



WEALTHMARK INTERNATIONAL (HOLDINGS) LIMITED

和寶國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 039)

ANNOUNCEMENT OF INTERIM RESULTS FOR 2006

The Board of Directors (the “Board”) of Wealthmark International (Holdings) Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2006. These interim results have been reviewed by RSM Nelson Wheeler, the auditors of the Company, in accordance with the Statement of Auditing Standard 700 “Engagements to Review Interim Financial Reports” (“SAS 700”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and by the Audit Committee of the Company, comprising the three independent non-executive directors of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2006

		(Unaudited) Six months ended 30 June 2006 HK\$'000	2005 HK\$'000 (Restated)
	<i>Note</i>		
Revenue	3	73,396	52,328
Cost of sales		(73,758)	(57,066)
Gross loss		(362)	(4,738)
Other income		1,294	795
Distribution costs		(5,067)	(1,445)
Administrative expenses		(11,359)	(12,449)
Other operating expenses		(173)	(75)
Operating loss	4	(15,667)	(17,912)
Finance costs	5	(365)	(1,183)
Loss before taxation		(16,032)	(19,095)
Taxation credit	6	770	1,248
Loss for the period		(15,262)	(17,847)
Attributable to:			
Equity holders of the Company		(12,759)	(17,728)
Minority interests		(2,503)	(119)
		(15,262)	(17,847)
Dividend	7	–	–
Loss per share – basic	8	(4.1) cents	(8.6) cents

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2006 AND 31 DECEMBER 2005

	(Unaudited) 30 June 2006 HK\$'000	(Audited) 31 December 2005 HK\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	50,810	53,064
Prepaid lease payments	6,380	6,465
Goodwill	11,010	11,010
	68,200	70,539
Current assets		
Inventories	19,063	20,918
Trade and other receivables	24,554	20,686
Amount due from a fellow subsidiary	–	511
Tax recoverable	2,021	2,021
Bank balances and cash	17,359	27,472
	62,997	71,608
Total assets	131,197	142,147
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	33,200	30,000
Accumulated losses	(108,819)	(96,060)
Other reserves	89,191	75,314
	13,572	9,254
Minority interests	15,162	17,464
Total equity	28,734	26,718
LIABILITIES		
Non-current liabilities		
Amount due to immediate holding company	69,649	69,543
Deferred tax liabilities	291	290
	69,940	69,833
Current liabilities		
Trade and other payables	27,908	27,899
Amount due to a minority shareholder of a subsidiary	85	2,398
Short-term borrowings	1	10,001
Provision for taxation	4,529	5,298
	32,523	45,596
Total liabilities	102,463	115,429
Total equity and liabilities	131,197	142,147
Net current assets	30,474	26,012
Total assets less current liabilities	98,674	96,551

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” which is one of the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2005 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the 2005 annual financial statements.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods commencing on or after 1 January 2006. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current and prior periods.

At 30 June 2006, certain new or revised standards or interpretations of HKFRSs were in issue but not yet effective. The Group has started considering the potential impact of these HKFRSs. Based on the preliminary assessment, the Group expects that the adoption of these HKFRSs, if applicable, will not result in substantial changes to the Group’s accounting policies.

3. SEGMENT INFORMATION

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.

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

(i) Business segments

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

	(Unaudited) Six months ended 30 June 2006			
	Handbag products and related accessories HK\$'000	Garments HK\$'000	Dairy products HK\$'000	Group HK\$'000
Revenue	64,040	1,926	7,430	73,396
Segment results	3,318	(967)	(2,713)	(362)
Other income				1,294
Unallocated costs				(16,599)
Operating loss				(15,667)
Finance costs				(365)
Loss before taxation				(16,032)
Taxation credit				770
Loss for the period				15,262

	(Unaudited) Six months ended 30 June 2005			
	Handbag products and related accessories HK\$'000	Garments HK\$'000	Dairy products HK\$'000	Group HK\$'000
Revenue	50,446	1,882	–	52,328
Segment results	(2,630)	(2,108)	–	(4,738)
Other income				795
Unallocated costs				(13,969)
Operating loss				(17,912)
Finance costs				(1,183)
Loss before taxation				(19,095)
Taxation credit				1,248
Loss for the period				(17,847)

There are no sales or other transactions between the business segments. Unallocated costs represent corporate expenses.

(ii) Geographical segments

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

	Revenue Six months ended 30 June 2006 HK\$'000		Segment results Six months ended 30 June 2005 HK\$'000	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
United States of America	17,348	29,892	205	(1,163)
Europe	18,407	2,588	2,057	(106)
People’s Republic of China (“PRC”)	37,641	17,966	(2,624)	(1,361)
Asian region except the PRC	–	1,882	–	(2,108)
	73,396	52,328	(362)	(4,738)

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

4. OPERATING LOSS

The Group’s operating loss has been arrived at after charging the following:

	(Unaudited) Six months ended 30 June 2006 HK\$'000		2005 HK\$'000
Depreciation		4,808	3,712
Amortisation of prepaid lease payments		85	85
Staff costs (including Directors’ emoluments)		17,329	14,804
Cost of inventories sold		48,854	37,436
Property, plant and equipment written off		121	12

