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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 VERY SUBSTANTIAL DISPOSAL CONCERNING EXISTING BUSINESSES CONNECTED TRANSACTIONS AND RESUMPTION OF TRADING

BAPP Acquisition <p>On 11 May 2007, the Company and the BAPP Vendor entered into the BAPP Acquisition Agreement whereby the Company agreed to purchase from the BAPP Vendor the entire issued share capital in BAPP Ethanol at a consideration of HK\$120 million, which will be satisfied by the Company through the allotment and issuance of 96,000,000 Consideration Shares to the BAPP Vendor.</p> <p>The BAPP Vendor is a connected person of the Company by virtue of it being an associate of OIL, the Company’s controlling shareholder.</p>
CEC Acquisition <p>On 11 May 2007, the Company and the CEC Vendor entered into the CEC Acquisition Agreement whereby the Company agreed to purchase from the CEC Vendor the entire issued share capital in CEC Ethanol at a consideration of HK\$100 million, which will be satisfied by the Company through the allotment and issuance of 80,000,000 Consideration Shares to the CEC Vendor.</p> <p>The CEC Vendor is a connected person of the Company by virtue of it being an associate of OIL, the Company’s controlling shareholder.</p>
Disposal <p>On 11 May 2007, the Company and OIL entered into the Disposal Agreement whereby the Company agreed to sell to OIL the entire issued share capital of each of ATL and GAL, each a wholly-owned subsidiary of the Company, at a total consideration of US\$200,000 (approximately HK\$1,560,000) payable in cash.</p> <p>OIL is a connected person of the Company by virtue of it being the Company’s controlling shareholder.</p> <p>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 the BAPP Acquisition Agreement and the CEC Acquisition Agreement becoming unconditional, and shall take place immediately after completion of the Acquisitions.</p>
Very Substantial Acquisition, Very Substantial Disposal and Connected Transactions <p>Under the Listing Rules, (i) the Acquisitions when aggregated constitute a very substantial acquisition and connected transactions for the Company; and (ii) the Disposal constitutes a very substantial disposal and connected transaction for the Company. The above transactions are therefore conditional upon the approval of the Independent Shareholders at the EGM.</p> <p>Shareholders and potential investors of the Shares should note that the Acquisitions and the Disposal are subject to a number of conditions. Accordingly these transactions may or may not proceed, and the release of this announcement does not in any way indicate that the Acquisitions and the Disposal will be successfully completed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.</p> <p>Suspension and Resumption of Trading in the Shares</p> <p>At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 14 May 2007 pending the issue of this Announcement. The Company has applied for the resumption of trading in the Shares with effect from 9:30 a.m. on 21 May 2007 following the publication of this Announcement.</p>

The Board announces that on 11 May 2007, the Company entered into the BAPP Acquisition Agreement, the CEC Acquisition Agreement and the Disposal Agreement.

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”.	
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 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 controlling interest in the Company.	
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 this Announcement, the market value of 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 of a technology for producing ethanol currently used by BAPP Ethanol 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\$85.8 million. This technology is further described below in “Information on BAPP Ethanol and CEC Ethanol – BAPP Ethanol – BAPP 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 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 will be able 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 preliminary valuation prepared by Sallmanns, 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 value of HK\$85.8 million is subject to a 5% deviation from the final valuation as advised by Sallmanns.	
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 this 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) of the BAPP Acquisition Agreement by the Independent Shareholders in accordance with the Listing Rules; and (b) the allotment and issue of the 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.

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”.	
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 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 controlling interest in the Company.	
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 this Announcement, the market value of 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 shareholders’ 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 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 BAPP Acquisition Agreement and has undertaken to indemnify the Company for any default by the CEC Vendor under the CEC Acquisition Agreement.

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 includes the ATL Group and GAL Group, comprise 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 provision has been made in the accounts of GAL).

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.

CHANGES IN SHAREHOLDING STRUCTURE

The allotment and issuance of the Consideration Shares are not expected to affect the controlling interest in 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 Announcement, 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 Announcement		Upon completion of the Acquisitions and the issue of the Consideration Shares	
	Number of Shares	%	Number of Shares	%
Connected persons:				
– OIL	195,000,000	58.7%	195,000,000	38.4%
– the BAPP Vendor	–	–	96,000,000	18.9%
– the CEC Vendor	–	–	80,000,000	15.7%
Subtotal:	195,000,000	58.7%	371,000,000	73.0%
Public Shareholders:	137,000,000	41.3%	137,000,000	27.0%
Total:	332,000,000	100.00%	508,000,000	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 Consideration Shares to the BAPP Vendor pursuant to the BAPP Acquisition Agreement; and (ii) the allotment and issue of the 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.

