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WEALTHMARK INTERNATIONAL (HOLDINGS) LIMITED

和寶國際控股有限公司*

(incorporated in Cayman Islands with limited liability)

(Stock Code: 39)

ANNOUNCEMENT

According to ICAC Press Release and/or the Press Reports, the Chairman of the Company, had been arrested by the ICAC and is charged with (1) misappropriating company funds totalling HK\$20.8 million and (2) knowingly making a false statement to the Company's auditor, PricewaterhouseCoopers, contrary to Section 134 of the Companies Ordinance.

The Company confirms that Mr. Wong had been arrested by the ICAC and was the subject of the ICAC Press Release and/or the Press Reports and is charged with (1) misappropriating company funds totalling HK\$20.8 million and (2) knowingly making a false statement to the Company's auditor, PricewaterhouseCoopers, contrary to Section 134 of the Companies Ordinance.

Two directors, namely Ms. Rosita Andres and Mr. Eric Po and one other employee of the Company had also been arrested but later released without charge. Mr. Eric Po and the other employee have since the Incident ceased to be employed by the Company.

The Company is in possession of limited information concerning the above mentioned allegations of wrongdoing and is unable to draw any reliable conclusions as Mr. Wong has not been tried nor convicted of the alleged offences.

With a view to restoring the credibility of the Board and safeguarding the interests of the shareholders of the Company, the Board has taken urgent steps to restructure the management of the Group. In this regard, the Board would like to announce that:

- (a) Mr. Wong and Ms. Rosita Andres have resigned as executive directors of the Company on 21st February, 2005. Mr. Wong and Ms. Andres shall be removed from all authorised signatories on all bank accounts of the Group;
- (b) Mr. Wong has resigned as an authorised representative of the Company;
- (c) Mr. Yue Kwai Wa, Ken has been appointed as an independent non executive director of the Company on 25th January, 2005;

* For identification purpose only

- (d) Mr. Wong Chor Sang and Mr. Danny Kwok Kee Ho have been appointed as authorised representatives of the Company;
- (e) Mr. Chan Wai Kin, Benito and Mr. Tse Chung Sing have been appointed as executive directors of the Company on 25th January, 2005;
- (f) Mr. Peter Ko Chung Ting has been appointed as the Company Secretary of the Company with effect from 21st February, 2005. Mr. Ko is a member of the Hong Kong Institute of Certified Public Accountants;
- (g) save for in the ordinary course of business, the Group will not enter into any contract or capital commitment in excess of HK\$100,000 save with the approval of a majority of the independent non-executive directors.

Mr. Wong's resignation is not an admission to guilt in relation to the charges laid against him but merely a gesture to distance the Company from the Incident. Mr. Wong, the former chairman and former Director, remains deemed interested in approximately 67.5% of the issued share capital of the Company through Wisechoice, which is owned as to 100% by Mr. Wong. Mr. Wong will not have any influence over the management of the Company following his resignation as a director of the Company.

The Group's bankers had, in light of the Incident, demanded repayment of the Group's outstanding facilities. The total amount demanded is approximately HK\$75,000,000. However, the Board does not expect that the Incident will currently have any material impact on the present day-to-day operations or financial position of the Group as the Group's principal bankers (save for Banco Delta Asia S.A.R.I. which is owed an approximate sum of HK\$610,000 inclusive of interest) are currently in an informal standstill arrangement with the Group regarding the banking facilities of the Group with those banks. This arrangement is expected to be formalised in the near future. An announcement will be made at the relevant time. A writ had been issued by Banco Delta Asia S.A.R.I. on 7th February, 2005 against the Company for the payment of an amount of approximately HK\$610,000. The Company had, on 18th February, 2005, filed an acknowledgment of receipt of the writ and intends to defend the action.

The Board announces that Mr. Wong Tin Sang, Patrick has resigned as an independent non-executive director of the Company with effect from 29th November, 2004 for personal reasons. The Board is not aware of any other matters relating to the resignation of Mr. Wong Tin Sang, Patrick that need to be brought to the attention of the shareholders of the Company. Mr. Wong Tin Sang, Patrick has confirmed that there are not any issues that need to be brought to the attention of shareholders of the Company in connection with his resignation.

At the direction of the Stock Exchange, trading in the Shares was suspended with effect from 9:30 a.m. on Tuesday, 23rd November, 2004 in light of the Incident. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on Wednesday, 23rd February, 2005.

Shareholders and potential investors in the Company should exercise caution when dealing in the Shares.

