 31 December 2005 and 2006	–
Carrying amount	
At 31 December 2006	11,010
At 31 December 2005	11,010
At 31 December 2004	–

Goodwill acquired through a business combination has been allocated to the dairy products cash-generating unit, which is a reportable segment, for impairment testing. The carrying amount of goodwill allocated to dairy products cash-generating unit is approximately HK$11,010,000 and HK$11,010,000 as at 31 December 2005 and 2006 respectively.

The recoverable amount of the dairy products cash-generating unit is determined based on a value in use calculation using cash flow projections based on financial budgets covering a three-year period approved by senior management. The discount rate applied to the cash flow projections is 9.39%. The growth rate used to extrapolate the cash flows of the dairy products unit beyond the three-year period is 5%. This growth rate does not exceed the average long-term growth rate of the industry in which the dairy products unit operates.

Key assumptions were used in the value in use calculation of the dairy products cash-generating unit. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is based on historical figures, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflect specific risks relating to the unit.

20. INVESTMENTS IN SUBSIDIARIES

	Company At 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted investments, at cost	16,000	16,000	16,000
Less: impairment losses	(16,000)	(16,000)	(16,000)
	–	–	–
Due from subsidiaries	82,468	82,210	31,224
Less: impairment losses	(29,108)	(29,108)	(31,224)
	53,360	53,102	–
	53,360	53,102	–

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms.

21. INTERESTS IN AN ASSOCIATE

	Group At 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted shares, at cost	–	400	400
Share of post-acquisition accumulated losses	–	(279)	(279)
Share of net assets	–	121	121
Due to an associate	–	(420)	(420)
Deregistration of an associate	–	299	–
	–	–	(299)

FX Wealthmark International Limited ("FX Wealthmark"), being a 40% owned associate of the Group, was incorporated in Hong Kong and was inactive during the Relevant Periods. The issued share capital held by the Group represented 400,000 ordinary shares of HK$1 each. FX Wealthmark was deregistered during the year ended 31 December 2006.

The amount due to an associate was unsecured, interest-free and had no fixed repayment terms.

22. INVENTORIES

	Group At 31 December		
	2006	2005	2004
	HK$'000	HK$'000	HK$'000
Raw materials	10,316	5,538	8,476
Work in progress	412	473	2,536
Finished goods	20,103	14,907	13,092
	30,831	20,918	24,104

23. TRADE AND OTHER RECEIVABLES

	Group At 31 December			Company At 31 December		
	2006	2005	2004	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables	30,933	19,428	69,911	–	–	–
Less: allowance for impairment of receivables	(779)	(2,934)	(49,288)	–	–	–
Trade receivables, net	30,154	16,494	20,623	–	–	–
Prepayments, deposits and other receivables	4,071	4,192	521	278	240	34
	34,225	20,686	21,144	278	240	34

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 120 days. The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	Group At 31 December		
	2006	2005	2004
	HK$'000	HK$'000	HK$'000
Current to 30 days	21,623	8,596	6,772
31 – 60 days	8,176	3,972	5,062
61 – 90 days	170	1,194	1,148
Over 90 days	185	2,732	7,641
	30,154	16,494	20,623

24. DUE FROM A FELLOW SUBSIDIARY

The amount due from a fellow subsidiary is unsecured, interest-free and has no fixed repayment terms.

25. BANK AND CASH BALANCES

At 31 December 2004, 2005 and 2006, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$2,912,000, HK$23,936,000 and HK$7,140,000 respectively. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

26. SHARE CAPITAL

	Number of shares	Par value
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2004 and 31 December 2006	1,000,000,000	100,000
Issued and fully paid:		
At 1 January 2004 and 2005	200,000,000	20,000
Rights issue *(Note (a))*	100,000,000	10,000
At 31 December 2005 and 1 January 2006	300,000,000	30,000
Shares issued on 21 April 2006 *(Note (b))*	20,000,000	2,000
Shares issued on 12 June 2006 *(Note (c))*	12,000,000	1,200
At 31 December 2006	332,000,000	33,200

Notes:

(a) On 18 August 2005, 100,000,000 new shares of HK$0.1 each were issued at HK$0.54 per share by way of rights issue on the basis of one rights share for every two shares held. These shares rank pari passu in all respects with the existing shares. The net proceeds of the rights issue amounted to approximately HK$52,700,000 were used to finance the acquisition of Beilei.

(b) On 21 April 2006, 20,000,000 new shares of HK$0.1 each were issued at HK$0.54 per share to the immediate holding company pursuant to a placing and subscription agreement. These shares rank pari passu in all respects with the existing shares. The net proceeds totalling approximately HK$10,429,000 were used for the Group's general working capital purposes.

(c) On 12 June 2006, 12,000,000 new shares of HK$0.1 each were issued at HK$0.54 per share to the immediate holding company pursuant to a placing and subscription agreement. These shares rank pari passu in all respects with the existing shares. The net proceeds totalling approximately HK$6,261,000 were used for the Group's general working capital purposes.

(d) On 7 June 2007, 58,000,000 new shares of HK$0.1 each were issued at HK$1.62 per share to the immediate holding company pursuant to a placing and subscription agreement. These shares rank pari passu in all respects with the existing shares. The net proceeds totalling approximately HK$92,000,000 will be used for the Group's general working capital purposes.

27. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity.

(b) Company

	Share premium *HK$'000*	Accumulated losses *HK$'000*	Proposed final dividend *HK$'000*	Total *HK$'000*
At 1 January 2004	27,645	(5,557)	5,500	27,588
Dividend paid	–	–	(5,500)	(5,500)
Loss for the year	–	(42,131)	–	(42,131)
At 31 December 2004 and 1 January 2005	27,645	(47,688)	–	(20,043)
Loss for the year	–	(10,388)	–	(10,388)
Rights issue	44,000	–	–	44,000
Rights issue expenses	(1,303)	–	–	(1,303)
At 31 December 2005 and 1 January 2006	70,342	(58,076)	–	12,266
Loss for the year	–	(6,053)	–	(6,053)
Issue of shares	14,080	–	–	14,080
Share issue expenses	(590)	–	–	(590)
At 31 December 2006	83,832	(64,129)	–	19,703

(c) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Properties revaluation reserve

The properties revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for buildings in Note 3(e) to the Financial Information.

(iii) Merger reserve

The merger reserve of the Group represents the difference between the nominal value of the shares issued and the nominal value of shares of the subsidiaries acquired at the time of the group reorganisation on 29 December 2000.

(iv) Statutory reserves

The statutory reserves of the Group comprise enterprise expansion and general reserve funds which represent funds set up by a subsidiary established and operating in the PRC and form part of the shareholders' funds. According to the relevant PRC regulations, upon approval, the enterprise expansion reserve fund may be used for increasing capital while the general reserve fund may be used for making up losses and increasing capital of the subsidiary.

(v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 3(d) to the Financial Information.

28. DUE TO IMMEDIATE HOLDING COMPANY

The amount due to immediate holding company is unsecured and not repayable within the next twelve months. Before 31 December 2005, the amount was interest free. Thereafter, the amount is interest bearing at the prevailing Hong Kong prime rate plus 1% per annum.

29. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by the Group, and the movements thereon, during the Relevant Periods.

	Group Year ended 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Accelerated tax depreciation			
At 1 January	290	288	288
Exchange differences	3	2	–
At 31 December	293	290	288

At 31 December 2004, 2005 and 2006, the Group has unused tax losses of approximately HK$94,998,000, HK$114,764,000 and HK$141,565,000 respectively, available for offset against future profits of which aggregated amounts of approximately HK$94,772,000, HK$105,132,000 and HK$131,933,000 respectively, are subject to the approval of the respective tax authorities. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Unrecognised tax losses will expire as follows:

	Group At 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
2009	17,388	23,935	23,935
2010	9,526	9,526	–
2011	23,408	–	–
No expiry date	91,243	81,303	71,063
	141,565	114,764	94,998

30. TRADE AND OTHER PAYABLES

	Group At 31 December			Company At 31 December		
	2006	2005	2004	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	7,235	2,972	3,241	–	–	–
Other payables	36,415	24,927	22,590	1,258	2,237	151
	43,650	27,899	25,831	1,258	2,237	151

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	Group At 31 December		
	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*
Current to 30 days	5,683	2,389	1,284
31 – 60 days	974	303	1,046
61 – 90 days	140	1	652
Over 90 days	438	279	259
	7,235	2,972	3,241

31. DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount due to a minority shareholder of a subsidiary is unsecured, interest-free and has no fixed repayment terms.

32. INTEREST-BEARING BORROWINGS

	Group At 31 December			Company At 31 December		
	2006	2005	2004	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount due for settlement within 12 months and included under current liabilities)						
Bank overdrafts *(note (a))*	–	1	72	–	–	–
Bank loans *(note (b))*	–	–	45,911	–	–	–
Trust receipt loans *(note (c))*	–	–	26,867	–	–	–
Other loan *(note (d))*	–	10,000	–	–	10,000	–
	–	10,001	72,850	–	10,000	–

Notes:

(a) Bank overdrafts were denominated in Hong Kong dollars and were repayable on demand.

(b) Hong Kong dollar denominated bank loans of approximately HK$35,534,000 were arranged at floating rates ranging from 2.47% to 2.59% per annum and exposed the Group to cash flow interest rate risk. RMB denominated bank loans of approximately HK$10,377,000 were arranged at floating rates ranging from 5.544% to 5.841% per annum and exposed the Group to cash flow interest rate risk.

(c) Trust receipt loans were denominated in Hong Kong dollars and were arranged at floating rates ranging from 2.225% to 2.6% per annum and exposed the Group to cash flow interest rate risk.

(d) Other loan was denominated in Hong Kong dollars, unsecured and had a maturity of one-year period. The other loan was arranged at a fixed interest rate of 8% per annum, thus, exposing the Group to fair value interest rate risk.

33. FINANCE LEASE PAYABLES

	Group		
	At 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Minimum lease payments due for settlement within 12 months	–	–	207
Less: future finance charges	–	–	(11)
Present value of minimum lease payments due for settlement within 12 months	–	–	196

For the year ended 31 December 2004, the average effective borrowing rate was 3.9%. Interest rate was fixed at the contract date and thus exposed the Group to fair value interest rate risk.

The Group's finance lease payables were secured by the lessor's title to the leased assets. All finance lease payables were denominated in RMB.

34. ACQUISITION OF A SUBSIDIARY

On 15 December 2005, the Group acquired 70% equity interests in Beilei at a cash consideration of RMB55,000,000 (equivalent to approximately HK$52,949,000). Details of net assets acquired and the goodwill are as follows:

	Fair value	Beilei's carrying amount
	HK$'000	*HK$'000*
Net assets acquired:		
Property, plant and equipment	31,953	43,963
Inventories	2,243	2,243
Prepayments and deposits	2,429	2,429
Bank and cash balances	25,903	25,903
Due to a minority shareholder	(2,615)	(2,615)
Net assets	59,913	71,923
Minority interests (30%)	(17,974)	
Fair value of net assets acquired	41,939	
Goodwill	11,010	
Total cash consideration	52,949	

Analysis of the net cash outflow in respect of the acquisition of a subsidiary:

	HK$'000
Cash consideration	(52,949)
Bank and cash balances acquired	25,903
Net cash outflow in respect of the acquisition of a subsidiary	(27,046)

The goodwill arising on the acquisition of Beilei is attributable to the anticipated profitability of Beilei.

Beilei contributed turnover of approximately HK$62,000 and loss of approximately HK$2,849,000 to the Group for the period from 15 December 2005 to 31 December 2005. If the acquisition had occurred on 1 January 2005, the Group's turnover would have been approximately HK$115,786,000 and loss for the year ended 31 December 2005 would have been approximately HK$36,216,000. The proforma information is for illustrative purpose only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2005, or is it intended to be a projection of future results.

35. COMMITMENTS

(a) Lease commitments

At each balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	At 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	1,807	1,551	1,040
In the second to fifth years inclusive	871	1,851	3,225
	2,678	3,402	4,265

(b) Capital commitments

The Group had the following capital commitments at each balance sheet date:

	At 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment			
Contracted but not provided for	55	1,548	–

(c) Other commitments

The Group had committed to pay a nominal fee of US$5,000 (equivalent to approximately HK$38,800) each year to a former shareholder of a subsidiary for the first two years commencing from 1 October 2005. Thereafter, the Group is required to pay royalties in the third to the eighth years calculated at various rates, for the use of licenced trademarks and know-how for certain products. The minimum royalty fees for the third to the eighth years are as follows:

	US$'000	*Equivalent to HK$'000*
In the third contractual year	80	621
In the fourth contractual year	100	776
In the fifth contractual year	120	931
In the sixth contractual year	150	1,164
In the seventh contractual year	170	1,319
In the eighth contractual year	190	1,474

36. CONTINGENT LIABILITIES

At 31 December 2004 the Group had contingent liabilities in respect of bills of exchange discounted to banks with recourse amounting to approximately HK$2,101,000.

37. RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances disclosed elsewhere in the Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Rental paid to a related company *(Note)*	360	130	–
Interest paid to immediate holding company	6,204	–	–
Disposal of motor vehicle to a fellow subsidiary	–	511	–

Note: The related company is a company that is significantly influenced by a director of the Company.

38. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 11 October 2006, the Group entered into a disposal agreement for the disposal of certain buildings and prepaid land lease payments at a consideration of approximately HK$8,751,000. The transaction was completed on 12 January 2007 with a gain on disposal of approximately HK$1,168,000.

(b) On 11 May 2007, the Company entered into the following agreements with certain connected persons which constitute connected transactions of the Company and are therefore subject to the approval of the independent shareholders of the Company at an extraordinary general meeting to be held on 16 July 2007:

(i) The Company entered into agreements for the Very Substantial Acquisition whereby the Company agreed to purchase the entire issued share capital in BAPP Ethanol and CEC Ethanol at considerations of HK$120,000,000 and HK$100,000,000 respectively. The considerations will be satisfied by the Company through the allotment and issuance of 96,000,000 ordinary shares and 80,000,000 ordinary shares of HK$0.1 each of the Company respectively.

