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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

The Company refers to its announcement dated 22nd February, 2005 and wishes to update Shareholders on the status of the Inquiry and Review.

The Company further announces a breach of the Previous Listing Rules in connection with the acquisition of the Cambodia factory. The Company refers to its announcement dated 22nd February, 2005 and wishes to update Shareholders on the status of the Inquiry and Review.

Capitalised terms used herein and not defined shall have the same meanings as in the Company's announcement dated 22nd February, 2005 unless the context otherwise requires.

1. THE INQUIRY

The Independent Committee has reviewed certain accounts, records and affairs of the Group. Following their review and the findings of HLB Hodgson Impey Cheng ("HLB") on the internal controls of the Group as announced on 4th May, 2005, the following steps have currently been taken by the Board:

- (a) to manage and protect the Group's assets against risk and exposure of the Group:
 - any capital commitment of the Group in excess of HK\$50,000 but less than HK\$150,000 will require prior written notification to the Independent Committee;

* *For identification purpose only*

- any capital commitment of the Group in excess of HK\$150,000 requires the prior written approval of the Independent Committee;
- for issuance of cheques of the Group in excess of HK\$50,000, the signature of 2 executive Directors is necessary prior to their issuance;
- no more than HK\$200,000 (or its equivalent amount in RMB) shall be maintained in the Group's PRC offices at any one time. If a larger sum is required at any time, then 7 days' prior written notification must be given to the Hong Kong office whereupon funds will be transferred from the Hong Kong office or from the Group's PRC bank account to the PRC office;
- the title deeds/documents to all of the Group's Properties (whether owned or leased) in the PRC, Cambodia and Hong Kong shall be held in escrow by the Company's lawyers in Hong Kong;
- a monthly inventory cycle has been put in place to continuously track the movement of inventory. In this regard, Mr. Danny Kwok Kee Ho has been appointed to supervise and oversee this process in the PRC;

(b) to monitor the continuation of normal operation of the Group:

- following the reorganisation of various members of the board in light of the Incident, a substantially new management had been formed to manage and operate the Company;
- Mr. Yue Kwai Wa, Ken, an independent non-executive director of the Company, has been designated and accepted the task of holding bi-monthly meetings with management to discuss the operations and business of the Group. Any concerns or issues which arise of a material nature shall be raised at a board meeting comprising all the executive Directors and the Independent Committee.

(c) whether proper books and accounts are kept:

- no status of the Independent Committee's findings can yet be announced. The Independent Committee has arranged to discuss the Company's 2002 and 2003 Accounts with the auditors of the Company, namely RSM Nelson Wheeler, to ascertain whether proper books and records had been kept for the

years 2002 and 2003. For the year 2004, certain books and records have been seized by the ICAC and therefore access to information/documents is limited. The Independent Committee is currently trying to attain access to documents seized by the ICAC to assist it in forming an opinion in this regard. In respect of year 2001, HLB has been appointed to trace the fund flow for that year. This is expected to take one month. The Independent Committee has taken reasonably expedient steps to ascertain whether proper books and accounts had been kept but note that the 2004 Accounts of the Company was only released at the end of April, 2005. It is currently envisaged that the investigation will take another 1 month and an announcement will be made in respect of this aspect of the Inquiry as and when applicable.

2. CORPORATE GOVERNANCE

As for corporate governance, the Company has requested the assistance of its legal advisers to assist it in adopting the Code on the Governance Practice issued by the Stock Exchange and which became effective on 1st January, 2005.

A preliminary walk-through of the Code has been made by the Company's lawyers with the Board although formal implementation has yet to be conducted. Formal implementation is expected to take place on or about early June, 2005. A Corporate Governance Manual and Code on Securities Dealing have been prepared by the Company for adoption.

The Independent Committee has noted previous inadequate corporate governance as there was a lack of minutes evidencing matters conducted and done by the Board. Furthermore, there were no independent committees in place to deal with matters such as remuneration, finance and compensation. The Independent Committee did not see any clear out and/or formal corporate governance practice in place and believes that the Company had been substantially managed by the ex-chairman himself.