According to ICAC Press Release and/or the Press Reports, the Chairman of the Company, had been arrested by the ICAC and is charged with (1) misappropriating company funds totalling HK\$20.8 million and (2) knowingly making a false statement to the Company's auditor, PricewaterhouseCoopers, contrary to Section 134 of the Companies Ordinance.

The Company confirms that Mr. Wong had been arrested by the ICAC and was the subject of the ICAC Press Release and/or the Press Reports and is charged with (1) misappropriating company funds totalling HK\$20.8 million and (2) knowingly making a false statement to the Company's auditor, PricewaterhouseCoopers, contrary to Section 134 of the Companies Ordinance.

Two directors, namely Ms. Rosita Andres (the wife of Mr. Wong) and Mr. Eric Po and one other employee of the Company had also been arrested but later released without charge. Mr. Eric Po and the other employee have since the Incident ceased to be employees of the Company. Such disclosure was not previously made in the Company's announcement dated 26th November, 2004 as the identity of the arrestees had not been disclosed to the Company at that time.

The Company is in possession of limited information concerning the above mentioned allegations of wrongdoing and is unable to draw any reliable conclusions as Mr. Wong has not been tried nor convicted of the alleged offences.

The Group's bankers had, in light of the Incident, demanded repayment of the Group's outstanding facilities. The total amount demanded is approximately HK\$75,000,000. However, the Board does not expect that the Incident will currently have any material impact on the present day-to-day operations or financial position of the Group as the Group's principal bankers (save for Banco Delta Asia S.A.R.I. which is owed an approximate sum of HK\$610,000 inclusive of interest) are currently in an informal standstill arrangement with the Group regarding the banking facilities of the Group with those banks. This arrangement is expected to be formalised in the near future. An announcement will be made at the relevant time. Furthermore, the Group has appointed Ferrier Hodgson as an independent financial accountant to review the cashflow and the financials of the Group on an ongoing basis so as to monitor the financial position of the Group. Currently, any outflow of cash of the Group requires the prior consent of Ferrier Hodgson.

Since the Incident, orders for goods have continued with no orders being cancelled although the volume of some orders have decreased. Domestic PRC sales of the Group's products have increased and is expected to continue to increase this year. Margins from domestic PRC sales of the Group's products are generally higher than those for international sales and therefore the Company does not currently foresee any material change to its business.

Based on the management accounts of the Group for the period ended 30th November, 2004, the Group had approximately HK\$11.9 million cash on hand and at banks. Monthly turnover in the second half of 2004 average approximately HK\$17.6 million per month. Current assets and liabilities of the Company as at 30th November, 2004 is estimated to be approximately HK\$110 million and HK\$91 million respectively. Cash outflow for the period from 1st July, 2004 to 30th November, 2004 is approximately HK\$21 million. These figures are rough estimates by reference to documents which the Company has on hand and those seized by the ICAC, are not audited and are prior to consolidation adjustments. No meaningful updated figures for December, 2004 can be disclosed given the Group's financial year end has just ended and time is required to prepare the year end figures as the books and records of the Group have been seized by the ICAC.

With a view to restoring the credibility of the Board and safeguarding the interests of the shareholders of the Company, the Board has taken urgent steps to restructure the management of the Group. In this regard, the Board would like to announce that with immediate effect:

- (a) Mr. Wong and Ms. Rosita Andres have resigned as executive directors of the Company on 21st February, 2005. Mr. Wong and Ms. Andres shall be removed from all authorised signatories on all bank accounts of the Group;
- (b) Mr. Wong has resigned as an authorised representative of the Company;
- (c) Mr. Yue Kwai Wa, Ken has been appointed as an independent non executive director of the Company on 25th January, 2005;
- (d) Mr. Wong Chor Sang and Mr. Danny Kwok Kee Ho have been appointed as authorised representatives of the Company;
- (e) Mr. Chan Wai Kin, Benito and Mr. Tse Chung Sing have been appointed as executive directors of the Company on 25th January, 2005;
- (f) Mr. Peter Ko Chung Ting has been appointed as the Company Secretary of the Company with effect from 21st February, 2005. Mr. Ko is a member of the Hong Kong Institute of Certified Public Accountants;
- (g) save for in the ordinary course of business, the Group will not enter into any contract or capital commitment in excess of HK\$100,000 save with the approval of a majority of the independent non-executive directors.

Mr. Wong's resignation is not an admission to guilt in relation to the charges laid against him but merely a gesture to distance the Company from the Incident. Mr. Wong, the former chairman and former Director, remains deemed interested in approximately 67.5% of the issued share capital of the Company through Wisechoice, which is owned as to 100% by Mr. Wong. Mr. Wong has undertaken to the Company that he will not have any influence over the management of the Company following his resignation as a director of the Company.