(ii) The Company and OIL, the immediate holding company, entered into an agreement for the Very Substantial Disposal whereby the Company agreed to sell to OIL the entire issued share capital of each of ATL and GAL at a consideration of US$200,000 (equivalent to approximately HK$1,560,000) payable in cash.

The financial information of ATL and GAL (as adjusted for the attributable interests to the Company), which constitute discontinuing operations pursuant to Rule 4.06A of the Listing Rules, is as follows:

Combined results

	Year ended 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	167,420	115,786	235,719
Cost of sales	(160,073)	(116,367)	(265,510)
Gross profit/(loss)	7,347	(581)	(29,791)
Other income	505	20	804
Gain on deregistration of an associate	–	299	–
Distribution costs	(14,124)	(5,084)	(4,405)
Administrative expenses	(15,307)	(13,044)	(13,978)
Other operating expenses	(1,159)	(142)	(5,641)
Reversal of allowance/(allowance) for impairment of receivables	2,155	2,040	(49,247)
Loss from operations	(20,583)	(16,492)	(102,258)
Finance costs	(6,204)	(1,163)	(2,634)
Share of profit of an associate	–	–	94
Loss before tax	(26,787)	(17,655)	(104,798)
Income tax credit	1,122	2,441	1,733
Loss for the year	(25,665)	(15,214)	(103,065)
Minority interests	5,947	629	(114)
Loss for the year attributable to the Company	(19,718)	(14,585)	(103,179)

Combined assets and liabilities

	At 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	46,827	53,004	26,156
Prepaid land lease payments	6,296	6,465	6,635
Goodwill	11,010	11,010	–
Interests in an associate	–	–	(299)
	64,133	70,479	32,492
Current assets			
Inventories	30,831	20,918	24,104
Trade and other receivables	33,947	20,446	21,110
Current tax assets	2,021	2,021	1,464
Bank and cash balances	8,119	26,856	11,365
	74,918	70,241	58,043
Current liabilities			
Trade and other payables	42,390	25,662	25,680
Due to the Company	82,470	82,210	31,224
Due to a minority shareholder of a subsidiary	3,084	2,398	–
Interest-bearing borrowings	–	1	72,850
Finance lease payables	–	–	196
Current tax payable	4,182	5,272	7,676
	132,126	115,543	137,626
Net current liabilities	(57,208)	(45,302)	(79,583)
Total assets less current liabilities	6,925	25,177	(47,091)
Non-current liabilities			
Due to immediate holding company of the Company	76,150	69,543	–
Deferred tax liabilities	293	290	288
	76,443	69,833	288
Net liabilities	(69,518)	(44,656)	(47,379)
Minority interests	(11,771)	(17,464)	(119)
Net liabilities attributable to the Company	(81,289)	(62,120)	(47,498)

Combined cash flows

	Year ended 31 December		
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax	(26,787)	(17,655)	(104,798)
Adjustments for:			
Share of profit of an associate	–	–	(94)
Finance costs	6,204	1,163	2,634
Interest income	(163)	(14)	(358)
Gain on deregistration of an associate	–	(299)	–
Bad debts written off	62	–	–
Depreciation	8,567	7,669	8,392
Write down of inventories	5,812	318	682
Loss/(gain) on disposal of property, plant and equipment	944	–	(15)
Amortisation of prepaid land lease payments	169	170	169
Property, plant and equipment written off	152	12	–
Revaluation deficit on buildings	–	–	2,399
Impairment of property, plant and equipment	–	–	1,695
Amortisation of goodwill	–	–	74
Impairment of goodwill	–	–	74
(Reversal of allowance)/allowance for impairment of receivables	(2,155)	(2,040)	49,247
Operating loss before working capital changes	(7,195)	(10,676)	(39,899)
Increase in prepaid land lease payments	–	–	(196)
(Increase)/decrease in inventories	(15,725)	5,111	2,908
(Increase)/decrease in trade and other receivables	(11,408)	5,133	8,888
Increase/(decrease) in trade and other payables	16,728	(18)	1,873
Increase in amount due to an associate	–	–	60
Cash used in operations	(17,600)	(450)	(26,366)
Income taxes paid	(38)	(520)	(2,347)
Interest paid	–	(1,163)	(2,634)
Net cash used in operating activities	(17,638)	(2,133)	(31,347)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary	–	(27,046)	–
Interest received	163	14	358
Purchases of property, plant and equipment	(3,760)	(2,317)	(4,130)
Proceeds from disposal of property, plant and equipment	1,628	–	77
Net cash used in investing activities	(1,969)	(29,349)	(3,695)

	Year ended 31 December		
	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans	–	–	6,729
Repayment of bank loans	–	(45,911)	(11,544)
Net (repayment)/inception of trust receipt loans	–	(26,867)	4,788
Payment of finance lease payables	–	(196)	(180)
Advance from/(repayment to) the Company	–	50,986	(1,204)
Advance from immediate holding company of the Company	–	69,543	–
Advance from/(repayment to) a minority shareholder of a subsidiary	686	(217)	–
Capital injection by a minority shareholder of a subsidiary	–	–	5
Dividend paid to minority shareholder of a subsidiary	(196)	–	–
Dividend paid to the Company	–	–	(5,500)
Net cash generated from/(used in) financing activities	490	47,338	(6,906)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(19,117)	15,856	(41,948)
Effect of foreign exchange rate changes, net	381	(294)	–
CASH AND CASH EQUIVALENTS AT 1 JANUARY	26,855	11,293	53,241
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	8,119	26,855	11,293
ANAYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	8,119	26,856	11,365
Bank overdrafts	–	(1)	(72)
	8,119	26,855	11,293

Combined statements of changes in equity

	Attributable to the Company								Minority interests	Total
	Share capital	Properties revaluation	Merger reserve	Statutory reserve	Exchange reserve	Retained earnings/ (accumulated losses)	Proposed final dividend	Sub-total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2004	16,000	296	2,150	2,223	202	34,672	5,500	61,043	–	61,043
Surplus on revaluation of properties and net income recognised directly in equity	–	138	–	–	–	–	–	138	–	138
(Loss)/profit for the year	–	–	–	–	–	(103,179)	–	(103,179)	114	(103,065)
Total recognised income and expense for the year	–	138	–	–	–	(103,179)	–	(103,041)	114	(102,927)
Capital injection by a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	5	5
Dividend paid to the Company	–	–	–	–	–	–	(5,500)	(5,500)	–	(5,500)
At 31 December 2004 and 1 January 2005	16,000	434	2,150	2,223	202	(68,507)	–	(47,498)	119	(47,379)
Currency translation differences and net expense recognised directly in equity	–	–	–	–	(37)	–	–	(37)	–	(37)
Loss for the year	–	–	–	–	–	(14,585)	–	(14,585)	(629)	(15,214)
Total recognised income and expense for the year	–	–	–	–	(37)	(14,585)	–	(14,622)	(629)	(15,251)
Business combination	–	–	–	–	–	–	–	–	17,974	17,974
At 31 December 2005 and 1 January 2006	16,000	434	2,150	2,223	165	(83,092)	–	(62,120)	17,464	(44,656)
Currency translation differences and net income recognised directly in equity	–	–	–	–	549	–	–	549	450	999
Loss for the year	–	–	–	–	–	(19,718)	–	(19,718)	(5,947)	(25,665)
Total recognised income and expense for the year	–	–	–	–	549	(19,718)	–	(19,169)	(5,497)	(24,666)
Dividend paid to minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	(196)	(196)
At 31 December 2006	16,000	434	2,150	2,223	714	(102,810)	–	(81,289)	11,771	(69,518)

(c) On 7 June 2007, 58,000,000 new shares of HK$0.1 each were issued at HK$1.62 per share to the immediate holding company pursuant to a placing and subscription agreement. These shares rank pari passu in all respects with the existing shares. The net proceeds totalling approximately HK$92,000,000 will be used for the Group's general working capital purposes.

C. SUBSEQUENT CONSOLIDATED FINANCIAL STATEMENTS

No audited consolidated financial statements have been prepared by the Group in respect of any period subsequent to 31 December 2006 and no dividend or other distribution has been declared, made or paid by the Company.

Yours faithfully,
RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

1. INDEBTEDNESS STATEMENT

At the close of businesses on 30 April 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total indebtedness of approximately HK$87,062,000, comprising an unsecured amount due to the immediate holding company of approximately HK$78,437,000, an unsecured amount due to a minority shareholder of a non-wholly owned subsidiary of approximately HK$6,169,000, an unsecured amount due to a fellow subsidiary of approximately HK$1,000,000 and an unsecured other loan of approximately HK$1,456,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities at the close of business on 30 April 2007.

2. MANAGEMENT DISCUSSION AND ANALYSIS

Financial year ended 31 December 2006

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 2005. 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 in 2005. Loss attributable to equity holders of the Company was approximately HK$25.8 million, representing a decrease of 4.9% over 2005. 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 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% of 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.

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 had 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.

Financial year ended 31 December 2005

Business and financial review

For the year ended 31 December 2005, the Group recorded a loss attributable to shareholders of approximately HK$27.1 million (2004: HK$104.5 million) and net assets of approximately HK$26.7 million (2004: net liabilities of HK$16.2 million).

The turnover of the Group was approximately HK$115.8 million, a decrease of 50.9% from 2004. The substantial decrease was due to the loss of confidence of the Group's customers as result of the Company's former Chairman, Mr. Wong Chor Wo, being charged of misappropriating funds by the Independent Commission Against Corruption in late 2004. The Group's gross loss was approximately HK$0.6 million, a decrease of 98% from 2004. The significant decrease in gross loss and operating loss for the year was mainly due to the cessation of raw materials trading which generated lower gross profit and the relatively lower raw material cost during the year.

In order to finance the Group's expansion and general operations, in August 2005, the Group raised net proceeds of approximately HK$52.7 million by way of a rights issue of 100,000,000 rights shares at a price of HK$0.54 per rights share on the basis of one rights share for every two existing shares held.

In mid December 2005, the Group completed the acquisition of a 70% stake in Beilei (Tianjin) Dairy Co., Ltd ("Beilei"), a company engaged in the production and sale of dairy products, at a cash consideration of approximately HK$52.9 million. Beilei ceased its production before the acquisition and has restarted its operations in late December 2005.

Change of controlling shareholder

On 12 April 2005, Wisechoice Assets Limited and Accuport Development Limited, the controlling shareholders of the Company at that time, entered into a sale and purchase agreement ("Sale and Purchase Agreement") to sell its entire equity interests in the Company to OIL and immediately following the completion of the Sale and Purchase Agreement, OIL was interested in 75% of the then issued share capital of the Company. Pursuant to the Code, OIL was obliged to make a mandatory unconditional cash offer for all the issued shares of the Company other than those already owned by it and parties acting in concert with it ("Offer"). On closure of the Offer on 15 June 2005, one shareholder holding 10,000 shares accepted the Offer resulting OIL being interested in 75.005% of the issued share capital of the Company. In this connection, on 5 July 2005, OIL sold 10,000 shares in the market so as to maintain the public float requirement under the Listing Rules. At 31 December 2005, OIL, the controlling shareholder of the Company, was interested in 225,000,000 shares of the Company, representing 75% of the issued share capital of the Company.

The change in shareholding immediately alleviated the Group's financial stress and provided an improved operating environment for the Group.

Liquidity and financial resources

With the proceeds raised from the rights issue in August 2005 and the acquisition of Beilei in December 2005, the Group has enhanced its liquidity and asset position during the year. At 31 December 2005, the Group's bank and cash balances amounted to approximately HK$27.5 million (2004: HK$11.5 million) and the total assets and the net assets were approximately HK$142.1 million (2004: HK$90.7 million) and HK$26.7 million (2004: net liabilities of HK$16.2 million), respectively.

At 31 December 2005, the Group's current assets and current liabilities were approximately HK$71.6 million (2004: HK$58.2 million) and HK$45.6 million (2004: HK$106.6 million), respectively, resulting in net current assets of approximately HK$26.0 million (2004: net current liabilities of HK$48.4 million).

On 12 April 2005, OIL had entered into a deed of assignment with Standard Chartered Bank (Hong Kong) Limited ("Coordinating Bank") and ten of the bank creditors of the Group ("Assigning Banks") whereby the Coordinating Bank and the Assigning Banks agreed to assign their rights, title and interest under the banking facilities, which in aggregate approximately HK$69.3 million, to OIL. At 31 December 2005, the Group's total borrowings amounted to approximately HK$81.9 million (2004: 73.0 million) and comprised mainly the shareholder's loan from OIL. The gearing ratio of the Group as at 31 December 2005, calculated as total debts divided by total assets, was 57.6%. Excluding the shareholder's loan, the gearing ratio as at 31 December 2005 was reduced to 8.7%.

Charge on assets

At 31 December 2005, there was no charge on the Group's assets (2004: Nil).

Contingent liabilities

At 31 December 2005, the Group had no material contingent liabilities (2004: Nil).

Exposure to foreign currency risk

The Group has minimal exposure to foreign currency risk, as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars, US dollars and Renminbi. It is the Group's treasury policy to manage its foreign currency exposure, if any, only when its potential financial impact is material to the

Group. The Group will continue to monitor its foreign exchange position and, if necessary, will hedge its foreign currency exposure by forward foreign exchange contracts.

Employee and remuneration policy

At 31 December 2005, the Group had approximately 2,493 (2004: 2,803) employees with total staff costs amounted to approximately HK$33.3 million (2004: HK$33.3 million). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications.

Financial year ended 31 December 2004

Business and financial review

For the year ended 31 December 2004, the Group's turnover decreased by 27% from HK$322.7 million to approximately HK$235.7 million and a loss attributable to shareholders of HK$104.4 million was recorded compared to a profit attributable to shareholders of HK$11.4 million in the previous year. The loss per share was HK52.2 cents in 2004 compared to the earnings per share of HK5.7 cents in 2003.

The decrease in turnover in 2004 by 27% from HK$322.7 million to HK$235.7 million was mainly due to decrease in handbags and accessories sales of HK$62.8 million and decrease in HK$25.8 million in raw materials trading or possibly unrecorded sales.