5. FINANCE COSTS

	(Unaudited) Six months ended 30 June 2006 HK\$'000		2005 HK\$'000
Interest on bank loans and overdrafts		–	1,180
Interest on other loan wholly repayable within 5 years		365	–
Interest element of finance leases		–	3
		365	1,183

6. TAXATION

The amount of taxation charged/(credited) to the consolidated income statement represents:

	(Unaudited)	
	Six months ended 30 June	2005
	2006	2005
	HK\$'000	HK\$'000
Overseas taxation		
Current period	19	—
Overprovision in prior years	(789)	(1,248)
Taxation credit	(770)	(1,248)

No provision for Hong Kong profits tax is required since the Group has no assessable profit for the period (2005: Nil).

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the subsidiaries operate.

7. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006 (2005: Nil).

8. LOSS PER SHARE

The calculation of loss per share is based on the Group's loss attributable to equity holders of the Company of approximately HK\$12,759,000 (2005: HK\$17,728,000) and the weighted average of 309,104,972 ordinary shares (2005: 206,896,552 ordinary shares after adjusting for the rights issue in 2005) in issue during the period.

Diluted loss per share for the periods ended 30 June 2006 and 2005 were not disclosed as there were no dilutive potential ordinary shares.

MANAGEMENT DISCUSSION AND ANALYSIS**Business and Financial Review**

For the six months ended 30 June 2006 (the "Period"), the Group's turnover was approximately HK\$73.4 million, representing an increase of 40.3% over the corresponding period last year. Loss attributable to equity holders of the Company was approximately HK\$12.8 million, representing a decrease of 28.0% over the corresponding period last year. Loss per share for the Period was HK\$4.1 cents (2005: HK\$8.6 cents as restated).

The substantial increase in turnover during the Period was mainly attributable to contributions from the dairy company acquired in late 2005 and the recovery of the handbag products segment. The performance of the handbag products segment, garments segment and dairy products segment during the Period is set out below.

During the Period, handbag products segment and garments segment continued its recovery and remained the core business of the Group. Handbag products segment recorded a turnover of approximately HK\$64.0 million, up 26.9% over the corresponding period last year and accounted for 87.3% of the total turnover. Gross profit was approximately HK\$3.3 million as opposed to gross loss of approximately HK\$2.6 million of the corresponding period last year. Garments segment recorded a turnover of approximately HK\$1.9 million, up 2.3% over the corresponding period last year and accounted for 2.6% of the total turnover. The Group will continue to tighten controls on operating costs, aiming to enhance operational efficiency and competitiveness and thus further improve business performance.

The Group completed the acquisition of a dairy company in mid December 2005. The operation of the dairy company was ceased before the acquisition and has been restarted in late December 2005. During the Period, dairy products segment recorded a turnover of approximately HK\$7.4 million and accounted for 10.1% 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. The Group will continue to strengthen its market promotion and invest in packaging facilities. Leveraging on our management's experience and expertise in the PRC food and beverage industry, the Group expects that the segment will contribute a stable income stream to the Group.

Prospects

With the implementation of ongoing stringent cost control measures, the Group will endeavor to narrow the loss for the whole year. Looking forward, apart from strengthening the Group's existing business and improving its efficiency, the Company will also actively seek investment opportunities to further develop the Group's business.

Liquidity and Financial Resources

The Group's financial position has been further improved during the Period. During the Period, the Company raised approximately HK\$16.7 million from 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.

As at 30 June 2006, the Group has net current assets of approximately HK\$30.5 million (31 December 2005: HK\$26.0 million) and capital and reserves attributable to equity holders of the Company of approximately HK\$13.6 million (31 December 2005: HK\$9.3 million). The increase was mainly attributable to the net proceeds raised from the two top-up placings. Cash and bank balances amounted to approximately HK\$17.4 million as at 30 June 2006 (31 December 2005: HK\$27.5 million).

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

Capital Structure and Use of Proceeds

During the Period, the issued share capital of the Company increased by 32,000,000 shares to 332,000,000 shares as a result of top-up placings in April 2006 and June 2006. The net proceeds of approximately HK\$16.7 million have been and will be used for the Group's general working capital.

Except for a shareholder's loan of approximately HK\$69.6 million, the Group had no other borrowings as at 30 June 2006. The gearing ratio of the Group, calculated as total debts divided by total assets, was approximately 53.1% as at 30 June 2006. If the shareholder's loan was excluded, the gearing ratio was zero.

Charge on assets

As at 30 June 2006, there was no charge on the Group's assets (31 December 2005: Nil).

Contingent liabilities

As at 30 June 2006, the Group had no material contingent liabilities (31 December 2005: Nil).

Employee and Remuneration Policy

As at 30 June 2006, the Group had approximately 2,088 (2005: 2,319) employees with total staff costs amounted to approximately HK\$17.3 million (2005: HK\$14.8 million). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2006.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code on ethics and securities transactions, which incorporates a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. Specified employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to the compliance with the code. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the code on ethics and securities transactions throughout the six months ended 30 June 2006.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2006.

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

Hong Kong, 19 September 2006

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.