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.

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 company engaged in the research, development and production of enzymes for commercial applications in Hainan, PRC. 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. 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.

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. 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. 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 RMB2 million for its indirect 100% equity interest in Ningxia New Tech, by way of contribution to its registered capital made through the BAPP Vendor’s wholly-owned subsidiaries. The registered capital of Ningxia New Tech increased to RMB40 million in March 2007, and the BAPP Vendor 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.

BAPP 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 BAPP 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).

With further testing and refinement, it is expected that the technology will be able to be applied to non-edible plant materials, 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 of the BAPP Ethanol Group

The following table shows certain financial information of 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) (unaudited)	Three months ended 31 March 2007 HK\$('000) (unaudited)
Net loss before tax	(47)	(1,307)
Net loss after tax	(47)	(1,307)
Net asset value	945	(2,112)
Turnover	–	–
Total assets	28,861	46,197

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 ethanol production facility is estimated to be approximately RMB220 million.

The CEC Vendor has 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. It 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 and 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 a 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.

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 existing processing agreement will constitute connected transactions of the Company. Accordingly, the Company intends to enter into the New Processing Agreement in place of the existing processing agreement in order to comply with the relevant provisions of the Listing Rules upon completion of the CEC Acquisition. The Company will disclose the details of the New Processing Agreement in a separate announcement when the details of the New Processing Agreement are available, and shall in all other respects comply with the relevant provisions of Chapter 14A of the Listing Rules, including issuing a circular and seeking Independent Shareholder approval in connection with the New Processing Agreement.

Financial information of the CEC Ethanol Group

The following table shows certain financial information of 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) (unaudited)	Three months ended 31 March 2007 HK\$('000) (unaudited)
Net profit/(loss) before tax	(1,587)	530
Net profit/(loss) after tax	(1,587)	530
Net asset value	630	3,577
Turnover	–	52,897
Total assets	148,862	180,914

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 City 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 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.

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 of 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
	<i>HK\$('000)</i>	<i>HK\$('000)</i>	<i>HK\$('000)</i>	<i>HK\$('000)</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Net profit/(loss) before tax	(19,771)	(26,787)	(30,159)	(32,840)
Net profit/(loss) after tax	(17,330)	(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\$379,000 in its accounts. 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 accounts of the Existing Businesses for the period ended 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.

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. 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 of 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 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 accounts of the Existing Businesses for the period 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 as well as the proposed injection of a technology for producing ethanol with a value of HK\$85.8 million into BAPP Ethanol.

OTHER INFORMATION

The Acquisitions

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.

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.

EGM

An EGM will be held to consider and, if thought fit, to approve the Acquisitions and the Disposal, including the issue of Consideration Shares pursuant to such transactions. As a Share holder 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 and the Disposal. The Shares held by all abstaining parties, being all of the Shares held by OIL, represent 58.7% of the Company’s issued share capital as at the date of this announcement.

Under the Listing Rules, the Company will issue a circular to the Shareholders as soon as practicable, in which details of (i) the Acquisitions, (ii) the Disposal, and (iii) notice of the EGM will be provided.

The Company has established an independent board committee comprising the Independent Non-executive Directors to consider and advise the Independent Shareholders with respect to the Acquisitions and the Disposal. An independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders in relation to the Acquisitions and the Disposal.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 14 May 2007 pending the issue of this Announcement. The Company has applied for the resumption of trading in the Shares with effect from 9:30 a.m. on 21 May 2007 following the publication of this Announcement.

Shareholders and potential investors of the Shares should note that the Acquisitions and the Disposal are subject to a number of conditions. Accordingly these transactions may or may not proceed, and the release of this announcement does not in any way indicate that the Acquisitions and the Disposal will be successfully completed. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this Announcement, the following expressions shall have the following meanings unless the context otherwise requires:	
“Acquisitions”	the BAPP Acquisition and the CEC Acquisition
“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
“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 established in 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
“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
“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
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration Shares”	Shares issued at HK\$1.25 per Share by the Company to the BAPP Vendor pursuant to the BAPP Acquisition Agreement and to the CEC Vendor pursuant to the CEC Acquisition Agreement
“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 CEC and the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider, among other things, the Acquisitions and the Disposal
“Existing Business”	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
“Group”	the Company and its subsidiaries
“Harbin Factory”	哈爾濱中國釀酒廠 (Harbin China Distillery), a State-owned enterprise established in the PRC and an associate of Harbin Light Industry
“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 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 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“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
“PRC”	the People’s Republic of China
“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

Note: For the purpose of this Announcement, US dollars have been translated into Hong Kong dollars at the rates of HK\$7.80=US\$1.

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

Hong Kong, 18 May 2007

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