The loss attributable to shareholders was due mainly to (i) a gross loss of HK$29.8 million due principally to increase in production costs, in particularly raw material costs or possibly unrecorded sales, and (ii) provision of doubtful debts amounted to HK$49.2 million. This comprises principally of two debtors, and both of which are debtors arising from the trading of raw materials. The board of directors had instructed the Company's lawyers to commence legal action against these debtors.

Liquidity and financial resources

Borrowings and banking facilities

As at 31 December 2004, the Group had outstanding bank borrowings of approximately HK$73 million (mainly represented by trust receipt loans and packing loans of approximately HK$27 million, short-term bank loans of approximately HK$23 million and short-term portion of long-term bank loans of approximately HK$23 million). The banking facilities were frozen by the banks under an informal standstill agreement which was formalised on 24 February 2005 shortly after the Chairman of the Company at that time, Mr. Wong Chor Wo, had been arrested by the Independent Commission Against Corruption and was charged with misappropriating company funds and knowingly making a false statement to the Company's auditors. The bank debts were assigned to OIL on 12 April 2005.

The bank borrowings were mainly made in Hong Kong dollars and Renminbi. The Group did not enter into any hedging transactions. Foreign exchange exposure did not pose a significant risk to the Group given that the level of foreign currency exposure was small.

As at 31 December 2004, the gearing ratio of the Group, calculated as total debts divided by total assets, was approximately 121%.

Net current assets and working capital

As at 31 December 2004, the Group's total current assets and current liabilities were approximately HK$58.2 million and HK$106.6 million respectively resulting in a net current liability of HK$48.4 million.

Employee and remuneration policy

Staff costs for the year ended 31 December 2004 were approximately HK$33.3 million, representing an increase of approximately 7% over the previous year. The Group had a workforce of about 2,803 staff at the end of 2004, with 25 mainly located in Hong Kong, 2,186 located in Hui Zhou, the PRC and the remaining staff located in Cambodia. Salaries of employees are maintained at competitive levels while bonuses were granted on a discretionary basis.

3. NO MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, the date to which the latest audited financial statements of the Group were made up.

RSM! Nelson Wheeler
羅申美會計師行
Certified Public Accountants

7th Floor
Allied Kajima Building
138 Gloucester Road
Hong Kong

29 June 2007

The Directors
Wealthmark International (Holdings) Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding BAPP Ethanol Holdings Limited ("BAPP Ethanol") and its subsidiaries (hereinafter collectively referred to as the "BAPP Ethanol Group") for the period from 18 May 2006 (date of incorporation) to 31 December 2006 (the "Relevant Period") for inclusion in the circular of Wealthmark International (Holdings) Limited (the "Company") dated 29 June 2007 (the "Circular") in connection with a proposed very substantial acquisition and a proposed very substantial disposal.

BAPP Ethanol was incorporated in the British Virgin Islands (the "BVI") on 18 May 2006 as a company with limited liability under the BVI Business Companies Act, 2004. No statutory financial statements have been prepared for BAPP Ethanol since its date of incorporation as there is no requirement to prepare statutory financial statements under the regulations of the BVI.

As at the date of this report, BAPP Ethanol has the following subsidiaries, which all are private companies with limited liability:

Name	Place of incorporation/ registration and operation	Issued and paid up capital	Percentage of ownership/ interest/voting power/profit sharing		Principal activities
			Direct	Indirect	
BAPP (Northwest) Limited[1]	The BVI	1 share of US$1	100%	–	Investment holding
寧夏西部光彩新能源高新技術有限公司 ("Ningxia New Tech")[2]	The People's Republic of China (the "PRC")	Registered capital of RMB40,000,000	–	100%	Production and sale of ethanol

Notes:

(1) No statutory financial statements have been prepared for BAPP (Northwest) Limited since its date of incorporation as there is no requirement to prepare statutory financial statements under the regulations of the BVI.

(2) Ningxia New Tech was established as a wholly-foreign owned enterprise in the PRC on 6 July 2006 with an operating period of 30 years commencing from the date of establishment. The statutory financial statements of Ningxia New Tech for the period from 6 July 2006 (date of incorporation) to 31 December 2006 were audited by 北京五聯方圓會計師事務所有限公司.

For the purpose of this report, we have audited in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), the consolidated financial statements of BAPP Ethanol Group for the period from 18 May 2006 (date of incorporation) to 31 December 2006 (the "Underlying Financial Statements") which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the HKICPA and accounting principles generally accepted in Hong Kong.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements after making adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Circular. We have examined the Financial Information in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by HKICPA.

The Underlying Financial Statements are the responsibility of the directors of BAPP Ethanol who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, for the purpose of this report, the Financial Information of BAPP Ethanol Group for the period from 18 May 2006 (date of incorporation) to 31 December 2006 gives a true and fair view of the state of affairs of BAPP Ethanol and of BAPP Ethanol Group as at 31 December 2006 and of BAPP Ethanol Group's results and cash flows for the period then ended in accordance with HKFRSs.

A. FINANCIAL INFORMATION

1. CONSOLIDATED INCOME STATEMENT

	Note	**Period from 18 May 2006 (date of incorporation) to 31 December 2006** *HK$'000*
Turnover	*4*	–
Interest income		29
Administrative expenses		(1,104)
Loss before tax		(1,075)
Taxation	*5*	–
Loss for the period	*6*	(1,075)

2. CONSOLIDATED BALANCE SHEET

	Note	**At 31 December 2006** *HK$'000*
Non-current assets		
Property, plant and equipment	*8*	11,131
Deposits paid for the acquisition of property, plant and equipment and land use rights		9,116
		20,247
Current assets		
Inventories – raw materials		2,053
Other receivables		541
Bank and cash balances	*10*	4,442
		7,036
TOTAL ASSETS		27,283
Capital and reserves		
Share capital	*12*	389
Reserves	*13*	(746)
Total equity		(357)
Current liabilities		
Trade and other payables		479
Due to immediate holding company	*14*	27,161
Total liabilities		27,640
TOTAL EQUITY AND LIABILITIES		27,283
Net current liabilities		(20,604)
Total assets less current liabilities		(357)

3. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Exchange reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Currency translation differences and net income recognised directly in equity	–	329	–	329
Loss for the period	–	–	(1,075)	(1,075)
Total recognised income and expense for the period	–	329	(1,075)	(746)
Issue of shares	389	–	–	389
At 31 December 2006	389	329	(1,075)	(357)

4. CONSOLIDATED CASH FLOW STATEMENT

	Period from 18 May 2006 (date of incorporation) to 31 December 2006
	HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before tax	(1,075)
Adjustments for:	
Depreciation	7
Interest income	(29)
Operating loss before working capital changes	(1,097)
Increase in inventories	(2,053)
Increase in other receivables	(541)
Increase in trade and other payables	479
Net cash used in operating activities	(3,212)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	29
Purchases of property, plant and equipment	(11,138)
Deposits paid for the acquisition of property, plant and equipment and land use rights	(9,116)
Net cash used in investing activities	(20,225)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issue of shares	389
Advance from immediate holding company	27,161
Net cash generated from financing activities	27,550
NET INCREASE IN BANK AND CASH BALANCES	4,113
Effect of foreign exchange rate changes, net	329
BANK AND CASH BALANCES AT 31 DECEMBER 2006	4,442

5. BALANCE SHEET

	Note	At 31 December 2006 HK$'000
Non-current assets		
Investment in a subsidiary	*9*	–
Current assets		
Due from a subsidiary	*11*	27,503
TOTAL ASSETS		27,503
Capital and reserves		
Share capital	*12*	389
Accumulated losses	*13*	(27)
Total equity		362
Current liabilities		
Due to immediate holding company	*14*	27,141
TOTAL EQUITY AND LIABILITIES		27,503
Net current assets		362
Total assets less current liabilities		362

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

BAPP Ethanol was incorporated in the BVI as a company with limited liability under the BVI Business Companies Act, 2004. The address of its registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI. The address of its principal place of business is 2116 Hutchison House, 10 Harcourt Road, Hong Kong.

In the opinion of the directors of BAPP Ethanol, BAPP Enzyme Engineering Limited, a company incorporated in the BVI, is the immediate holding company and China Enterprise Capital Limited, a company incorporated in the BVI, is the ultimate holding company.

2. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the 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 and by the Hong Kong Companies Ordinance. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations.

BAPP Ethanol 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 Information of BAPP Ethanol Group.

The Financial Information has been prepared under the historical cost convention.

The significant accounting policies applied in the preparation of the Financial Information are set out below.

(a) Consolidation

The Financial Information includes the financial statements of BAPP Ethanol and its subsidiaries made up to 31 December. Subsidiaries are entities over which BAPP Ethanol Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether BAPP Ethanol Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to BAPP Ethanol Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised profits on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by BAPP Ethanol Group.

In BAPP Ethanol's balance sheet the investment in a subsidiary is stated at cost less allowance for impairment losses. The results of the subsidiary are accounted for by BAPP Ethanol on the basis of dividends received and receivable.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of BAPP Ethanol Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Hong Kong dollars, which is BAPP Ethanol's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

(iii) Translation on consolidation

The results and financial position of all BAPP Ethanol Group entities that have a functional currency different from BAPP Ethanol's presentation currency are translated into BAPP Ethanol's presentation currency as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to BAPP Ethanol Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Plant and machinery	10%
Furniture and fixtures	10%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Construction in progress represents property, plant and equipment under construction, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(d) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of other receivables is established when there is objective evidence that BAPP Ethanol Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(g) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of BAPP Ethanol Group's cash management are also included as a component of cash and cash equivalents.

(h) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of BAPP Ethanol Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(j) Equity instruments

Equity instruments issued by BAPP Ethanol are recorded at the proceeds received, net of direct issue costs.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to BAPP Ethanol Group and the amount of revenue can be measured reliably.

Interest income is recognised on a time-proportion basis using the effective interest method.

(l) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The employees of Ningxia New Tech are required to participate in a central pension scheme operated by the local municipal government. Ningxia New Tech is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

(iii) Termination benefits

Termination benefits are recognised when, and only when, BAPP Ethanol Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(m) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. BAPP Ethanol Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where BAPP Ethanol Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and BAPP Ethanol Group intends to settle its current tax assets and liabilities on a net basis.

(n) Related parties

A party is related to BAPP Ethanol Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, BAPP Ethanol Group; has an interest in BAPP Ethanol Group that gives it significant influence over BAPP Ethanol Group; or has joint control over BAPP Ethanol Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of BAPP Ethanol or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of BAPP Ethanol Group, or of any entity that is a related party of BAPP Ethanol Group.

(o) Impairment of assets

At each balance sheet date, BAPP Ethanol Group reviews the carrying amounts of its tangible and intangible assets except inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, BAPP Ethanol Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when BAPP Ethanol Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(q) Events after the balance sheet date

Events after the balance sheet date that provide additional information about BAPP Ethanol Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Financial Information. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the Financial Information when material.

3. FINANCIAL RISK MANAGEMENT

BAPP Ethanol Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk and liquidity risk. BAPP Ethanol Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on BAPP Ethanol Group's financial performance.

(a) Foreign currency risk

BAPP Ethanol Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars, United States dollars and Renminbi ("RMB"). BAPP Ethanol Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. BAPP Ethanol Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

BAPP Ethanol Group has no significant concentrations of credit risk.

(c) Liquidity risk

BAPP Ethanol Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(d) Fair values

The carrying amounts of BAPP Ethanol Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

4. TURNOVER

During the Relevant Period, BAPP Ethanol Group has not yet commenced production and sale and did not record any turnover.

5. TAXATION

No provision for Hong Kong profits tax is required since BAPP Ethanol has no assessable profit for the Relevant Period.

No provision for PRC enterprise income tax is required since Ningxia New Tech did not generate any income for the Relevant Period.

The reconciliation between the taxation and the product of loss before tax multiplied by the Hong Kong profits tax rate is as follows:

	Period from 18 May 2006 (date of incorporation) to 31 December 2006
	HK$'000
Loss before tax	(1,075)
Tax at the domestic income tax rate of 17.5%	(188)
Tax effect of expenses not deductible for tax	188
Taxation	–

6. LOSS FOR THE PERIOD

BAPP Ethanol Group's loss for the period is stated after charging the following:

	Period from 18 May 2006 (date of incorporation) to 31 December 2006
	HK$'000
Depreciation	7
Directors' emoluments	
– For management	79
Net foreign exchange losses	175
Operating lease charges on land and buildings	12
Staff costs (including directors' emoluments)	314

7. DIVIDENDS

The Directors of BAPP Ethanol do not recommend the payment of a dividend for the Relevant Period.

8. PROPERTY, PLANT AND EQUIPMENT

BAPP Ethanol Group

	Plant and equipment *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
Cost					
Additions and at 31 December 2006	196	23	121	10,798	11,138
Accumulated depreciation					
Charge for the period and at 31 December 2006	1	2	4	–	7
Carrying amount					
At 31 December 2006	195	21	117	10,798	11,131

9. INVESTMENT IN A SUBSIDIARY

Investment in a subsidiary of BAPP Ethanol is stated at cost of US$1 (equivalent to HK$8).

10. BANK AND CASH BALANCES

At 31 December 2006, the bank and cash balances of BAPP Ethanol Group denominated in RMB amounted to HK$107,000. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

11. DUE FROM A SUBSIDIARY

The amount due from a subsidiary is unsecured, interest-free and has no fixed repayment terms.

12. SHARE CAPITAL

		At 31 December 2006
Authorised:		
100,000,000 shares of US$1 each		US$100,000,000
	Equivalent to	HK$777,000,000
Issued and fully paid:		
50,000 shares of US$1 each		US$50,000
	Equivalent to	HK$389,000

By a resolution passed on 9 June 2006, the authorised share capital of BAPP Ethanol was increased from US$50,000 (equivalent to HK$389,000) to US$100,000,000 (equivalent to HK$777,000,000). On the same date, BAPP Ethanol issued 50,000 shares of US$1 each at par totalling US$50,000 (equivalent to HK$389,000) for cash fully paid to provide initial working capital.

On 9 May 2007, BAPP Ethanol issued 4,400,682 shares of US$1 at par totalling US$4,400,682 (equivalent to HK$34,193,000) by the capitalisation of an amount due to the immediate holding company of HK$34,193,000 as at that date (Note 14).

