



WEALTHMARK INTERNATIONAL (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT

The Board announces that the Group and Mr. Huang have entered into the Letter of Intent on 7th November 2001 for the acquisition of the entire issued share capital of Kimberly at a consideration of approximately HK\$ 7 million.

The sole asset of Kimberly comprise of a piece of land and a factory building and Kimberly also holds the relevant business license for the manufacturing of handbags and related products in Cambodia.

The Board considers that it is in the interest of the Company and its shareholders to allocate HK\$ 7 million out of the net proceeds from the IPO for the acquisition of the Cambodian Factory. The Company may also consider allocating additional funds from the net proceeds of the IPO for the expansion of the Cambodian Factory in future.

The Board aims to further expand the Group's geographical reach and enhance the Group's production capacity in the future. The Board believes that the establishment of the Cambodian Factory will further strengthen the Group's profitability and market penetration.

The board of directors (the "Board") of Wealthmark International (Holdings) Limited (the "Company") and its subsidiaries (collectively referred herein as the "Group") announces that Glory Access Limited ("Glory Access"), a wholly owned subsidiary of the Company and Mr. Huang Hai Ing ("Mr. Huang") entered into a letter of intent ("Letter of Intent") on 7th November 2001 for the acquisition of the entire issued share capital of Kimberly Industrial Co., Ltd ("Kimberly") at a consideration of HK\$ 7 million.

LETTER OF INTENT

Date

7th November 2001

Parties

Purchaser : Glory Access.

Vendor : Mr. Huang, an independent third party not connected with the Company, the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the Listing Rules).

Mr. Huang and his associates have no interest in the shareholdings of the Company as at the date of this announcement.

Assets to be acquired

1,000 shares of Kimberly, representing its entire issued share capital. Kimberly is incorporated in Cambodia on 7th June, 1999. The sole asset of Kimberly comprises of a piece of land and a factory building and Kimberly also holds the relevant business license for the manufacturing of handbags and related products in Cambodia.

Consideration

The total consideration is HK\$7 million, which was determined after arm's length negotiations between the Group and Mr. Huang. The consideration of HK\$ 7 million will be payable in cash upon the execution of a sale and purchase agreement ("Sales and Purchase Agreement"), which is expected to be executed on or before 22nd December, 2001 subject to the conditions as stated below.

Conditions

The execution of the Sale and Purchase Agreement is conditional on the result of a due diligence exercise to be carried out by the Group on the assets, liabilities and business of Kimberly and in relation thereto on the books, records, constitutional documents, contracts, accounting records and any other documents relating to Kimberly and its businesses being satisfactory to the Group and a written notice to that effect having been given to Kimberly.

If the condition is not fulfilled by the date falling 45 days after the date of the Letter of Intent (that is, 22nd December, 2001) or such later date as the parties may agree, the Letter of Intent will lapse and will be of no further effect and no party to the Letter of Intent will have any claim against or liability to the other party.

INFORMATION ON KIMBERLY

At present, Kimberly is wholly owned by Mr. Huang. Mr. Huang is independent of, and not connected with, the Company, the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules). Kimberly is a limited company incorporated in Cambodia on 7th June, 1999 with an issued share capital of US\$ 850,000 divided into 1,000 ordinary share of US\$ 850 each. The sole asset of Kimberly comprises of a piece of land and a factory building with a total gross areas of approximately 16,000 sq. m ("Cambodian Factory") and Kimberly also holds the relevant business license for the manufacturing of handbags and related products in Cambodia. The Cambodian Factory has been in production since its incorporation and the Group plans to install additional machines in the Cambodian Factory after completion of the Sale and Purchase Agreement. Should the amount of additional machines to be acquired for installation in the Cambodian Factory is material, further announcement will be made in this respect as and when necessary. The unaudited net asset value of Kimberly as at 30th September, 2001 was approximately HK\$ 6.5 million. The unaudited net profit attributable to shareholders of Kimberly for the period from 7th June, 1999 to 31st December, 1999, the year ended 31st December, 2000 and the nine months ended 30th September, 2001 were approximately HK\$ 300,000, HK\$ 1,000,000 and HK\$ 750,000 respectively.

