WEALTHMARK INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 39)

ANNOUNCEMENT

The Company would like to update its shareholders on the findings of HLB Hodgson Impey Cheng on their review of the internal controls of the Group and their tracing of the Company's IPO funds, and the Independent Committee's reviews of HLB's findings and certain other matters.

Reference is made to the announcements of the Company dated 22 February 2005, 6 May 2005, 7 June 2005 and 9 September 2005 with respect to the Incident, and the review of the Group's internal controls and the tracing of certain of the Company's initial public offering proceeds, by HLB Hodgson Impey Cheng ("**HLB**") prompted by the Incident. Unless otherwise defined, capitalised terms used herein shall have the same meanings given to them in the Company's announcement dated 22 February 2005 unless the context otherwise requires.

FINDINGS OF HLB ON INTERNAL CONTROLS

The Company has received an Internal Control Review Report (the "**HLB Report**") prepared by HLB, dated 31 October 2005, setting out HLB's findings and recommendations following a review of the Company's internal control systems and accounting procedures.

HLB's review was performed with reference to standards set out in the Internal Control and Accounting Manual (the "**Manual**"), which is a set of best practices developed by the Company in relation to internal financial control systems and regulation as a response to the Incident. Twelve areas of accounting controls and administrative controls are covered by the Manual and these formed the basis of HLB's review. These areas include: cash cycle; revenue cycle; inventory cycle; prepaid expenses; investments; property, plant and equipment; purchasing cycle; notes payable and long term debt; accrued liabilities; payroll cycle; capital stock; and internal controls.

HLB conducted a first review in January to February 2005 and issued their preliminary findings in May 2005. During the first review, the Company was found to have met the standards set out in the Manual in respect of most areas reviewed. Areas in which HLB had identified deficiencies from the standards set out in the Manual were disclosed by the Company in its announcement dated 6 May 2005.

HLB conducted a second review in September 2005 to follow up on the Company's implementation of the standards in the Manual in those areas in which HLB had found to be deficient during the first review. HLB has concluded that the deficiencies identified during the first review have been rectified, except for the following:

1. Revenue Cycle – credit policies

Findings: (1) The Company has adopted a credit rating system and assigned credit terms and limits to individual customers, as recommended by HLB in its preliminary findings, however, HLB noted during its follow-up review that a number of customers were over their credit limits and/or credit periods and that there did not appear to be any active steps taken on the part of management to follow up with these customers for payments. In addition, while the Manual calls for new customers to be assessed as to their credit worthiness, the Company had no new customers during the period between HLB's first and second reviews and therefore HLB were unable to determine whether or not this particular aspect of credit control has been properly implemented by the Company. (2) HLB found that segregation of duties had not been properly maintained, as the task of credit limit negotiations was undertaken by the merchandiser, who is also in charge of sales.

Recommendations: HLB recommends that credit terms should be reviewed by a separate department or a member of senior management, rather than by a member of staff involved in merchandising. Credit reviews should include an analysis of the financial positions of existing and new customers (based on information such as credit reports and/or transaction history of individual customers), and the monitoring of the Company's trading relationship with individual customers based on their transaction history and compliance with credit terms.

2. Inventory Cycle – inventory control – control procedures

Findings: HLB noted that, in response to its preliminary findings, the Company has now employed a stock clerk to record the movement of stock, and the stock ledger is now updated and reviewed on a monthly basis by the executive director and accounting manager. However, HLB found that the Company still has not arranged for stocktaking on a quarterly basis; discrepancies between the Company's stocktake results and its stock ledger were not reconciled and could not be explained by management, and were written off on the basis that they were immaterial.

Recommendations: Stocktaking should be performed at least quarterly, and the Company should reconcile the difference between the stocktake results and its accounting records and investigate any discrepancies. The practice of writing off discrepancies on the basis of materiality, without proper reconciliation and explanation of the difference, is strongly discouraged. The Company should assign an experienced PRC accountant to prepare and supervise the keeping of all accounting records and to ensure that entries are input properly. The accountant should prepare proper management accounts in accordance with Hong Kong accounting standards to enable senior management to monitor the level of inventory.

3. Inventory Cycle – inventory control – valuation methods

Findings: HLB noted that the Company has not established a costing system to allocate the costs of production to each production task. As no adequate procedures are in place to accurately record costs, the pricing of products could be affected.

Recommendations: HLB recommends that the Company should establish a comprehensive costing system to allocate labour costs, material costs and manufacturing overheads to individual product lines in order to properly reflect the pricing of products, and to enable the Company to monitor whether products are under-priced, and the level of workers' efficiency.

4. Inventory Cycle – inventory obsolescence

Findings: HLB found that the Company only performed stocktaking twice a year, and that the Company only made provision for obsolete stock during its annual audit or interim review. HLB was of the view that these practices did not enable the Company to identify obsolete stock in a timely manner.

