

# Chairman's Statement

The Management considered 2002 to be a year of change for Wealthmark International (Holdings) Limited (the "Group").

The outbreak of War and the continuous slowdown of the US and Europe consumer markets imposed a lot of risks and challenges to our business. In order to survive during such adverse situation, the Management believed that changes should be made in future business strategy.

The Management has made the following moves to cope with the challenge ahead:

1. Forming strategic alliance

The Group has formed an associated company with FX Creations International (Holdings) Limited (the "FX"). The strength of the FX is design and marketing. The strength of the Group is manufacturing. The cooperation between the two companies is expected to create a lot of synergy effect in the future.

2. Continue development of domestic sales market in The People's Republic of China (the "PRC")

The Group is the main supplier of lady handbags for the famous brand name DAPHNE in the PRC. DAPHNE is a very famous brand name for shoes. The handbags designed by the Group's Shanghai design team using this brand name has created a strong synergy effect once again for the sales figure in each sales outlets of DAPHNE. The cooperation between the Group and DAPHNE is proven to be a successful business model to enter into the domestic sales market of the PRC by the Group. The Management expects fruitful results from the domestic sales in the PRC in the coming years.

On the other hand, at 31 December 2002, Wealthmark commissioned an independent valuation of certain constructions and renovation works of its factory premises in the PRC and the Kingdom of Cambodia. The independent valuation was performed by Chesterton Petty Limited, an international firm of property surveyors.

The constructions and renovation works mentioned above, totalling HK\$10,320,000 were included in the opening balance of the cost of fixed assets which was a subject of qualification in previous year's auditors' report. The independent valuation carried out by Chesterton Petty Limited indicated an impairment loss of HK\$327,000. This impairment loss has been accounted for in current year.

Finally, even though we still have to face a lot of uncertainties ahead. We are confident that through the efforts of the staffs in our Group, we will able to face all challenges by continuous changing our business strategy to survive under the keen competition in the global market.

**WONG Chor Wo**

*Chairman*

Hong Kong

16 April 2003