13. RESERVES

(a) BAPP Ethanol Group

The amounts of BAPP Ethanol Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) BAPP Ethanol

	Accumulated loss
	HK$'000
Loss for the period and at 31 December 2006	(27)

(c) Nature and purpose of reserve

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(b) to the Financial Information.

14. DUE TO IMMEDIATE HOLDING COMPANY

The amount due to immediate holding company is unsecured, interest-free and has no fixed repayment terms.

On 9 May 2007, the amount due to immediate holding company was capitalised as issued and fully paid shares of BAPP Ethanol (Note 12).

15. COMMITMENTS

(a) Lease commitments

At 31 December 2006, BAPP Ethanol Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	At 31 December 2006
	HK$'000
Within one year	4

(b) Capital commitments

BAPP Ethanol Group had the following capital commitments at the balance sheet date:

	At 31 December 2006
	HK$'000
Property, plant and equipment	
Contracted but not provided for	9,242

16. EVENTS AFTER THE BALANCE SHEET DATE

On 9 May 2007, BAPP Ethanol issued 4,400,682 shares of US$1 at par totalling US$4,400,682 (equivalent to HK$34,193,000) by the capitalisation of an amount due to the immediate holding company of HK$34,193,000 as at that date.

C. SUBSEQUENT CONSOLIDATED FINANCIAL STATEMENTS

No audited consolidated financial statements have been prepared by BAPP Ethanol Group in respect of any period subsequent to 31 December 2006 and no dividend or other distribution has been declared, made or paid by BAPP Ethanol.

Yours faithfully,
RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

RSM Nelson Wheeler
羅申美會計師行
Certified Public Accountants

7th Floor
Allied Kajima Building
138 Gloucester Road
Hong Kong

29 June 2007

The Directors
Wealthmark International (Holdings) Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding CEC Ethanol (Northeast) Limited ("CEC Ethanol") and its subsidiary, 哈爾濱中國釀酒有限公司 ("Harbin Distillery") (hereinafter collectively referred to as the "CEC Ethanol Group") for the period from 28 March 2006 (date of incorporation) to 31 December 2006 (the "Relevant Period") for inclusion in the circular of Wealthmark International (Holdings) Limited (the "Company") dated 29 June 2007 (the "Circular") in connection with a proposed very substantial acquisition and a proposed very substantial disposal.

CEC Ethanol was incorporated in the British Virgin Islands (the "BVI") on 28 March 2006 as a company with limited liability under the BVI Business Companies Act, 2004. No statutory financial statements have been prepared for CEC Ethanol since its date of incorporation as there is no requirement to prepare statutory financial statements under the regulations of the BVI.

As at the date of this report, CEC Ethanol owned 72.7% equity interest in Harbin Distillery. Harbin Distillery was established as a Sino-foreign equity joint venture in the People's Republic of China (the "PRC") on 23 June 2006 with a registered capital of RMB220,000,000 and an operating period of 30 years commencing from the date of establishment. Harbin Distillery was set up for the sale and distribution of ethanol. No statutory financial statements have been prepared for Harbin Distillery for the period from date of establishment to 31 December 2006 as Harbin Distillery did not commence trading.

For the purpose of this report, we have audited in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), the consolidated financial statements of CEC Ethanol Group for the period from 28 March 2006 (date of incorporation) to 31 December 2006 (the "Underlying Financial Statements") which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the HKICPA and accounting principles generally accepted in Hong Kong.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements after making adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Circular. We have examined the Financial Information in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by HKICPA.

The Underlying Financial Statements are the responsibility of the directors of CEC Ethanol who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, for the purpose of this report, the Financial Information of CEC Ethanol Group for the period from 28 March 2006 (date of incorporation) to 31 December 2006 gives a true and fair view of the state of affairs of CEC Ethanol and of CEC Ethanol Group as at 31 December 2006 and of CEC Ethanol Group's results and cash flows for the period then ended in accordance with HKFRSs.

A. FINANCIAL INFORMATION

1. CONSOLIDATED INCOME STATEMENT

	Note	**Period from 28 March 2006 (date of incorporation) to 31 December 2006** *HK$'000*
Turnover	*5*	–
Interest income		172
Administrative expenses		(849)
Loss before tax		(677)
Taxation	*6*	–
Loss for the period	*7*	(677)
Attributable to:		
Equity holder of CEC Ethanol		(497)
Minority interests		(180)
		(677)

2. CONSOLIDATED BALANCE SHEET

	Note	**At 31 December 2006** *HK$'000*
Non-current assets		
Property, plant and equipment	*9*	4,316
Intangible asset	*10*	49,730
Deposits paid for the acquisition of property, plant and equipment and land use rights	*11*	62,660
		116,706
Current assets		
Bank and cash balances	*13*	31,732
TOTAL ASSETS		148,438
Capital and reserves		
Share capital	*14*	–
Reserves	*15*	959
Equity attributable to equity holder of CEC Ethanol		959
Minority interests		49,421
Total equity		50,380
Current liabilities		
Due to immediate holding company	*16*	98,058
TOTAL EQUITY AND LIABILITIES		148,438
Net current liabilities		(66,326)
Total assets less current liabilities		50,380

3. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holder of CEC Ethanol					
	Share capital	**Exchange reserve**	**Accumulated losses**	**Sub-total**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Currency translation differences and net income recognised directly in equity	–	1,456	–	1,456	582	2,038
Loss for the period	–	–	(497)	(497)	(180)	(677)
Total recognised income and expense for the period	–	1,456	(497)	959	402	1,361
Issue of share	–	–	–	–	–	–
Capital injection by a minority shareholder of the subsidiary	–	–	–	–	49,019	49,019
At 31 December 2006	–	1,456	(497)	959	49,421	50,380

4. CONSOLIDATED CASH FLOW STATEMENT

	Period from 28 March 2006 (date of incorporation) to 31 December 2006
	HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before tax	(677)
Adjustment for:	
Interest income	(172)
Operating loss before working capital changes and net cash used in operating activities	(849)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	172
Purchases of property, plant and equipment	(4,316)
Deposits paid for the acquisition of property, plant and equipment and land use rights	(62,660)
Net cash used in investing activities	(66,804)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issue of share	–
Advance from immediate holding company	98,058
Net cash generated from financing activities	98,058
NET INCREASE IN BANK AND CASH BALANCES	30,405
Effect of foreign exchange rate changes, net	1,327
BANK AND CASH BALANCES AT 31 DECEMBER 2006	31,732

5. BALANCE SHEET

	Note	At 31 December 2006 *HK$'000*
Non-current assets		
Investment in a subsidiary	*12*	98,039
TOTAL ASSETS		98,039
Capital and reserves		
Share capital	*14*	–
Accumulated losses	*15*	(19)
Total equity		(19)
Current liabilities		
Due to immediate holding company	*16*	98,058
TOTAL EQUITY AND LIABILITIES		98,039
Net current liabilities		(98,058)
Total assets less current liabilities		(19)

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

CEC Ethanol was incorporated in the BVI as a company with limited liability under the BVI Business Companies Act, 2004. The address of its registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI. The address of its principal place of business is 2116 Hutchison House, 10 Harcourt Road, Hong Kong.

In the opinion of the directors of CEC Ethanol, CEC Agricapital Group Limited, a company incorporated in the BVI, is the immediate holding company and China Enterprise Capital Limited, a company incorporated in the BVI, is the ultimate holding company.

2. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the 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 and by the Hong Kong Companies Ordinance. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations.

CEC Ethanol 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 Information of CEC Ethanol Group.

The Financial Information has been prepared under the historical cost convention.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 3 to the Financial Information.

The significant accounting policies applied in the preparation of the Financial Information are set out below.

(a) Consolidation

The Financial Information includes the financial statements of CEC Ethanol and its subsidiary made up to 31 December. Subsidiaries are entities over which CEC Ethanol Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether CEC Ethanol Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to CEC Ethanol Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised profits on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by CEC Ethanol Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the period between minority and shareholder of CEC Ethanol. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of CEC Ethanol Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of CEC Ethanol Group until the minority's share of losses previously absorbed by CEC Ethanol Group has been recovered.

In CEC Ethanol's balance sheet the investment in a subsidiary is stated at cost less allowance for impairment losses. The results of the subsidiary are accounted for by CEC Ethanol on the basis of dividends received and receivable.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of CEC Ethanol Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Hong Kong dollars, which is CEC Ethanol's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

(iii) Translation on consolidation

The results and financial position of all CEC Ethanol Group entities that have a functional currency different from CEC Ethanol's presentation currency are translated into CEC Ethanol's presentation currency as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to CEC Ethanol Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the period in which they are incurred.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Construction in progress represents property, plant and equipment under construction, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(d) Intangible asset

Intangible asset represents trademark and customer base which is measured initially at purchase cost and is amortised on a straight-line basis over its estimated useful life of 30 years.

(e) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of other receivables is established when there is objective evidence that CEC Ethanol Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(f) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of CEC Ethanol Group's cash management are also included as a component of cash and cash equivalents.

(g) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of CEC Ethanol Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(h) Other payables

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(i) Equity instruments

Equity instruments issued by CEC Ethanol are recorded at the proceeds received, net of direct issue costs.

(j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to CEC Ethanol Group and the amount of revenue can be measured reliably.

Interest income is recognised on a time-proportion basis using the effective interest method.

(k) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. CEC Ethanol Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where CEC Ethanol Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and CEC Ethanol Group intends to settle its current tax assets and liabilities on a net basis.

(l) Related parties

A party is related to CEC Ethanol Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, CEC Ethanol Group; has an interest in CEC Ethanol Group that gives it significant influence over CEC Ethanol Group; or has joint control over CEC Ethanol Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of CEC Ethanol or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of CEC Ethanol Group, or of any entity that is a related party of CEC Ethanol Group.

(m) Impairment of assets

At each balance sheet date, CEC Ethanol Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, CEC Ethanol Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when CEC Ethanol Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(o) Events after the balance sheet date

Events after the balance sheet date that provide additional information about CEC Ethanol Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Financial Information. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the Financial Information when material.

3. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

(a) Legal title of intangible asset

During the Relevant Period, an intangible asset representing a trademark and customer base was contributed by the 27.3% owner of Harbin Distillery as capital contribution at a value of RMB50,000,000 (equivalent to HK$49,019,000). The valuation of the intangible asset contributed by the 27.3% owner of Harbin Distillery was based on a valuation report issued by a PRC accounting firm, 黑龍江亞太會計師事務所有限公司. Harbin Distillery is still in the process of obtaining the legal title of the trademark. In the opinion of the directors of CEC Ethanol, CEC Ethanol Group has the power to obtain the future economic benefits flowing from the trademark and to restrict the access of others to those benefits.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment test of intangible asset

During the Relevant Period, Harbin Distillery did not commence trading. As the intangible asset is not yet available for use, no amortisation was charged during the Relevant Period. CEC Ethanol Group determines whether the intangible asset is impaired at least on an annual basis. This requires an estimation of the value in use of the intangible asset. Estimating the value in use requires CEC Ethanol Group to make an estimate of the expected future cash flows from the intangible asset and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of intangible asset was approximately HK$49,730,000 at 31 December 2006. More details are given in Note 10 to the Financial Information.

4. FINANCIAL RISK MANAGEMENT

CEC Ethanol Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk and liquidity risk. CEC Ethanol Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on CEC Ethanol Group's financial performance.

(a) Foreign currency risk

CEC Ethanol Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars, United States dollars and Renminbi ("RMB"). CEC Ethanol Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. CEC Ethanol Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

CEC Ethanol Group has no significant concentrations of credit risk.

(c) Liquidity risk

CEC Ethanol Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(d) Fair values

The carrying amounts of CEC Ethanol Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

5. TURNOVER

During the Relevant Period, CEC Ethanol Group has not yet commenced production and sale and did not record any turnover.

6. TAXATION

No provision for Hong Kong profits tax is required since CEC Ethanol has no assessable profit for the Relevant Period.

No provision for PRC enterprise income tax is required since Harbin Distillery did not generate any income for the Relevant Period.

The reconciliation between the taxation and the product of loss before tax multiplied by the Hong Kong profits tax rate is as follows:

	Period from 28 March 2006 (date of incorporation) to 31 December 2006 *HK$'000*
Loss before tax	(677)
Tax at the domestic income tax rate of 17.5%	(118)
Tax effect of expenses not deductible for tax	118
Taxation	–

7. LOSS FOR THE PERIOD

CEC Ethanol Group's loss for the period is stated after charging the following:

	Period from 28 March 2006 (date of incorporation) to 31 December 2006 *HK$'000*
Directors' emoluments	–
Net foreign exchange losses	760

8. DIVIDENDS

The Directors of CEC Ethanol do not recommend the payment of a dividend for the Relevant Period.

9. PROPERTY, PLANT AND EQUIPMENT

CEC Ethanol Group

	Construction in progress
	HK$'000
Cost	
Additions and at 31 December 2006	4,316
Accumulated depreciation	
At 31 December 2006	–
Carrying amount	
At 31 December 2006	4,316

10. INTANGIBLE ASSET

CEC Ethanol Group

	Trademark and customer base
	HK$'000
Cost	
Additions	49,019
Exchange differences	711
At 31 December 2006	49,730
Accumulated amortisation	
At 31 December 2006	–
Carrying amount	
At 31 December 2006	49,730

The intangible asset was contributed by the 27.3% owner of Harbin Distillery as capital contribution at a value of RMB50,000,000 (equivalent to HK$49,019,000). The valuation of the intangible asset contributed by the 27.3% owner of Harbin Distillery was based on a valuation report issued by a qualified PRC accounting and valuation firm, 黑龍江亞太會計師事務所有限公司.

No amortisation was charged during the Relevant Period as the intangible asset is not yet available for use.

The recoverable amount of the intangible asset is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13.6%. The growth rate used to extrapolate the cash flows of CEC Ethanol Group beyond the five-year period is zero.

Key assumptions were used in the value in use calculation of the intangible asset. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of the intangible asset:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is based on historical figures, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflect specific risks relating to the unit.

11. DEPOSITS PAID FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

CEC Ethanol Group

	At 31 December 2006 *HK$'000*
Property, plant and equipment *(Note)*	59,676
Land use rights	2,984
	62,660

Note: On 25 September 2006, Harbin Distillery entered into an agreement with its 27.3% owner for the acquisition of certain property, plant and equipment. The installation of the property, plant and equipment is expected to be completed by the end of 2008. Upon completion, Harbin Distillery and its 27.3% owner will mutually appoint an independent valuer to perform a valuation on the property, plant and equipment. The final consideration for the acquisition will be based on the valuation determined by the independent valuer.