Following these changes, Mr. Wong Chor Sang, the brother of Mr. Wong, and Mr. Danny Kwok Kee Ho shall thereafter oversee and manage the business of the Group in Hong Kong and the PRC respectively. Neither had been linked nor arrested in connection with the Incident. Mr. Wong has given an undertaking to the Company that following his resignation as a director of the Company, he will not influence the management of the Group.

The Board announces that Mr. Wong Tin Sang, Patrick has resigned as an independent non executive director of the Company with effect from 29th November, 2004 for personal reasons. The Board is not aware of any other matters relating to the resignation of Mr. Wong Tin Sang, Patrick that need to be brought to the attention of the shareholders of the Company. Mr. Wong Tin Sang, Patrick has confirmed that there are not any issues that need to be brought to the attention of shareholders of the Company in connection with his resignation.

The Board hereby announces that Mr. Chan Wai Kin, Benito and Mr. Tse Chung Sing have accepted the Board's invitation to be executive directors of the Company. Mr. Chan Wai Kin, Benito and Mr. Tse Chung Sing shall receive an annual salary of HK\$216,000 and HK\$180,000 respectively.

Mr. Tse Chung Sing, age 50, has been in the handbag business for over eighteen years. He began his career as a marketing manager with Effectual Products Manufacturing Limited. Thereafter he obtained experience as a marketing manager with Worldview Handbag Manufacturing Co., Ltd. and the Group. He has been a marketing manager of the Group since 2002.

Mr. Chan Wai Kin, Benito, age 37, obtained his Bachelor of International Trading Degree from Chung Yuen Christian University. He has worked as a manager in the China Division of the Company since 2001. He oversees all of the Group's business in the PRC excluding the export division. He has over 14 years experience in merchandising products in the leather industry. He was introduced to the Group through a customer of the Group.

Mr. Tse Chung Sing and Mr. Chan Wai Kin, Benito does not have any interests in the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong). Mr. Tse Chung Sing and Mr. Chan Wai Kin, Benito have not held any directorship in other listed companies in the past three years. Save as disclosed above, Mr. Tse Chung Sing and Mr. Chan Wai Kin, Benito does not have any relationships with any ex or current directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company.

The Board hereby announces that Mr. Yue, 38, has accepted the Board's invitation to be an independent non-executive director of the Company for an initial term of one year. Mr. Yue shall receive an annual fee of HK\$80,000 in connection with his appointment. Mr. Yue was recommended by a director of FCC Capital Limited. FCC Capital Limited was appointed to act as a coordinator to the Company in light of the Incident with regards to liaising with professional parties and the creditor banks. FCC Capital Limited has no previous business dealings with Mr. Wong.

Mr. Yue is a director of WinKas Company Limited, a financial and management consultancy services company in Hong Kong and an independent non-executive director of Byford International Limited and Loulan Holdings Limited, both companies listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Prior to joining WinKas Company Limited, Mr. Yue worked in Dao Heng Securities Limited in various roles including compliance and finance between 1998 and 2002. Mr. Yue also worked at the Regulation Division of the Stock Exchange from June to September 1998 and worked in the accounting and audit field from 1993 to 1997. Mr. Yue is a member of the Hong Kong Securities Institute and an associate member of the American Institute of Certified Public Accountants.

Mr. Yue does not hold any shares in the Company and is not a connected person (as that term is defined in the Listing Rules). He has no relationship whatsoever with any ex Director or current Directors. There are no other matters which need to be brought to the attention of shareholders in relation to Mr. Yue's appointment. As for the other independent non-executive directors of the Company, they are qualified to be independent non-executive directors of the Company by reference to the guidelines set out in Rule 3.13 of the Listing Rules. None of them have any personal associations with Mr. Wong.

On the date of this announcement, the Company has formed an independent committee comprising all of the independent non-executive directors to conduct a review of the financial and system control of the Group in light of the Incident.