Recommendations: HLB recommends that the Company should either (1) perform stocktake on a quarterly basis and identify slow moving stock, with any provision for obsolete stock to be made with the approval of the financial controller upon identification of the obsolete stock; or (2) produce an inventory ageing report on a monthly basis so as to highlight those inventories which are slow moving or obsolete.

In addition, HLB also recommended that the Company should implement the procedures recommended by the Company's auditors in their management letters.

Response to the HLB Report

Following HLB's issuance of the HLB Report, the Directors will consider the findings and recommendations proposed by HLB as to the remaining areas in which the Company's internal controls were found to be deficient, and will work together with the Independent Committee to formulate systems and policies to rectify these deficiencies. The Directors will also consider whether or not the Manual will need to be revised in light of HLB's findings. The Directors believe that most of the weaknesses identified in the HLB Report can be rectified through the adoption of the practices and standards set out in the Manual, the implementation of HLB's recommendations as well as regular review and monitoring of the internal control systems in the future.

FINDINGS OF HLB ON IPO FUND TRACKING

The Company has received an Initial Public Offering Fund Tracking Report prepared by HLB, dated 3 January 2006, setting out HLB's findings following a tracing exercise in respect of the proceeds of the Company's initial public offering in 2001 ("**IPO**"). HLB completed their review on 12 October 2005, which was conducted pursuant to agreed-upon procedures.

The report focused on the sum of HK$20,800,000 out of the IPO proceeds, which was paid by the Company to CK Trading Company and Mr. Wong Chun Ping, and which is a sum that matches the amount of funds alleged by the ICAC to have been misappropriated by Mr. Wong Chor Wo, a former director and former chairman of the Company.

The following summarises the salient findings of HLB in their IPO Fund Tracking Report:

1. The Company received funds totalling HK$33,654,405.35 on 16 January 2001. According to the Company's 2001 Annual Report, its net IPO proceeds amounted to approximately HK$31,645,000.

2. The received sum was redirected to the bank accounts of Wallmark Enterprise Company Limited ("**Wallmark**"), the Company's major operating subsidiary, in January 2001.

3. During the period between 16 February 2001 and 21 March 2001, Wallmark issued seven cheques which totalled HK$20,800,000. These were either issued to CK Trading Company, to Mr. Wong Chun Ping, or to cash (which was collected by Mr. Wong Chun Ping as indicated by photocopies of bank records).

4. Between 6 July 2001 and 1 December 2001, the Group entered into contracts in respect of the following matters (together the "**Projects**") for the following consideration:

		HK$'000
(a)	Purchase of the Cambodia factory	7,000
(b)	Renovation work of the Cambodia factory	6,430
(c)	Renovation work of a leather factory in Hui Zhou	550
(d)	Construction of a silk screening factory in Hui Zhou	1,240
(e)	Construction of a warehouse in Hui Zhou	700
(f)	Construction of a carton packing factory in Hui Zhou	1,400
	Total:	17,320

All such contracts were entered into by the Group with 廣州好景房地產開發有限公司 ("**Guangzhou Haojing**"), except with respect to the purchase of the Cambodia factory, which contract was entered into with Huang Hai Ing.

5. HLB sighted a photocopy of document from Guangzhou Haojing indicating that Guangzhou Haojing had received an amount equal to the RMB22,256,000 (which is equivalent to HK$20,800,000 at the exchange rate of RMB1.07/HK$1) from the Group as prepayment (although the Independent Committee notes that the Group has no records of remitting any such payment to Guangzhou Haojing), and that Guangzhou Haojing had not utilised such amount as at 6 November 2001 (the "**Guangzhou Haojing Confirmation**").

6. HLB also sighted photocopies of documents indicating that (i) the consideration of HK$7,000,000 for the Group's acquisition of the Cambodia factory had been paid on behalf of the Group by Guangzhou Haojing to Mr. Huang Hai Ing, the vendor of the factory (although the Independent Committee notes that the Group has no records of remitting any such payment to Guangzhou Haojing), and (ii) the amount of HK$3,480,000, representing the difference between the HK$20,800,000 apparently prepaid to Guangzhou Haojing by the Group and the total contract amount of HK$17,320,000 for the Projects (the "**Difference**"), was repaid by CK Trading Company to Wallmark's bank account on 22 April 2002.

7. Except as set out above, HLB had not sighted any other documents relating to the Projects, such as suppliers' and contractors' invoices, official receipts, work-in-progress reports or completion notices.

Conclusions from the IPO Fund Tracking Report

The report was commissioned by the Independent Committee for the purpose of ascertaining whether the HK$20,800,000 paid to or collected by CK Trading Company and Mr. Wong Chun Ping were related to the amounts payable by the Group to Guangzhou Haojing and Huang Hai Ing in relation to the Projects, and if so whether they were used for such purposes.