12. INVESTMENT IN A SUBSIDIARY

CEC Ethanol

	At 31 December 2006 *HK$'000*
Unlisted investments, at cost	98,039

On 5 April 2006, CEC Ethanol entered into a joint venture agreement with Harbin Light Industry Asset Management Co., Ltd., a State-owned enterprise in the PRC, to establish a Sino-foreign equity joint venture enterprise, Harbin Distillery, with registered capital of RMB220,000,000. The equity interests in Harbin Distillery held by CEC Ethanol and Harbin Light Industry Asset Management Co., Ltd. were 72.7% and 27.3%, respectively. During the Relevant Period, CEC Ethanol had paid RMB99,906,414 and the remaining balance of RMB60,093,586 (equivalent to HK$59,771,000) is disclosed as a capital commitment in Note 18(b) to the Financial Information.

13. BANK AND CASH BALANCES

At 31 December 2006, CEC Ethanol Group's bank and cash balances were denominated in RMB. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

14. SHARE CAPITAL

		At 31 December 2006
Authorised:		
50,000 shares of US$1 each		US$50,000
	Equivalent to	HK$390,000
Issued and fully paid:		
1 share of US$1 each		US$1
	Equivalent to	HK$8

On 20 April 2006, CEC Ethanol issued 1 share of US$1 each at par totalling US$1 (equivalent to HK$8) for cash fully paid to provide initial working capital.

By a resolution passed on 9 May 2007, the authorised share capital of CEC Ethanol was increased from US$50,000 (equivalent to HK$390,000) to US$100,000,000 (equivalent to HK$780,000,000).

On the same date, CEC Ethanol issued 12,750,314 shares of US$1 at par totalling US$12,750,314 (equivalent to HK$99,070,000) by the capitalisation of an amount due to the immediate holding company of HK$99,070,000 as at that date (Note 16).

15. RESERVES

(a) CEC Ethanol Group

The amounts of CEC Ethanol Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) CEC Ethanol

	Accumulated losses *HK$'000*
Loss for the period and at 31 December 2006	(19)

(c) Nature and purpose of reserve

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(b) to the Financial Information.

16. DUE TO IMMEDIATE HOLDING COMPANY

The amount due to immediate holding company is unsecured, interest-free and has not fixed repayment terms.

On 9 May 2007, the amount due to immediate holding company was capitalised as issued and fully paid shares of CEC Ethanol (Note 14).

17. MAJOR NON-CASH TRANSACTION

The intangible asset was contributed by the 27.3% owner of Harbin Distillery as capital contribution at a value of RMB50,000,000 (equivalent to HK$49,019,000). The valuation was based on a valuation performed by a qualified PRC valuation firm.

18. CAPITAL COMMITMENTS

(a) CEC Ethanol Group

CEC Ethanol Group had the following capital commitments at the balance sheet date:

	At 31 December 2006 *HK$'000*
Property, plant and equipment	
Contracted but not provided for	398

(b) CEC Ethanol

CEC Ethanol had the following capital commitments at the balance sheet date:

	At 31 December 2006 *HK$'000*
Investment in a subsidiary	
Contracted but not provided for	59,771

19. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 9 May 2007, CEC Ethanol issued 12,750,314 shares of US$1 at par totalling US$12,750,314 (equivalent to HK$99,070,000) by the capitalisation of an amount due to the immediate holding company of HK$99,070,000 as at that date.

(b) On 23 May 2007, Harbin Distillery entered into a processing agreement with Harbin China Distillery Factory, pursuant to which Harbin China Distillery Factory has agreed to produce ethanol for Harbin Distillery on a tolling basis. Harbin China Distillery Factory is an associate of Harbin Light Industry Asset Management Co., Ltd., the 27.3% owner of Harbin Distillery. The maximum amounts to be paid by Harbin Distillery under the processing agreement will not exceed:

	RMB'000	*Equivalent to HK$'000*
Period from 1 May 2007 to 31 December 2007	53,064	54,125
Year ending 31 December 2008	79,596	81,188
Year ending 31 December 2009	79,596	81,188

C. SUBSEQUENT CONSOLIDATED FINANCIAL STATEMENTS

No audited consolidated financial statements have been prepared by CEC Ethanol Group in respect of any period subsequent to 31 December 2006 and no dividend or other distribution has been declared, made or paid by CEC Ethanol.

Yours faithfully,
RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong.

RSM! Nelson Wheeler
羅 申 美 會 計 師 行
Certified Public Accountants

7th Floor
Allied Kajima Building
138 Gloucester Road
Hong Kong

29 June 2007

The Directors
Wealthmark International (Holdings) Limited

Dear Sirs,

We report on the unaudited pro forma financial information of Wealthmark International (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed acquisition of the entire interests in BAPP Ethanol Holdings Limited and CEC Ethanol (Northeast) Limited and the proposed disposal of the entire interests in Glory Access Limited and Agricapital (Tianjin) Limited might have affected the financial information of the Group presented, for inclusion in Appendix V to the circular of the Company dated 29 June 2007 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages 152 to 159 to the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibilities solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

– the financial position of the Group as at 31 December 2006 or any future date; or

– the results and cash flows of the Group for the year ended 31 December 2006 or any future periods.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESULTING GROUP

The following is an illustrative unaudited pro forma financial information of the Resulting Group in connection with the proposed acquisitions (the "Acquisitions") of the entire interests in BAPP Ethanol Holdings Limited ("BAPP Ethanol") and CEC Ethanol (Northeast) Limited ("CEC Ethanol") (hereinafter collectively referred to as the "Acquired Groups") and the proposed disposal (the "Disposal") of the entire interests in Glory Access Limited and Agricapital (Tianjin) Limited (the "Disposed Group") of the Group.

The unaudited pro forma consolidated income statement and cash flow statement of the Resulting Group for the year ended 31 December 2006 are prepared based on the audited consolidated income statement and cash flow statement of the Group for the year ended 31 December 2006 and the audited consolidated income statement and cash flow statement of each of the Acquired Groups for the period ended 31 December 2006, as extracted from the respective accountants' reports set out in Appendices I, III and IV to this Circular as if the Acquisitions and Disposal had been completed on 1 January 2006.

The unaudited pro forma consolidated balance sheet of the Resulting Group as at 31 December 2006 is prepared based on the audited consolidated balance sheet of the Group as at 31 December 2006 and the audited consolidated balance sheet of each of the Acquired Groups as at 31 December 2006, as extracted from the respective accountants' reports set out in Appendices I, III and IV to this Circular as if the Acquisitions and Disposal had been completed on 31 December 2006.

The unaudited pro forma financial information of the Resulting Group is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Resulting Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Resulting Group that would have been attained had the Acquisitions and Disposal actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Resulting Group does not purport to predict the Resulting Group's future financial position, results of operation or cash flows.

The unaudited pro forma financial information of the Resulting Group should be read in conjunction with the financial information of the Group and each of the Acquired Groups as set out in Appendices I, III and IV, respectively, and other financial information included elsewhere in this Circular.

B. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE RESULTING GROUP

	Group	BAPP Ethanol	CEC Ethanol	Sub-total	Note	Pro forma adjustments for Acquisitions	Total after Acquisitions but before Disposal	Note	Pro forma adjustments for Disposal	Resulting Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*
Turnover	167,420	–	–	167,420			167,420	*(6)*	(167,420)	–
Cost of sales	(160,073)	–	–	(160,073)			(160,073)	*(6)*	160,073	–
Gross profit	7,347	–	–	7,347			7,347			–
Other income	581	29	172	782			782	*(6)*	(505)	277
Distribution costs	(14,124)	–	–	(14,124)			(14,124)	*(6)*	14,124	–
Administrative expenses	(21,070)	(1,104)	(849)	(23,023)			(23,023)	*(6)*	15,307	(7,716)
Other operating expenses	(1,159)	–	–	(1,159)			(1,159)	*(6)*	1,159	–
Reversal of allowance for impairment of receivables	2,155	–	–	2,155			2,155	*(6)*	(2,155)	-
Loss on disposal of subsidiaries	–	–	–	–			–	*(7)*	(18,365)	(18,365)
Excess of the Group's share of net identifiable assets over cost of acquisition	–	–	–	–	*(1)*	111,593	111,593			111,593
(Loss)/profit from operations	(26,270)	(1,075)	(677)	(28,022)			83,571			85,789
Finance costs	(6,570)	–	–	(6,570)			(6,570)	*(6)*	6,204	(366)
(Loss)/profit before tax	(32,840)	(1,075)	(677)	(34,592)			77,001			85,423
Income tax credit	1,122	–	–	1,122			1,122	*(6)*	(1,122)	–
(Loss)/profit for the year	(31,718)	(1,075)	(677)	(33,470)			78,123			85,423
Attributable to:										
Equity holders of the Company	(25,771)	(1,075)	(497)	(27,343)	*(1)*	111,593	84,250	*(6)* *(7)*	19,718 (18,365)	85,603
Minority interests	(5,947)	–	(180)	(6,127)			(6,127)	*(6)*	5,947	(180)
	(31,718)	(1,075)	(677)	(33,470)			78,123			85,423

C. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE RESULTING GROUP

	Group	BAPP Ethanol	CEC Ethanol	Sub-total	*Note*	Pro forma adjustments for Acquisitions	Total after Acquisitions but before Disposal	*Note*	Pro forma adjustments for Disposal	Resulting Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*
Non-current assets										
Property, plant and equipment	46,881	11,131	4,316	62,328			62,328	*(8)*	(46,827)	15,501
Intangible assets	–	–	49,730	49,730	*(2)*	89,800	139,530			139,530
Deposits paid for the acquisition of property, plant and equipment and land use rights	–	9,116	62,660	71,776			71,776			71,776
Prepaid land lease payments	6,296	–	–	6,296			6,296	*(8)*	(6,296)	–
Goodwill	11,010	–	–	11,010			11,010	*(8)*	(11,010)	–
	64,187	20,247	116,706	201,140			290,940			226,807
Current assets										
Inventories	30,831	2,053	–	32,884			32,884	*(8)*	(30,831)	2,053
Trade and other receivables	34,225	541	–	34,766			34,766	*(8)*	(33,947)	819
Current tax assets	2,021	–	–	2,021			2,021	*(8)*	(2,021)	–
Bank and cash balances	8,614	4,442	31,732	44,788			44,788	*(8)* *(7)*	(8,119) 1,560	38,229
	75,691	7,036	31,732	114,459			114,459			41,101
TOTAL ASSETS	139,878	27,283	148,438	315,599			405,399			267,908
Capital and reserves										
Share capital	33,200	389	–	33,589	*(3)* *(4)*	(389) 17,600	50,800			50,800
Reserves	(32,478)	(746)	959	(32,265)	*(1)* *(3)* *(4)*	152,261 (213) 43,260	163,043	*(7)* *(7)*	1,093 (714)	163,422
Equity attributable to equity holders of the Company	722	(357)	959	1,324			213,843			214,222
Minority interests	11,771	–	49,421	61,192			61,192	*(8)*	(11,771)	49,421
Total equity	12,493	(357)	50,380	62,516			275,035			263,643

	Group	BAPP Ethanol	CEC Ethanol	Sub-total	*Note*	Pro forma adjustments for Acquisitions	Total after Acquisitions but before Disposal	*Note*	Pro forma adjustments for Disposal	Resulting Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*
Non-current liabilities										
Due to immediate holding company	76,150	–	–	76,150			76,150	*(8)*	(76,150)	–
Deferred tax liabilities	293	–	–	293			293	*(8)*	(293)	–
	76,443	–	–	76,443			76,443			–
Current liabilities										
Trade and other payables	43,650	479	–	44,129	*(4)*	2,500	46,629	*(8)*	(42,390)	4,239
Due to a minority shareholder of a subsidiary	3,084	–	–	3,084			3,084	*(8)*	(3,084)	–
Other loans	–	27,161	98,058	125,219	*(1)*	(125,219)	–			–
Current tax payable	4,208	–	–	4,208			4,208	*(8)*	(4,182)	26
	50,942	27,640	98,058	176,640			53,921			4,265
Total liabilities	127,385	27,640	98,058	253,083			130,364			4,265
TOTAL EQUITY AND LIABILITIES	139,878	27,283	148,438	315,599			405,399			267,908

D. UNAUDITED PRO FORMA CONSOLDIATED CASH FLOW STATEMENT OF THE RESULTING GROUP

	Group	BAPP Ethanol	CEC Ethanol	Sub-total	Note	Pro forma adjustments for Acquisitions	Total after Acquisitions but before Disposal	Note	Pro forma adjustments for Disposal	Resulting Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES										
(Loss)/profit before tax	(32,840)	(1,075)	(677)	(34,592)	*(1)*	111,593	77,001	*(6)* *(7)*	26,787 (18,365)	85,423
Adjustments for:										
Finance costs	6,570	–	–	6,570			6,570	*(9)*	(6,204)	366
Interest income	(239)	(29)	(172)	(440)			(440)	*(9)*	163	(277)
Bad debts written off	62	–	–	62			62	*(9)*	(62)	–
Depreciation	8,580	7	–	8,587			8,587	*(9)*	(8,567)	20
Write down of inventories	5,812	–	–	5,812			5,812	*(9)*	(5,812)	–
Loss on disposal of property, plant and equipment	944	–	–	944			944	*(9)*	(944)	-
Amortisation of prepaid land lease payments	169	–	–	169			169	*(9)*	(169)	-
Property, plant and equipment written off	152	–	–	152			152	*(9)*	(152)	-
Reversal of allowance for impairment of receivables	(2,155)	–	–	(2,155)			(2,155)	*(9)*	2,155	–
Loss on disposal of subsidiaries	–	–	–	–			–	*(7)*	18,365	18,365
Excess of the Group's share of net identifiable assets over cost of acquisition	–	–	–	–	*(1)*	(111,593)	(111,593)			(111,593)
Operating loss before working capital changes	(12,945)	(1,097)	(849)	(14,891)			(14,891)			(7,696)
Increase in inventories	(15,725)	(2,053)	–	(17,778)			(17,778)	*(9)*	15,725	(2,053)
Increase in trade and other receivables	(11,446)	(541)	-	(11,987)			(11,987)	*(9)*	11,408	(579)
Decrease in amount due from a fellow subsidiary	511	–	–	511			511			511
Increase/(decrease) in trade and other payables	15,751	479	–	16,230			16,230	*(9)*	(16,728)	(498)
Cash used in operations	(23,854)	(3,212)	(849)	(27,915)			(27,915)			(10,315)
Income taxes paid	(38)	–	–	(38)			(38)	*(9)*	38	–
Interest paid	(366)	–	–	(366)			(366)			(366)
Net cash used in operating activities	(24,258)	(3,212)	(849)	(28,319)			(28,319)			(10,681)