REASON FOR THE ACQUISITION

The Group is principally engaged in the manufacturing of handbags and related products. In order to enhance the Group's turnover and profitability in the future, the Group intends to expand its overall production capacity while maintaining its manufacturing and operating cost at a reasonable level. The Board believes that the establishment of the Cambodian Factory is in line with the Group's future development strategies for the following reasons:

- there is currently no import quota requirement for handbags and related products manufactured in Cambodia and imported to the United States of America (the "US");
- the labour and manufacturing cost in Cambodia is relatively lower than that of the People's Republic of China (the "PRC") and the Board expects that the labour and manufacturing cost in the PRC will further increase after the admission of the PRC to the World Trade Organization;
- the import tax of handbags and related products manufactured in Cambodia and imported to the US and European countries is relatively lower than the import tax levied on products manufactured in the PRC; and
- there is no import tax for handbags and related products manufactured in Cambodia and imported to Japan.

CHANGE OF APPLICATION OF NET PROCEEDS

As stated in the prospectus of the Company dated 4th January, 2001, the Group intended to apply the net proceeds derived from the initial public offering ("IPO") of approximately HK\$ 32 million as follows:

- as to approximately HK\$ 18 million for the construction of a new factory in Hui Zhou, the PRC;
- as to approximately HK\$ 7 million for the acquisition of new machinery and equipment; and
- as to the balance of approximately HK\$ 7 million as additional working capital for the Group.

As stated in the interim report ("Interim Report") of the Company dated 10th September, 2001, the Group has entered into an agreement in connection with the acquisition of land and construction of new factory in Hui Zhou, the PRC at a total consideration HK\$ 26 million in February 2001 ("Original Hui Zhou Agreement") and the Group planned to apply approximately HK\$ 22 million of the net proceeds from the IPO in accordance with the terms of the Original Hui Zhou Agreement. It was also stated in the Interim Report that the Group considered the possibility in setting up additional production facility in the South East Asia region, the initial budget authorized by the Board was approximately HK\$ 3.9 million while the remaining net proceeds from the IPO were used as general working capital.

The Board considered that the acquisition of the Cambodian Factory would enhance the Group's production capacity in a more effective manner as the cost of production in Cambodia is relatively lower than that of the PRC. In view of the above, on 6th November 2001, the Group has entered into a supplementary agreement to suspend the acquisition of land and construction of new factory in Hui Zhou, the PRC under the Original Hui Zhou Agreement. Up to the date of this announcement, none of the net proceeds from the IPO has been or would be applied under the Original Hui Zhou Agreement. The Group has no legal liability in respect of the suspension of the Original Hui Zhou Agreement.

The Board considers that it is in the interest of the Company and its shareholders to allocate HK\$ 7 million out of the net proceeds from the IPO for the acquisition of the Cambodian Factory. The Board is of the view that this change of strategy will expand the Group's production facilities and better align the Group's interests. The Company may also consider allocating additional funds from the net proceeds of the IPO for the expansion of the Cambodian Factory in future.

FUTURE DEVELOPMENT OF THE GROUP

The Board aims to further expand the Group's geographical reach and enhance its production capacity in the future. The Board believes that the establishment of the Cambodian Factory will further strengthen the Group's profitability and market penetration.

GENERAL

Save as mentioned above, the Board is not aware of any matter discloseable under the general obligation imposed by paragraph 2 of the Listing Agreement, which is or may be of a price-sensitive nature.

Made by the order of the Board, the directors of which individually and jointly accept responsibility for the accuracy of this announcement.

By order of the Board
Wealthmark International (Holdings) Limited
Wong Chor Wo
Chairman