From and in reliance upon the report as well as from its own inquiries, the Independent Committee is able to conclude that:

(i) Of the HK$20,800,000 paid to CK Trading Company and Mr. Wong Chun Ping, the Group received a refund of HK$3,480,000;

(ii) In connection with one of the contracts with Guangzhou Haojing for the Projects, the Group has received confirmation from Guangzhou Haojing that HK$7,000,000 had been paid to it as consideration for the Group's acquisition of a factory in Cambodia;

(iii) The Group is the owner of a factory in Cambodia, through its subsidiary Wallmark Enterprise (Cambodia) Limited;

(iv) The Group never directly paid to Guangzhou Haojing the contracted amount of HK$17,320,000, or any other amount, under the contracts for the Projects.

Reconciliation with Financial Information

The Directors note that, in the Company's 2001 annual report, the subject amount of HK$20,800,000 was recorded as fixed assets, goodwill and other receivables, as follows:

		HK$'000
(a)	Fixed assets (purchase of the Cambodia factory)	6,630
(b)	Goodwill (purchase of the Cambodia factory)	370
(c)	Leasehold improvement (Cambodia and Hui Zhou factories)	10,320
(d)	Other receivables	3,480
	Total:	20,800

The Company's auditors for the financial year ended 31 December 2001, PricewaterhouseCoopers, qualified their audit opinion with respect to HK$13,800,000 of the above allocations to fixed assets, goodwill and other receivables. In the Company's audited accounts for the financial year ended 31 December 2002, the Company's auditors for such year, RSM Nelson Wheeler, qualified their audit opinion with respect to HK$10,320,000 of the allocations to fixed assets. RSM Nelson Wheeler did not qualify their audit opinion for the financial year ended 31 December 2003. In the Company's audited accounts for the financial year ended 31 December 2004, RSM Nelson Wheeler qualified their audit opinion as a result of the Incident, however, such qualification did not relate specifically to the above allocations.

The Company's auditors have yet to begin the audit for the financial year ended 31 December 2005, and hence are not in a position to provide any opinion on the HLB reports at present. The Company expects its auditors to begin its audit in early March 2006.

Relationships between the Parties

As far as the Board of Directors is aware, Mr. Wong Chun Ping is an independent third party that is unrelated to the Company. According to public searches conducted by the Independent Committee, Mr. Wong Chun Ping is a director and a shareholder as to 90% of CK Trading Company Limited, a company incorporated in Hong Kong (the other 10% is owned by Chan Sui Yuk). CK Trading Company Limited is a former supplier of raw materials to the Group. As at the date of this announcement, CK Trading Company Limited is neither a subsidiary nor an affiliate of the Group, and Mr. Wong Chun Ping is neither a director nor an officer or employee of the Group. In addition, at the relevant time, CK Trading Company Limited was neither a subsidiary nor an affiliate of the Group, and Mr. Wong Chun Ping was neither a director nor an officer or employee of the Group.

As far as the Board of Directors is aware, Mr. Huang Hai Ing, being the vendor of the Cambodian factory to the Group, is an independent third party that is unrelated to the Group. As far as the Board of Directors is aware, there is no relationship between Mr. Huang Hai Ing on the one hand, and Mr. Wong Chun Ping and C.K. Trading Company Limited on the other hand.

As far as the Board of Directors is aware, Guangzhou Haojing is not a connected party of the Company.

INDEPENDENT COMMITTEE REVIEW

The Independent Committee has considered the HLB Report. In view of the high turnover of accounting staff and the fact that a substantial part of the accounting records prior to 2005 were seized by the ICAC, the Independent Directors were unable to form an opinion as to whether proper books of records were kept in the years 2002, 2003 and 2004.

The Independent Committee has also considered the IPO Fund Tracking Report, and has also conducted its own inquiries. The conclusions that it has been able to reach in relation to the subject matter of report are set out in the section above. The Independent Committee has noted that its review was subject to significant limitations, namely, that (i) the accounting staff of the Group at the relevant time are no longer employees of the Group, and, accordingly, were unavailable for comment; (ii) a substantial part of the documents for 2001 were seized by the ICAC; and (iii) the Independent Committee has limited investigative powers. In view of the foregoing and in the absence of further evidence, and except for the statements set out above, the Independent Committee is unable to form any opinion in relation to whether HK$20,800,000 was misappropriated by Mr. Wong Chor Wo, the former director and chairman of the Company, which the Independent Committee notes is now the subject of separate criminal proceedings by the ICAC.

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

As at the date hereof, the executive directors are Mr. Peter Lo and Mr. David Lee Sun; the non-executive directors are Mr. Chau Wai-Kau, Mr. Derek Emory Ting-Lap Yeung and Mr. Li Wentao, and the independent non-executive Directors are Dr. Leung Kwan-Kwok, Mr. Sam Zuchowski and Mr. Loke Yu alias Loke Hoi Lam.

By Order of the Board
Wealthmark International (Holdings) Limited
David Sun
Executive Director

Hong Kong, 21 February 2006