	Group	BAPP Ethanol	CEC Ethanol	Sub-total	Note	Pro forma adjustments for Acquisitions	Total after Acquisitions but before Disposal	Note	Pro forma adjustments for Disposal	Resulting Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES										
Disposal of subsidiaries	–	–	–	–			–	*(10)*	(25,295)	(25,295)
Interest received	239	29	172	440			440	*(9)*	(163)	277
Purchases of property, plant and equipment	(3,767)	(11,138)	(4,316)	(19,221)			(19,221)	*(9)*	3,760	(15,461)
Deposits paid for the acquisition of property, plant and equipment and land use rights	–	(9,116)	(62,660)	(71,776)			(71,776)			(71,776)
Proceeds from disposal of property, plant and equipment	1,628	–	–	1,628			1,628	*(9)*	(1,628)	–
Net cash used in investing activities	(1,900)	(20,225)	(66,804)	(88,929)			(88,929)			(112,255)
CASH FLOWS FROM FINANCING ACTIVITIES										
Proceeds from issue of shares	17,280	389	–	17,669	*(5)*	(389)	17,280			17,280
Share issue expenses paid	(590)	–	–	(590)			(590)			(590)
Repayment of other loan	(10,000)	–	–	(10,000)			(10,000)			(10,000)
Other loans raised	–	27,161	98,058	125,219	*(5)*	389	125,608			125,608
Advance from a minority shareholder of a subsidiary	686	–	–	686			686	*(9)*	(686)	–
Dividend paid to minority shareholder of a subsidiary	(196)	–	–	(196)			(196)	*(9)*	196	–
Net cash generated from financing activities	7,180	27,550	98,058	132,788			132,788			132,298
NET (DECREASE) /INCREASE IN CASH AND CASH EQUIVALENTS	(18,978)	4,113	30,405	15,540			15,540			9,362
Effect of foreign exchange rate changes, net	121	329	1,327	1,777			1,777	*(9)*	(381)	1,396
CASH AND CASH EQUIVALENTS AT 1 JANUARY 2006	27,471	–	–	27,471			27,471			27,471
CASH AND CASH EQUIVALENTS AT 31 DECEMBER 2006	8,614	4,442	31,732	44,788			44,788			38,229

E. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE RESULTING GROUP

Pro forma adjustments for Acquisitions

1. This adjustment represents the excess of the fair value of the identifiable net assets of the Acquired Groups over the cost of Acquisitions. On 11 May 2007, the Company entered into two conditional agreements pursuant to which the Group has agreed to acquire the entire issued share capital of BAPP Ethanol and CEC Ethanol at considerations of HK$120,000,000 and HK$100,000,000 respectively. The considerations will be satisfied by the Company through the allotment and issuance of 96,000,000 and 80,000,0000 shares respectively issued at HK$1.25 per share.

   In the unaudited pro forma income statement and cash flow statement, the excess of the Group's share of identifiable net assets over the cost of Acquisitions was approximately HK$111,593,000, as if the Acquisitions were completed on 1 January 2006. The Group's share of identifiable net assets was based on the audited net asset values of the Acquired Groups as at 31 December 2006 as adjusted for the loss attributable to equity holders of the Acquired Groups for the period ended 31 December 2006 and also taken into account (i) the technology to be injected by the existing shareholder of BAPP Ethanol as mentioned in note 2 below; and (ii) the capitalisation of the amounts due to the existing shareholder of each of BAPP Ethanol and CEC Ethanol totalling approximately HK$125,219,000 before the completion of the Acquisitions. The cost of Acquisitions was based on the closing price of the shares of the Company as at 30 December 2005, being the latest trading date prior to 1 January 2006.

   In the unaudited pro forma balance sheet, the excess of the Group's share of identifiable net assets over the cost of Acquisitions was approximately HK$152,261,000, as if the Acquisitions were completed on 31 December 2006. The Group's share of identifiable net assets was based on the audited net asset values of the Acquired Groups as at 31 December 2006 and taken into account (i) the technology to be injected by the existing shareholder of BAPP Ethanol as mentioned in note 2 below; and (ii) the capitalisation of the amounts due to the existing shareholder of each of BAPP Ethanol and CEC Ethanol totalling approximately HK$125,219,000 before the completion of the Acquisitions. The cost of Acquisitions was based on the closing price of the shares of the Company as at 29 December 2006, being the latest trading date prior to 31 December 2006.

   The closing price of the shares of the Company was HK$0.60 and HK$0.36 as at 30 December 2005 and 29 December 2006 respectively while the closing price of the shares of the Company was HK$2.63 as at 25 June 2007, being the latest practicable date prior to the printing of this Circular. If the cost of Acquisitions was based on the closing price of the shares of the Company on the latest practicable date, the Acquisitions would result in a goodwill of approximately HK$245,687,000 and HK$247,259,000 as if the Acquisitions were completed on 1 January 2006 and 31 December 2006 respectively.

2. The adjustment represents the proposed injection of a technology for producing ethanol currently used by the subsidiary of BAPP Ethanol in its operations by the existing shareholder of BAPP Ethanol with a value of approximately HK$89,800,000 based on the valuation report prepared by Sallmanns (Far East) Limited, an independent firm of professional valuers.

3. The adjustments represent the elimination of owners' equity of the Acquired Groups as if the Acquisitions were completed on 31 December 2006.

4. The adjustments represent the issuance of the new shares with total par value of approximately HK$17,600,000 plus share premium of approximately HK$45,760,000 as if the Acquisitions were completed on 31 December 2006 and taken into account the estimated share issue expenses of approximately HK$2,500,000.

5. The adjustment represents the elimination of the initial capital injected by the existing shareholder of each of BAPP Ethanol and CEC Ethanol as if the amounts were advances from independent third parties.

Pro forma adjustments for Disposal

6. The adjustments represent the exclusion of the operating result of the Disposed Group for the year ended 31 December 2006 as if the Disposal had been completed on 1 January 2006.

7. In the unaudited pro forma income statement and cash flow statement, the estimated loss on Disposal was approximately HK$18,365,000, being the difference of (i) the Disposal consideration of approximately HK$1,560,000; and (ii) the Group's share of net asset of the Disposed Group of approximately HK$20,090,000 (including goodwill of approximately HK$11,010,000) and net of exchange reserve of approximately HK$165,000 as at 1 January 2006, as if the Disposal had been completed on 1 January 2006.

   In the unaudited pro forma balance sheet, the estimated gain on Disposal was approximately HK$1,093,000, being the difference of (i) the Disposal consideration of approximately HK$1,560,000 and (ii) the Group's share of net asset of the Disposed Group of approximately HK$1,181,000 (including goodwill of approximately HK$11,010,000) and net of exchange reserve of approximately HK$714,000 as at 31 December 2006, as if the Disposal had been completed on 31 December 2006.

8. The adjustments represent the exclusion of the net assets (including goodwill) of the Disposed Group of approximately HK$1,181,000 as at 31 December 2006 as if the Disposal had been completed on 31 December 2006.

9. The adjustments represent the exclusion of the cash flows of the Disposed Group for the year ended 31 December 2006 as if the Disposal had been completed on 1 January 2006.

10. This represents the net cash outflow of the Disposal to the Resulting Group, which is the difference between the cash consideration of the Disposal of approximately HK$1,560,000 and the cash and cash equivalents of the Disposed Group of approximately HK$26,855,000 as at 1 January 2006.

The following is the text of a letter, prepared for the purpose of incorporation in this circular, received from Sallmanns (Far East) Limited, an independent valuer, in connection with its valuation as at 30 April 2007 of the technology of BAPP Ethanol Group.

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29 June 2007

The Board of Directors
Wealthmark International (Holdings) Limited
2116 Hutchison House
10 Harcourt Road
Hong Kong

Dear Sirs,

In accordance with your instructions, we have undertaken a valuation which requires Sallmanns to provide an independent opinion on the value of the proprietary enzymatic technology (the "Technology") belonging to BAPP Enzyme Engineering Limited as at 30 April 2007 (the "Valuation Date"). The Technology is expected to be injected into BAPP Ethanol Holdings Limited ("BAPP Ethanol") in June 2007.

The purpose of this valuation is for inclusion in a shareholders' circular.

BASIS OF VALUE

Our valuation was carried out on a market value basis. Market value is defined as "the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

BASIS OF OPINION

We have conducted our valuation in accordance with International Valuation Standards issued by the International Valuation Standards Committee. We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

BACKGROUND

BAPP Ethanol is the holding company of the BAPP Ethanol Group. The operating company in the BAPP Ethanol Group is 寧夏西部光彩新能源高新技術有限公司 (Ningxia West Bright New Resource Technology Co., Ltd) ("Ningxia New Tech"), a wholly-foreign owned enterprise established in the People's Republic of China ("PRC") on 6 July 2006. Ningxia New Tech operates a 15,000 tonne ethanol production plant located in Yinchuan, Ningxia Hui Autonomous Region, PRC 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.

The Technology consists of a process using a proprietary formulation of enzymes in a catalytic process to break down the cell walls of plants, with all components kept bio-active and chemically stable under normal temperatures (optimum 30-35 degrees Celsius). The process transforms the structural components of plant cells as well as sucrose into simple sugar directly for fermentation without liquefaction and saccharification, under normal temperatures.

This Technology saves on capital expenditure (as no tanks are required to be built for liquefaction and saccharification) and operating costs (normal temperature process and less raw material cost required for the same level of output).

VALUATION METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches. They are the market approach, cost approach and income approach. In our opinion, the market approach and cost approach are inappropriate for valuing the subject asset. Firstly, the market approach requires market transactions of comparable assets as an indication of value. However, we have not identified any current market transactions which are comparable. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by the subject asset. We have therefore relied solely on the income approach in determining our opinion of value.

Our opinion of the market value of the Technology was developed through the application of the income approach technique known as the capitalization method. Under this method, the estimated savings from the application of the Technology is capitalized, on a perpetual basis, using a market derived capitalization rate. This basis allows us to capture the savings over the operating life of Ningxia New Tech as a going concern under the Technology. The amount of cost savings is estimated by comparing the costs, both operating costs and capital expenditures, of producing ethanol from sugar beet using the traditional process and the new process involving the Technology. This will enable us to quantify the incremental savings from the use of the Technology. The capitalization rate is determined by referencing to an expected annual rate of return for taking on the risks of the investment.

KEY ASSUMPTIONS

In determining the value of the Technology, we have made the following key assumptions:

- The Technology will be transferred from BAPP Enzyme Engineering Limited to BAPP Ethanol in June 2007.
- The estimated cost savings in raw material is calculated based on the amount of sugar beet saved in using the Technology multiplied by an assumed price of RMB280 per tonne of sugar beet.
- The estimated savings in the capital investment needed for a production facility using the Technology is calculated based on our study of the industry's average capital expenditure per ton of ethanol production capacity and Ningxia New Tech's actual investment for its current facility.
- The capitalization rate selected is based the net internal rates of return for venture capital investments, as calculated by Thomson Venture Economics' US Private Equity Performance Index, in order to match the risk of the investment.
- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the operation of the Technology and business of Ningxia New Tech.
- The operational and contractual terms stipulated in the relevant contracts and agreements will be honoured.

VALUATION COMMENTS

We have conducted interviews and held discussions with senior management of Ningxia New Tech and have relied to a considerable extent on information provided in arriving at our opinion of value. We also conducted research using various sources including government statistics and other publications to verify the reasonableness and fairness of information provided. We believe that the information provided by the management is reasonable and reliable. We have no reason to doubt the truth and accuracy of the information provided to us by Ningxia New Tech.

We have performed a sensitivity analysis on the value of the Technology under a 20-year operating basis to check for the reasonableness of our result under the perpetual basis. Our calculation yields an insignificant variance between the values. We believe this reinforces the reasonableness of our result.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of BAPP Ethanol, Ningxia New Tech and Sallmanns.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of Ningxia New Tech over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

VALUATION CONCLUSION

Based on the results of our investigation and analysis, we are of the opinion that as at 30 April 2007 the market value of the Technology is reasonably stated at RMB89,800,000 (RENMINBI EIGHTY-NINE MILLION and EIGHT HUNDRED THOUSAND).

Yours faithfully,
for and on behalf of
Sallmanns (Far East) Limited
Simon M.K. Chan
CPA
Director

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular, received from Sallmanns (Far East) Limited, an independent valuer, in connection with its valuation as at 30 April 2007 of the property interests of the Resulting Group.

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29 June 2007

The Board of Directors
Wealthmark International (Holdings) Limited
2116 Hutchison House
10 Harcourt Road
Hong Kong

Dear Sirs,

Wealthmark International (Holdings) Limited (the "Company", together with its subsidiaries, hereinafter referred to as the "Group") intends to acquire the entire equity interests in both 哈爾濱中國釀酒有限公司 (Harbin China Distillery Co., Ltd.) (hereafter referred to as "Harbin Distillery") and 寧夏西部光彩新能源高新技術有限公司 (Ningxia West Bright New Resource Technology Co., Ltd.) (hereinafter referred to as "Ningxia New Tech"). In accordance with your instructions to value the properties in which Harbin Distillery and Ningxia New Tech have interests in the People's Republic of China (hereinafter referred to as the "PRC"), we confirm that we have carried out physical inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 30 April 2007 (the "date of valuation").

Our valuations of the property interests represent the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

Due to the nature of the buildings and structures of the properties in the PRC, there are no market sales comparables readily available, the property interests have been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacement (reproduction) of a property less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the Market Value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement costs of the property interests are subject to adequate potential profitability of the concerned business.