3. ALLEGED MISAPPROPRIATION

Based on preliminary tracing exercises conducted by the Independent Committee, the Independent Committee has identified seven cheques which in aggregate total HK\$20,800,000 (the "Funds"), a sum which matches the funds alleged by the ICAC to be misappropriated by Mr. Wong. Cheques were paid to CK Trading Co. Limited and cash to Mr. Wong Chun Ping totalling HK\$20,800,000. So far as the Independent Committee is aware, Mr. Wong Chun Ping is connected to CK Trading Co. Limited.

Confirmation letters from Guangzhou Haojing Property Development Company Limited (廣州好景房地產發展有限公司) had been found by the Independent Committee confirming receipt of the said amounts. The relationship between this company and CK Trading Co. Limited and Mr. Wong Chun Ping is not yet known.

Upon further inquiry by the Independent Committee, management stated that the Funds were used for the following purposes, such information having already been disclosed in the Company's 2001 annual report:

	<i>HK\$'000</i>
Purchase consideration of the Cambodia factory	7,000
Renovation work of the Cambodia factory	6,430
Renovation work of a leather shop in Hui Zhou	550
Construction of a silk screening factory in Hui Zhou	1,240
Construction of a warehouse in Hui Zhou	700
Construction of a carton packing factory in Hui Zhou	1,400
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Total:	17,320
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Further investigation is being conducted by the Independent Committee to ascertain whether the amounts paid to or acknowledged to be received by CK Trading Co. Limited, Mr. Wong Chun Ping and/or Guangzhou Haojing Property Development Company Limited (廣州好景房地產發展有限公司) were actually used for the above stated purposes.

Based on preliminary findings, the Independent Committee has not been able to ascertain that there has been a misappropriation of funds. Accordingly, it cannot currently be stated that the alleged misappropriated funds derive from the Company's listing in 2001.

The Company had on, 7th November, 2001, announced a change in the use of part of the proceeds from the Company's initial public offering in January 2001. It had announced that approximately HK\$7 million would be used to acquire the Cambodia factory. All other proceeds from the Company's initial public offering had been used in accordance with its stated applications in the Company's prospectus dated 4th January, 2001.

4. CAMBODIA FACTORY

The Independent Committee has also looked into the title of the factory comprising an area of 16,415 sq. m. in Cambodia held by Wallmark Enterprise (Cambodia) Co., Ltd. Legal opinion has been obtained from Cambodian lawyers opining the following:

- (i) the land where the Group's factory is situated in Cambodia is subject to a valid lease;
- (ii) the term of the lease is from 20th December, 1998 until 20th December, 2068;
- (iii) the lease allows for industrial buildings to be constructed thereon;
- (iv) improvements on the leased property shall revert to the lessor unless agreed otherwise;
- (v) the lease was approved by the Chief of Damnak Ampil Commune, the Chief of Tumloah Kbuous Thoung Village and the Governor of Ang Snuol District;
- (vi) the Group can sub-lease or sell the lease to a third party;
- (vii) Wallmark Enterprises (Cambodia) Co. Ltd. can extend the lease prior to the date of expiry.

At the time of the acquisition of the Cambodia factory, no valuation had been conducted although the Company understands that a valuation had been conducted at the end of 2001 wherein the valuation of the Cambodia factory by an independent professional valuer was in the vicinity of the purchase price.

5. INTERIM STEPS

The following interim steps have been taken in light of HLB's findings as announced on 6th May, 2005.

- The key for the safe in the PRC will be kept by the cashier in Hui Zhou and the code/password to the safe will be kept by an executive director at the Hui Zhou Factory, namely Mr. Danny Kwok Kee Ho.

- The Group has established a credit rating system to evaluate each client’s creditworthiness. The credit rating scale are rated red, yellow and green. Red denotes high risk; yellow denotes medium to low risk and green denotes low risk. Each client is designated a “colour rating” based on credit history and financial position. For new clients, a prior informal credit/financial status check will be made. Trading above preset credit limits will be granted subject to senior management’s approval. Trading and credit limits will be reviewed semi-annually by senior management and the credit department’s personnel after careful consideration and assessment of each client’s trading frequency and past payment record.

