

# Chairman's Statement

On behalf of the Board of Directors (the "Board") of Wealthmark International (Holdings) Limited (the "Company"), I would like to present to our shareholders the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006.

During the year, the Group recorded a turnover of approximately HK\$167.4 million, up 44.6% over last year. Gross profit was approximately HK\$7.3 million as opposed to gross loss of approximately HK\$0.6 million last year. Loss attributable to shareholders has reduced by 4.9% to approximately HK\$25.8 million.

The handbags and other accessories segment continued its recovery and recorded a 23.2% increase in turnover over last year, however, its gross profit margin remained low. Due to the slowdown of the United States economy and the rising labour cost in the PRC, the handbag industry will continue to face a keen competitive environment.

The Group's other business in dairy products was still in a preliminary investment stage and has had no impact on profit contribution. In addition, in face of the intense market competition of PRC dairy industry, the Group will have to further strengthen its advertising and marketing strategies to promote sales and more promotional expenses are expected in coming years. The management believes this business will mature gradually and contribute income to our Group in later years.

In view of the loss position of our existing businesses, the management is undergoing the review of the business operations and asset structure of the Group so as to discover any underperforming assets and assets that have no strategic and future value in developing the Group's future business. In the meantime, the management will closely monitor the operations and further reduce the overhead of the operations.

Looking forward, the management will actively search for new businesses with high growth in the PRC so as to broaden the Group's earnings base.

**LO Peter**

*Chairman*

Hong Kong, 19 April 2007