Our valuations have been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Appraisal and Valuation Standards (5th Edition May 2003) published by the Royal Institution of Chartered Surveyors; and the HKIS Valuation Standards on Properties (1st Edition January 2005) published by the Hong Kong Institute of Surveyors.

We have relied to a very considerable extent on the information given by the Group, Harbin Distillery and Ningxia New Tech, and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of some relevant title documents including State-owned Land Use Rights Grant Contracts, authority approvals and official plans relating to the property interests located in the PRC and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing titles to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any lease amendments. We have relied considerably on the advice given by the Company's PRC legal advisers – Huang Shan & Co., concerning the validity of the titles to the property interests.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the properties but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigations to determine the suitability of the ground conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group, Harbin Distillery and Ningxia New Tech. We have also sought confirmation from the Group, Harbin Distillery and Ningxia New Tech that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuations are summarised below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Sallmanns (Far East) Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 24 years' experience in the valuation of properties in the PRC and 27 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

GROUP I – PROPERTY INTEREST INTENDED TO BE ACQUIRED BY HARBIN DISTILLERY IN THE PRC FOR FUTURE DEVELOPMENT

No.	Property	Capital value in existing state as at 30 April 2007 *RMB*
1.	A parcel of land at Tianjin Street East & Binbei North Junction Limin Economic Development Zone Harbin City Heilongjiang Province the PRC	No commercial value
	Sub-total:	Nil

GROUP II – PROPERTY INTEREST HELD AND OCCUPIED BY NINGXIA NEW TECH IN THE PRC

No.	Property	Capital value in existing state as at 30 April 2007 *RMB*
2.	A parcel of land, 8 buildings and various structures located at No.45, Lot 12 Road Yinchuan Economic & Technology Development Zone Yinchuan City Ningxia Hui Autonomous Region the PRC	No commercial value
	Sub-total:	Nil
	Grand-total:	Nil

VALUATION CERTIFICATE

GROUP I – PROPERTY INTEREST INTENDED TO BE ACQUIRED BY HARBIN DISTILLERY IN THE PRC FOR FUTURE DEVELOPMENT

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2007 *RMB*
1.	A parcel of land at Tianjin Street East & Binbei North Junction Limin Economic Development Zone Harbin City Heilongjiang Province the PRC	The property comprises a parcel of land (land plot No. 2006019) with a site area of approximately 200,000 sq.m. which is planned for industrial development. The land use rights of the property will be granted for a term of 50 years.	The property is currently vacant.	No commercial value

Notes:

1. Pursuant to an Investment Agreement dated 10 May 2006 entered into between 哈爾濱利民經濟開發區管理委員會 ("Harbin Limin Economic Development Zone Administrative Committee") (hereinafter referred to as "Party A") and CEC 基金管理有限公司 ("CEC Fund Management Co., Ltd.") and 哈爾濱輕工資產經營有限責任公司 ("Harbin Light Industry Asset Management Co., Ltd.") (the shareholder of Harbin Distillery) (hereinafter altogether referred to as "Party B"), the land use rights of the property will be granted to Harbin Distillery for a term of 50 years for industrial purpose at a consideration of RMB16,000,000. As informed by Harbin Distillery, a sum of approximately RMB3,000,000 has been paid to purchase the land.

2. Pursuant to a Construction Land Planning Permit – No. 2006019, issued by 哈爾濱利民經濟技術開發區規劃管理辦公室 ("Harbin Limin Economic Technology Development Zone Planning and Administrative Office"), Harbin Distillery has been approved for using the land for its production purpose.

3. In the valuation of this property, we have not attributed any commercial value to the property as the relevant title documents have not been obtained.

4. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisor – Huang Shan & Co., which contains, inter alia, the following:

   i) The Investment Agreement mentioned in Note 1 is valid;

   ii) The land use rights of the property can not be transferred, sublet, mortgaged or handled by Harbin Distillery before the relevant Land Use Rights Certificate has been obtained. Harbin Distillery can occupy and use the land parcel after the State-owned Land Use Rights Grant Contract has been obtained;

   iii) The relevant land premium has not been fully paid, thus it is not ready to apply for the relevant Land Use Rights Certificate; and

   iv) The legal impediment for the Group to obtain the relevant Land Use Rights Certificate and the land use rights of the property can not be determined as the State-owned Land Use Rights Grant Contract has not been obtained.

GROUP II – PROPERTY INTEREST HELD AND OCCUPIED BY NINGXIA NEW TECH IN THE PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 April 2007 *RMB*
2.	A parcel of land, 8 buildings and various structures located at No.45, Lot 12 Road Yinchuan Economic & Technology Development Zone Yinchuan City Ningxia Hui Autonomous Region the PRC	The property comprises a parcel of land with a site area of approximately 59,348.3 sq.m. on which are erected 8 buildings and various structures completed in various stages in 2007. The 8 buildings have a total gross floor area of approximately 4,316.6 sq.m. The 8 buildings are mainly industrial buildings. The major structures include fence walls, wells and gates, etc. The land use rights of the property were contracted to be granted for a term of 50 years.	The property is currently occupied by Ningxia New Tech for production purposes.	No commercial value

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract – Yin Kai Di Chu Zi (2006) No.25 dated 28 December 2006 entered into between 銀川經濟技術開發區規劃和國土資源分局 ("Yinchuan Economic Technology Development Zone Planning and Land Resources Sub-branch") and Ningxia New Tech, the land use rights of the property were contracted to be granted to Ningxia New Tech for a term of 50 years for industrial purpose at a consideration of RMB5,341,347. As informed by Ningxia New Tech, the whole purchase price of the land has been paid.

2. As advised by Ningxia New Tech, the application for title certificates of the 8 buildings is being processed.

3. Pursuant to two Construction Work Planning Permits – Yin Kai Gui Jian Guan Zi (2007) No.001 and No. 002, 8 buildings stated in note 2 have been approved for construction on the land of the property.

4. Pursuant to a Construction Commencement Permit – No.K640102200704290101, the buildings with a total gross floor area of 4,316.6 sq.m. stated in note 2 have been approved for construction on the land of the property.

5. In the valuation of this property, we have not attributed any commercial value to the property as the relevant title documents have not been obtained. However, for reference purposes, we are of the opinion that the capital value of the property as at the date of valuation would be RMB25,218,000 assuming all relevant title documents have been obtained and the property could be freely transferred.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser – Huang Shan & Co., which contains, inter alia, the following:

   i) The relevant contract mentioned in Note 1 is valid and enforceable under the PRC laws;

   ii) The application for title certificates of the land use rights is being processed, and there is no material legal impediment for the Group to obtain the title registration;

   iii) The land use rights of the property can not be transferred, sublet, mortgaged or handled by the Group before the relevant Land Use Rights Certificate has been obtained; and

   iv) The relevant Construction Permits are valid and enforceable under the PRC laws.

This Appendix serves as an explanatory statement as required by the Listing Rules to provide the requisite information to you for your consideration of the Repurchase Mandate.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 390,000,000 Shares. On the basis that no Shares are issued or repurchased prior to the date of the EGM, and the Acquisitions are approved by the Shareholders at the EGM and become unconditional, the issued share capital of the Company immediately upon the completion of the Acquisitions and the issuance of the BAPP Consideration Shares and the CEC Consideration Shares will be 566,000,000 Shares.

Accordingly, subject to the passing of the relevant resolution approving the Repurchase Mandate, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 56,600,000 Shares, being 10% of the Shares in issue immediately upon the completion of the Acquisitions and the issuance of the BAPP Consideration Shares and the CEC Consideration Shares, or, if the Acquisitions are not approved, 39,000,000 Shares, being 10% of the Shares in issue as at the date of the EGM, on the basis that no Shares are issued or repurchased prior to the EGM.

Shareholders should note that the Repurchase Mandate only covers purchases made during the period ending on the earliest of the date of the next annual general meeting, the date by which the next annual general meeting is required to be held under the Company's Articles of Association or any applicable laws, and the date upon which such authority is revoked or varied by Shareholders in general meeting.

2. REASONS FOR REPURCHASES

Although the Directors have no present intention of repurchasing Shares, they believe that the repurchase mandate is in the best interests of the Company and its Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share of the Company and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

3. FUNDING OF REPURCHASES

Repurchases must be financed out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association of the Company and the Companies Laws. Such funds include but are not limited to profits available for distribution.

It is possible for there to be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the annual report of the Company in respect of the year ended 31 December 2006) in the event that the Repurchase Mandate were exercised in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

4. SHARE PRICES

The highest and lowest prices at which the Shares were traded on the Stock Exchange during each of previous twelve months preceding the Latest Practicable Date were as follows:

	Highest	**Lowest**
	HK$	*HK$*
June 2006	0.58	0.53
July 2006	0.60	0.46
August 2006	0.59	0.46
September 2006	0.59	0.56
October 2006	0.56	0.46
November 2006	0.54	0.35
December 2006	0.40	0.30
January 2007	0.40	0.32
February 2007	0.38	0.30
March 2007	0.40	0.30
April 2007	1.93	0.36
May 2007	2.30	1.60
June 2007 (up to the Latest Practicable Date)	2.99	1.67

5. GENERAL

The Directors have undertaken to the Stock Exchange that they will exercise the power of the Company to make repurchases in accordance with the Listing Rules and the Companies Laws.

None of the Directors, nor to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), have any present intention to sell any Shares to the Company or its subsidiaries if the repurchase mandate is approved by the Shareholders.

No connected persons (as defined in the Listing Rules) of the Company have notified the Company that they have a present intention to sell any Shares held by them to the Company or have undertaken not to sell any of the Shares held by them to the Company in the event that the Company is authorised to make repurchase of Shares.

6. CODE CONSEQUENCES

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Code. As a result, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and, depending on the level of increase of the Shareholder's interest, may become obliged to make a mandatory offer in accordance with Rule 26 of the Code.

As at the Latest Practicable Date, OIL, the controlling shareholder of the Company, held 195,000,000 Shares, representing 50.0% of the issued share capital of the Company. Immediately after the completion of the Acquisitions and the issuance of the BAPP Consideration Shares and the CEC Consideration Shares and assuming no other change to the Company's shareholding, OIL and the parties acting in concert with it (which would include the BAPP Vendor and the CEC Vendor) would be interested or deemed to be interested in an aggregate of 371,000,000 Shares, representing 65.5% of the then issued share capital of the Company. In the event that the Directors exercised in full the power to repurchase Shares under the Repurchase Mandate, the interest of OIL and the parties acting in concert in it would be increased to approximately 81.9% of the issued share capital of the Company. Such increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeover Code.

7. SHARE REPURCHASE MADE BY THE COMPANY

No purchases of Shares had been made by the Company during the six months preceding the Latest Practicable Date (whether on the Stock Exchange or otherwise).

1. RESPONSIBILITY STATEMENT

This Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

The authorized and issued share capital of the Company as at (i) the Latest Practicable Date were, and (ii) immediately upon the issue of the Consideration Shares (assuming no other changes to the share capital of the Company) will be, as follows:

As at the Latest Practicable Date		*HK$*
Authorised share capital		
1,000,000,000	Shares	100,000,000
Issued and fully paid share capital		
390,000,000	Shares	39,000,000
Upon the issue of the Consideration Shares		
Issued and fully paid share capital		
390,000,000	Shares	39,000,000
176,000,000	new Shares	17,600,000
566,000,000	Shares	56,600,000

All the issued shares in the capital of the Company rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Company had no debt securities in issue as at the Latest Practicable Date.

3. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SECURITIES

As at the Latest Practicable Date, neither the Directors nor the chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken on were deemed to have under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

4. DISCLOSEABLE INTERESTS UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

(a) Company

Save as disclosed below, the Directors and the chief executive of the Company are not aware of any person (not being a Director or chief executive of the Company) who as at the Latest Practicable Date had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Name	Capacity in which Shares are held	Number of Shares (long position)	% of issued share capital of Company (1)
CEC	Interest of controlled corporations (2)	371,000,000	95.13
OIL	Beneficial interest	195,000,000	50.00
CEC Vendor	Beneficial interest (3)	80,000,000	20.51
	Interest of controlled corporation (4)	96,000,000	24.62
BAPP Vendor	Beneficial interest (5)	96,000,000	24.62

Name	Capacity in which Shares are held	Number of Shares (long position)	% of issued share capital of Company [(1)]
Winning Heart Investments Limited	Interest of controlled corporation [(6)]	96,000,000	24.62
Li Jian Quan	Interest of controlled corporation [(7)]	96,000,000	24.62
Wang Li	Interest of spouse [(8)]	96,000,000	24.62

Notes:

(1) The calculation of the percentage figures is based on the relevant number of shares as a percentage of the number of Shares of the Company in issue as at the Latest Practicable Date.

(2) CEC owns 100% of the issued share capital of each of OIL and the CEC Vendor. The CEC Vendor owns 51% of the issued share capital of the BAPP Vendor. Accordingly, CEC is taken under the SFO to be interested in the Shares in which OIL, the CEC Vendor and the BAPP Vendor have an interest. See also notes 3 and 5.

(3) The 80,000,000 Shares are Consideration Shares and have not been allotted as at the date of this circular. Allotment is subject to the terms and conditions of the CEC Acquisition Agreement including approval by Independent Shareholders at the EGM. The percentage interest in the Company's issued share capital immediately after allotment is set out in the section "Letter from the Board – Changes in Shareholding Structure" of this circular.

(4) The CEC Vendor owns 51% of the issued share capital of the BAPP Vendor. Accordingly, the CEC Vendor is taken under the SFO to be interested in the Shares in which the BAPP Vendor has an interest. See also note 5.

(5) The 96,000,000 Shares are Consideration Shares and have not been allotted as at the date of this circular. Allotment is subject to the terms and conditions of the BAPP Acquisition Agreement including approval by Independent Shareholders at the EGM. The percentage interest in the Company's issued share capital immediately after allotment is set out in the section "Letter from the Board – Changes in Shareholding Structure" of this circular.

(6) Winning Heart Investments Limited owns 40% of the issued share capital of the BAPP Vendor. Accordingly, Winning Heart Investments Limited is taken under the SFO to be interested in the Shares in which the BAPP Vendor has an interest. See also note 5.