- A formal personnel policies and procedures manual is currently being prepared. The manual will include the Company’s requirements for standards, ethics and policies in the workplace. It is expected to provide:
 - A standard for fair and consistent treatment for all employees;
 - Advise employees of corporate guidelines, benefits and administrative procedures;
 - Define management expectations of employee responsibilities; and
 - Detail expectations of equality, privacy, safety and security.

6. THE MANUAL

As announced on 4th May, 2005, the Executive Directors have agreed to implement the suggestions made by the Independent Committee in light of HLB’s findings on the Group’s internal control system as mentioned above. The Manual is currently being amended to take into account the suggested changes in light of HLB’s findings.

It is currently envisaged that up to 3 months will be required to fully implement HLB’s suggestions on the internal control systems. Thereafter, management will revisit the Group’s internal control system with HLB to ensure full implementation and to ascertain whether further steps need to be taken. A further announcement will be made in this regard as and when applicable.

7. LISTING RULES IMPLICATIONS OF THE ACQUISITION OF THE CAMBODIA FACTORY

Based on the information on hand and by reference to the audited accounts of the Company for the year 2000, the acquisition of the Cambodia factory constituted a discloseable transaction for the Company under the Listing Rules in effect prior to 31st March, 2004 (“Previous Listing Rules”). So far as the Directors are aware based on discussions with Mr. Wong, the former Chairman of the Company, the net asset value of the Cambodia factory at that time was approximately HK\$7 million. As the Company did not comply with the notifiable transaction requirements of the Previous Listing Rules in relation to the acquisition of the Cambodia factory, the non-compliance constituted a breach of the Company of the Previous Listing Rules. The Stock Exchange reserves the right to take appropriate disciplinary action against the Company and its then directors in relation to the breach.

Brief details of the then Cambodia acquisition are as follows:

Date of acquisition:	20 September, 2001
Completion Date:	20 September, 2001
Counterparty:	Huang Hai Ing, an independent third party and not a connected person (as that term is defined in the Listing Rules) of the Company
Consideration:	HK\$7,000,000 payable in cash
Asset being acquired:	A factory complex situated at National Road No. 4, Phum Ton Lap Kpous Tbong, Khum Damnak Ampil, Srok Ang Snoul, Kadal Province, Cambodia comprising an area of 16, 415 sq. m. with a workshop office/dormitory building, a generator room, a guard house and a lavatory.
Source of funding for the acquisition:	from internal resources of the Company
Nature of business of the Company:	the manufacture and sale of handbag products and related accessories

Benefit of the acquisition: the acquisition was expected to benefit the Company as there were no quotas system for export of products from Cambodia to the United States of America and therefore acquiring the factory would allow more sales for the Company

8. ACCOUNTS

In preparing the Company's 2004 audited accounts, the Company had access to data files but was unable to obtain certain supporting documents as they had been seized by the ICAC. The Company was able to run general ledgers, profit and loss statements and balance sheets from the data file. In reviewing the Company's 2004 accounts, RSM Nelson Wheeler had requested for certain supporting documents. However, as certain documents could not be obtained whether because they had been lost or seized by the ICAC, RSM Nelson Wheeler thereby qualified their opinion on the Company's 2004 accounts on that basis.

Made by the order of the Board of Wealthmark International (Holdings) Limited, the directors of which individually and jointly accept responsibility of the accuracy of this announcement.

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

Hong Kong, 7th June, 2005

As at the date hereof, the executive directors are Mr. WONG Chor Sang, Mr. Danny KWOK Kee Ho, Mr. CHAN Wai Kin, Benito, Mr. TSE Chung Sing, Mr. Peter LO, Mr. David Lee SUN and Mr. Peter Jeva AU; the non-executive directors are Mr. CHAU Wai-Kau, Mr. Derek Emory Ting-Lap YEUNG and Mr. Thomas GREER, and the independent non-executive Directors are Mr. CHAN Sheung Kwan, Mr. YANG Xi, Mr. YUE Kwai Wa, Ken, Dr. LEUNG Kwan-Kwok and Mr. Sam ZUCHOWSKI.

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