The Independent Committee is delegated with duties and powers as set out in the following terms of reference:

- (1) to review and inquire into the accounts, records and affairs of the Group for the purpose of enabling the Group:
 - (a) to manage and protect the Group against the risk and exposure of the Group;
 - (b) to monitor the continuation of normal operation of the Group; and
 - (c) to determine whether proper books and accounts are kept (this is expected to take approximately 2-3 months),

in view of or in connection with the Incident as the Independent Committee may deem fit (the “**Inquiry**”);
- (2) to review the corporate governance and finance control system of the Group (the “**Review**”);
- (3) to appoint and engage a financial monitor as soon as possible to provide safeguard for and control over the assets of the Group on such terms as the Independent Committee may deem fit, until the completion of the Inquiry and Review;
- (4) to advise and make recommendation to the Group on the actions (if any) which shall be taken by the Group in accordance with the results of the Inquiry;
- (5) to advise and make recommendation to the Group on the actions (if any) which shall be taken by the Group in accordance with the results of the Review;
- (6) generally, to advise and make recommendation to the Group on any action which shall be taken by the Group to protect the interest of the Group in view of or in connection with the Incident; and
- (7) to investigate into the alleged misappropriation of funds by Mr. Wong including whether the alleged misappropriated funds derive from the proceeds of the Company’s listing in 2001. Such investigation has just commenced.

As at the date hereof, objectives (1) to (3), (6) and (7) have been implemented/commenced. The Independent Committee is, with the assistance of HLB, tracking the prior flow of funds of the Group. No results can yet be announced as these processes have not fully completed.

The Company has already prepared an Internal Control and Accounting Manual for adoption by the Group. This manual was prepared by the Accounts Manager of the Company in conjunction with its legal advisers. HLB Hodgson Impey Cheng was appointed on 19th January, 2005 to review, supervise and monitor its implementation and to see whether there are any compliance shortcomings and to advise the independent board committee accordingly. The Internal Control and Accounting Manual is a set of best practices developed by the Company in relation to internal financial control systems and regulation. The areas covered include accounting controls and administrative controls. Administrative controls deal with the operations of the business and internal controls deal with accounting for such operations.

By implementing this Internal Control and Accounting Manual, the Company can thereby ascertain whether there are any weaknesses and/or loopholes in the Group's internal control systems. It is currently expected that the implementation and review process and the investigation by the independent board committee will take approximately 3 months. A further announcement on the results of the implementation and any findings will be made as soon as possible after its completion. However, as at the date hereof, HLB Hodgson Impey Cheng has conducted a financial due diligence at the factories in Hui Zhou and no evidence of misappropriation of funds has yet been found. HLB is currently conducting a "walk-through" of the business cycles of the Group including repurchase cycles, sales cycles, payment cycles, cash cycles and fixed assets cycles with the Group to determine shortcomings (if any) in the systems and controls of the Group.

The Board hereby announces that Mr. Wong Chor Sang and Mr. Danny Kwok Kee Ho have been appointed as authorised representatives of the Company with effect from 25th January, 2005.

Save for claims made by creditor banks of the Group as mentioned herein and a writ issued by Banco Delta Asia S.A.R.I. on 7th February, 2005 against the Company in the amount of approximately HK\$610,000, the Group is not subject to any material litigation or claims. The Company had, on 18th February, 2005, filed an acknowledgment of receipt of the writ and intends to defend the action.

SUSPENSION AND RESUMPTION

At the direction of the Stock Exchange, trading in the Shares was suspended with effect from 9:30 a.m. on Tuesday, 23rd November, 2004 in light of the Incident. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on Wednesday, 23rd February, 2005.

Shareholders and potential investors in the Company should exercise caution when dealing in the Shares.

DEFINITIONS

"Board"	the board of Directors, including all independent non executive Directors
"Company"	Wealthmark International (Holdings) Limited, a company whose shares are listed on The Stock Exchange of Hong Kong Limited (stock code: 039)
"Director(s)"	the director(s) of the Company
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"ICAC"	the Independent Commission Against Corruption

“ICAC Press Release”	the press release published by the ICAC on 24th November, 2004
“Incident”	the incident alleged and reported in the ICAC Press Release and/or the Press Reports
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Wong”	Mr. Wong Chor Wo, the former chairman of the Company
“Mr. Yue”	Mr. Yue Kwai Wa, Ken
“Press Reports”	the press reports subsequent to the release of the ICAC Press Release on the matters alleged and/or reported in the ICAC Press Release
“Share(s)”	the share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Wisechoice”	Wisechoice Assets Limited

By Order of the Board
Wealthmark International (Holdings) Limited
Tse Chung Sing
Director

Hong Kong, 22nd February, 2005

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading; there are no other matters the omission of which would make any statement in this announcement misleading; and all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

As at the date hereof, the executive Directors are Mr. Wong Chor Sang, Mr. Danny Kwok Kee Ho, Mr. Chan Wai Kin, Benito and Mr. Tse Chung Sing; and the independent non-executive Directors are Mr. Chan Sheung Kwan, Mr. Yang Xi and Mr. Yue Kwai Wa, Ken.

Please also refer to the published version of this announcement in China Daily.