(7) Mr. Li Jian Quan owns 35% of Winning Heart Investments Limited. Accordingly, Mr. Li Jian Quan is taken under the SFO to be interested in the Shares in which Winning Heart Investments Limited has an interest. See also notes 5 and 6.

(8) Ms. Wang Li is the spouse of Mr. Li Jian Quan. Accordingly, Ms. Wang Li is taken under the SFO to be interested in the Shares in which Mr. Li Jian Quan has an interest.

(b) Other members of the Resulting Group

Save as disclosed below, the Directors and the chief executive of the Company are not aware of any person (not being a Director or chief executive of the Company) who as at the Latest Practicable Date was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Resulting Group (other than the Company).

Name of company in Resulting Group	Name of shareholder	Capacity in which shares/ equity interest held	Amount of issued share capital/ registered capital	% of issued share capital/ equity interest
BAPP Ethanol	BAPP Vendor	Beneficial interest	US$4,450,682	100
BAPP (Northwest) Limited	BAPP Ethanol	Beneficial interest	US$1	100
Ningxia New Tech	BAPP (Northwest) Limited	Beneficial interest	RMB40,000,000	100
CEC Ethanol	CEC Vendor	Beneficial interest	US$12,750,315	100
Harbin Distillery	CEC Ethanol	Beneficial interest	RMB160,000,000	72.7
Harbin Distillery	Harbin Light Industry	Beneficial interest	RMB60,000,000	27.3

5. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within two years preceding the issue of this circular:

(i) the placing and subscription agreement dated 5 June 2007 between the Company, OIL as seller and subscriber and Cazenove Asia Limited as placing agent in connection with the Placing;

(ii) the BAPP Acquisition Agreement, details of which are set out in "Letter of the Board – BAPP Acquisition Agreement";

(iii) the CEC Acquisition Agreement, details of which are set out in "Letter of the Board – CEC Acquisition Agreement";

(iv) the Disposal Agreement, details of which are set out in "Letter of the Board – Disposal Agreement";

(v) the New Processing Agreement, details of which are set out in "Letter of the Board – New Processing Agreement";

(vi) the provisional agreement for sale and purchase dated 11 October 2006 entered into between Wallmark Enterprise Company Limited, a wholly owned subsidiary of the Company, as vendor and Gain Right International Limited as purchaser, in respect of a sale and purchase of the property located at Unit 1-2 on 3/F., Fook Hang Industrial Building, 19 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong for HK$8,751,240;

(vii) the formal agreement for sale and purchase dated 26 October 2006 entered into by the parties pursuant to the terms of the provisional agreement as referred to (v) above;

(viii) the sale and purchase agreement dated 31 August 2005 between Tianjin City Dairy Products Factory and Tianjin City Dairy Products Factory 2 as vendors and Agricapital (Tianjin) Limited and Tianjin State Farms Agribusiness Group Company as purchasers, in respect of the acquisition of a 70% equity interest in Beilei (Tianjin) Dairy Co. Ltd. for RMB55,000,000; and

(ix) the underwriting agreement dated 7 July 2005 and entered into between the Company and First Shanghai Securities Limited in relation to the rights issue completed on or around 18 August 2005.

6. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have issued letters which are contained in this circular:

Name	Qualification
Somerley Limited	A licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities for the purposes of the SFO
RSM Nelson Wheeler	Certified Public Accountants
Sallmanns (Far East) Limited	Property and Financial Valuers

Somerley Limited, RSM Nelson Wheeler and Sallmanns (Far East) Limited have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion herein of their respective letters and reports (as the case may be) and references to their respective names, in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of Somerley Limited, RSM Nelson Wheeler and Sallmanns (Far East) Limited was beneficially interested in the share capital of any member of the Group, nor did they have any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did they have any interest, either direct or indirect, in any assets which had been since 31 December 2006 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group or which were proposed to be acquired or disposed of by or leased to any member of the Group.

None of Somerley Limited, RSM Nelson Wheeler and Sallmanns (Far East) Limited had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2006 (being the date to which the latest published audited financial statements of the Group were made up.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

8. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or is proposing to enter, into any service contract with any member of the Group which is not determinable within one year without payment of compensation (other than statutory compensation).

9. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

As at the Latest Practicable Date:

(a) no Director had any interest, and as far as each Director was aware, none of his associates had any interests, in any business which competes or is likely to compete, either directly or indirectly, with the existing business of the Group;

(b) none of the Directors and their associates had any direct or indirect interest in any assets which since 31 December 2006 (being the date to which the latest published audited financial statements of the Company were made up) had been acquired or disposed of by or leased to any member of the Group; and

(c) none of the Directors and their associates was materially interested in any subsisting contract or arrangement which was significant to the Group's business.

10. MISCELLANEOUS

(a) The qualified accountant and secretary of the Company is Ms. Chan So Fong, FCCA, CPA. Ms. Chan is a Fellow Member of the Association of Chartered Certified Accountants and an Associate Member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is situated at P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands. The Company's head office and principal place of business in Hong Kong is situated at 2116 Hutchison House, 10 Harcourt Road, Hong Kong.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong

(d) The English language text of this document shall prevail over the Chinese language text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company during normal business hours from the date of this circular up to and including 13 July 2007:

(i) the memorandum of association and the articles of association of the Company;

(ii) the annual reports of the Company for each of the three years ended 31 December 2006;

(iii) the audited consolidated financial information of the BAPP Ethanol Group for the period from 18 May 2006 to 31 December 2006 as set out in Appendix III to this circular;

(iv) the audited consolidated financial information of the CEC Ethanol Group for the period from 28 March 2006 to 31 December 2006 as set out in Appendix IV to this circular;

(v) the unaudited pro forma financial information of the Resulting Group and the report of the Company's reporting accountant thereon as set out in Appendix V to this circular;

(vi) the letter from the Independent Board Committee as set out in this circular;

(vii) the letter from the independent financial adviser, Somerley Limited, as set out in this circular;

(viii) the technology valuation report as set out in Appendix VI to this circular;

(ix) the property valuation report as set out in Appendix VII to this circular;

(x) the material contracts referred to in the paragraph headed "Material contracts" above;

(xi) the written consents referred to in the paragraph headed "Experts and consents" above; and

(xii) this circular.

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**EGM**") of Wealthmark International (Holdings) Limited (the "**Company**") will be held at The Ritz-Carlton Hotel, 3 Connaught Road, Central, Hong Kong, Chater Room I, Level B1 on 16 July 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following with or without modification as ordinary resolutions:

ORDINARY RESOLUTIONS

1. **THAT**:

(a) the BAPP Acquisition Agreement (as defined in the Company's circular to Shareholders dated 29 June 2007 (the "**Circular**") of which the notice of this EGM forms a part) (a copy of which has been produced to this meeting marked "A" and initialled by the chairman of this meeting for identification purposes) entered into between the Company, BAPP Enzyme Engineering Limited and China Enterprise Capital Limited and the transactions contemplated thereunder be and are hereby approved, and any one director of the Company be and is hereby authorised with full power to do all things and sign or execute all documents on behalf of the Company which may in his opinion be necessary or desirable for the purpose of giving effect to the BAPP Acquisition Agreement or any matters relation thereto; and

(b) the allotment and issue of 96,000,000 new shares in the capital of the Company of HK$0.10 each ("**Shares**") by the Company to BAPP Enzyme Engineering Limited at an issue price of HK$1.25 per Share credited as fully paid and otherwise in accordance with the terms of the BAPP Acquisition Agreement and subject to the terms and conditions contained in the articles of association of the Company (the "**Articles**") be and are hereby approved and any one director of the Company (in any case where the common seal of the Company is required to be affixed, then any two directors or any one director and the secretary of the Company) be authorised with full power to do all things and sign or execute all documents on behalf of the Company which may in his or her or their opinion necessary or desirable in connection with the issue of the aforesaid Shares, the share certificate(s) or any matters in relation thereto;

2. **THAT**:

(a) the CEC Acquisition Agreement (as defined in the Circular) (a copy of which has been produced to this meeting marked "B" and initialled by the chairman of this meeting for identification purposes) entered into between the Company, CEC Agricapital Group Limited and China Enterprise Capital Limited and the transactions contemplated thereunder be and are hereby approved, and any one director of the Company be and is hereby authorised with full power to do all things and sign or execute all documents on behalf of the Company which may in his opinion be necessary or desirable for the purpose of giving effect to the CEC Acquisition Agreement or any matters relation thereto; and

(b) the allotment and issue of 80,000,000 new Shares by the Company to CEC Agricapital Group Limited at an issue price of HK$1.25 per Share credited as fully paid and otherwise in accordance with the terms of the CEC Acquisition Agreement and subject to the terms and conditions contained in the Articles be and are hereby approved and any one director of the Company (in any case where the common seal of the Company is required to be affixed, then any two directors or any one director and the secretary, of the Company) be authorised with full power to do all things and sign or execute all documents on behalf of the Company which may in his or her or their opinion necessary or desirable in connection with the issue of the Shares, the share certificates or any matters in relation thereto;

3. **THAT** the Disposal Agreement (as defined in the Circular) (a copy of which has been produced to this meeting marked "C" and initialled by the chairman of this meeting for the identification purposes) entered into between the Company and Orientelite Investments Limited, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified in all respects, and any one director of the Company be and is hereby authorised with full power to do all things and sign or execute all documents on behalf of the Company which may in his opinion be necessary or desirable for the purpose of giving effect to the agreements or any matters relation thereto;

4. **THAT** the New Processing Agreement (as defined in the Circular) (a copy of which has been produced to this meeting marked "D" and initialled by the chairman of this meeting for identification purposes) be and is hereby approved, confirmed and ratified in all respects and the Annual Caps (as defined and set out in the Circular) thereunder be and are hereby approved;

5. **THAT**:

(a) the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with the unissued Shares at the annual general meeting of the Company held on 23 May 2007, to the extent not yet exercised prior to the date of passing of this resolution, be and is hereby revoked (without prejudice to any valid exercise of such mandate prior to the date of passing of this resolution);

(b) subject to paragraph (c) of this resolution, the directors of the Company be and are hereby generally and unconditionally authorised to exercise during the Relevant Period (as defined below) all the powers of the Company to allot, issue and deal with additional Shares and to make or grant offers, agreements, and options (including warrants, bonds and debentures, notes and any securities which carry rights to subscribe for or are convertible into ordinary shares of the Company) which would or might require the exercise of any of such powers during or after the end of the Relevant Period;

(c) the aggregate nominal amount of the shares of the Company allotted, issued or otherwise dealt with or agreed conditionally or unconditionally to be allotted, issued or otherwise dealt with (whether pursuant to an option or otherwise) by the directors pursuant to the approval in paragraph (b) of this resolution, other than pursuant to (i) a Rights Issue (as defined below); (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries and/or any eligible grantee pursuant to the scheme of Shares or rights to acquire Shares; (iii) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles; (iv) the exercise of the rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into Shares; or (v) a specific authority granted by the shareholders of the Company in general meeting, including the issue of the 176,000,000 Shares (together the "**Aggregate Consideration Shares**") upon the completion of the BAPP Acquisition Agreement and the CEC Acquisition Agreement pursuant to the approvals in resolutions nos. 1(b) and 2(b) as set out in the notice convening the EGM if such resolutions are passed, shall not in total exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the approval granted in paragraph (b) of this resolution shall be limited accordingly; and

(d) for the purpose of this resolution:

(A) "**Relevant Period**" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders in general meeting; and

(iii) the expiration of the period within which the next annual meeting of the Company is required by the articles of association of the Company, or any applicable laws to be held; and

(B) "**Rights Issue**" means an offer of Shares open for a period fixed by the directors of the Company to holders of Shares on the register of members of the Company on a fixed record date in proportion to their ten holdings of such Shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or of the requirements of any recognised regulatory body or any stock exchange in, or in any territory outside Hong Kong);

6. **THAT** :

(a) the general mandate granted to the directors of the Company to exercise the powers of the Company to purchase its own Shares at the annual general meeting of the Company held on 23 May 2007, to the extent not yet exercised prior to the date of passing of this resolution, be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the date of passing this resolution);

(b) subject to paragraph (c) of this resolution, the directors of the Company be and are hereby generally and unconditionally authorised to exercise during the Relevant Period (as defined below) all the powers of the Company to purchase its own Shares;

(c) the aggregate nominal amount of the Shares which the Company is authorised to purchase pursuant to the approval in paragraph (b) of this resolution shall not in total exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the approval granted in paragraph (b) of this resolution shall be limited accordingly; and

(d) for the purpose of this resolution, "**Relevant Period**" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders in general meeting; and

(iii) the expiration of the period within which the next annual meeting of the Company is required by the articles of association of the Company, or any applicable laws to be held; and

7. **THAT** conditional upon the passing of the resolutions nos. 5 and 6 as set out in the notice convening this EGM, the aggregate nominal amount of the share capital of the Company which is purchased by the Company pursuant to and in accordance with the resolution no. 6 as set out in the notice convening this EGM shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with by the directors of the Company pursuant to and in accordance with the resolution no. 5 as set out in the notice convening this EGM.

By Order of the Board
Peter Lo
Chairman

Hong Kong, 29 June 2007

Notes:

(1) A shareholder of the Company entitled to attend and vote at the EGM (or at any adjournment thereof) is entitled to appoint another person as his/her/its proxy to attend and vote in his/her/its stead in accordance with the Articles of the Company. A proxy need not be a shareholder of the Company.

(2) A form of proxy for use at the EGM is enclosed. Completion and return of the form of proxy will not preclude a member from attending the EGM and voting in person at the EGM or any adjourned meeting if he so desires. If a member attends the EGM after having deposited the form of proxy, his form of proxy will be deemed to have been revoked.

(3) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified true copy of that power of attorney or authority must be deposited at the Company's branch share registrar in Hong Kong, Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting (or any adjourned meeting thereof) and in default the form of proxy shall not be treated as valid. Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting in person at the meeting (or any adjourned meeting thereof) should they so wish.

(4) In the case of joint holders, the vote of the senior who tenders the vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of other joint holder(s), and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of such shares.