



Wealthmark International (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Announcement of Interim Results for 2002

The directors of Wealthmark International (Holdings) Limited are pleased to present the Group's interim report and condensed financial statements for the six months ended 30 June 2002 which have been reviewed by the Company's audit committee.

Condensed consolidated income statement

		Six months ended 30 June	
	Note	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Turnover	1	153,074	170,231
Cost of sales		(132,899)	(143,590)
Gross profit		20,175	26,641
Other revenue		779	884
Distribution, administrative and other operation expenses		(12,694)	(11,639)
Operating profit	2	8,260	15,886
Finance costs		(2,013)	(3,192)
Profit before taxation		6,247	12,694
Taxation	3	(992)	(2,031)
Profit attributable to shareholders		5,255	10,663
Dividend	4	—	5,000
Basic earnings per share	5	2.6 cents	5.4 cents

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed financial statements should be read in conjunction with the 2001 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2001 except that the Group has changed certain of its accounting policies following its adoption of the following new or revised SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 25 (revised):	Interim financial reporting
SSAP 33:	Discontinuing operations
SSAP 34:	Employee benefits

The adoption of the above SSAPs does not have a material effect on the Group's results in the current and prior periods.

2. SEGMENT INFORMATION

The Group is principally engaged in manufacturing and trading of handbag products and related accessories, provision of subcontracting services and trading of raw materials.

An analysis of the Group's revenue and results for the period by business segments is as follows:

	Sales of manufactured goods HK\$'000	(Unaudited) Six months ended 30 June 2002 Subcontracting fee income HK\$'000	Trading of raw materials HK\$'000	Total HK\$'000
Revenues	116,588	—	36,486	153,074
Segment results	13,064	—	1,384	14,448
Unallocated costs				(6,967)
Other income				779
Operating profit				8,260
Finance costs				(2,013)
Profit before taxation				6,247
Taxation				(992)
Profit attributable to shareholders				5,255

	Sales of manufactured goods HK\$'000	(Unaudited) Six months ended 30 June 2001 Subcontracting fee income HK\$'000	Trading of raw materials HK\$'000	Total HK\$'000
Revenues	119,265	5,701	45,265	170,231
Segment results	18,323	2,152	919	21,394
Unallocated costs				(6,392)
Other income				884
Operating profit				15,886
Finance costs				(3,192)
Profit before taxation				12,694
Taxation				(2,031)
Profit attributable to shareholders				10,663

An analysis of the Group's turnover and contribution to operating profit for the period by geographical segment is as follows:

	Turnover Six months ended 30 June		Operating profit Six months ended 30 June	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
United States of America	85,492	60,003	9,535	9,488
Europe	30,075	56,006	3,402	8,584
Mainland China	19,619	45,265	644	919
Asian region except Mainland China	17,888	8,957	867	2,403
	153,074	170,231	14,448	21,394

3. OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2002 HK\$'000	2001 HK\$'000
Depreciation:		
Owned fixed assets	4,654	2,277
Leased fixed assets	132	225
Amortisation of goodwill	37	—
Staff costs	12,509	9,873
Cost of inventories sold	109,775	124,913

4. TAXATION

Hong Kong profits tax
Overseas taxation

Six months ended 30 June	
2002 HK\$'000	2001 HK\$'000
497	497
495	495
992	992

Hong Kong profits tax is provided at rate of 16% (2001: 16%) based on the assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

5. DIVIDEND

Interim, proposed on 10 August 2001, of HK\$0.025
per ordinary share (Note 5(a))

Six months ended 30 June	
2002 HK\$'000	2001 HK\$'000
—	5,000

(a) At a meeting held on 10 August 2001, the directors declared an interim dividend of HK\$0.025 per share. This proposed dividend was not reflected as an appropriation of retained earnings for the six months ended 30 June 2001.

6. EARNINGS PER SHARE

The calculation of basic is based on the Group's profit attributable to shareholders of HK\$5,255,000 (2001: HK\$10,663,000).

The basic earnings per share is based on the weighted average of 200,000,000 (2001: 196,685,083) ordinary shares in issue during the period.

Diluted earnings per share for the periods ended 30 June 2002 and 2001 respectively was not disclosed as there were no dilutive potential ordinary shares.

BUSINESS OVERVIEW

For the six months ended 30 June 2002, the Group's turnover and profit attributable to shareholders decreased by 10% to approximately HK\$153.1 million and by 51% to approximately HK\$5.3 million respectively compared to the corresponding period in last year.

The decrease in the turnover and profit attributable to shareholders is primarily due to the slower than expected economic recovery in global market as well as the increase in competition in this industry.

The gross profit margin of the Group is 13%. Compared with the 16% profit margin in the corresponding period in last year, such decrease is a result of increasing competition in the market.

LIQUIDITY AND FINANCIAL RESOURCES

Borrowings and banking facilities

As at 30 June 2002, the Group had outstanding short term bank borrowings of approximately HK\$56.8 million (mainly represented by trust receipt loans and packing loans of approximately HK\$47.0 million and short term bank loans of approximately HK\$9.8 million). The main purpose of the bank loans is to finance the daily operation of the Group.

The aggregate banking facilities of the Group was approximately HK\$199.8 million. The utilisation rate of banking facilities was about 28%.

The bank borrowings are denominated in Hong Kong dollars and United States dollars. The Group did not enter into any hedging transactions. Foreign exchange exposure does not pose a significant risk to the Group given that the level of foreign currency exposure is small relative to its total asset base.

As at 30 June 2002, the gearing ratio of the Group, calculated at total debts divided by total assets, was 54.1%.

Net current assets and working capital

As at 30 June 2002, the Group's total current assets and liabilities were approximately HK\$102.8 million and HK\$83.3 million respectively. After taking into consideration of the financial resources available to the Group including cash on hand, operation capital and the available unutilised banking facilities, the directors are of the opinion that the Group has sufficient resources and working capital to meet its foreseeable capital expenditure and debt repayment requirements.

NUMBER AND REMUNERATION OF EMPLOYEES, REMUNERATION POLICIES, BONUS AND SHARE OPTION SCHEME

Staff cost for the six months ended 30 June 2002 was HK\$12.5 million, representing an increase of 27% to the corresponding period of last year. The Group had a workforce of about 2,841 staff, 27 of them were mainly located in Hong Kong, 2,185 of them located in Mainland China and the remaining staff were located in Cambodia. Salaries of employees are maintained at competitive levels while bonuses are granted on a discretionary basis.

The Group has adopted a share option scheme under which executive directors and full-time employees of the Group may be given options which entitle them to subscribe for shares representing up to a maximum of 10% of the issued capital of the Company from time to time. No option has been granted up to the date of this report. Details of the share option scheme were disclosed in the 2001 annual financial statements.

DETAILS OF THE CHARGES ON GROUP ASSETS

Property in Hong Kong with net book value of HK\$4.8 million and fixed deposits of HK\$3.7 million have been pledged to secure certain bank loans.

FUTURE PLANS

The Group plans to further develop the domestic consumer market through the consignment sales of goods in Mainland China. The management considers the consumer market in Mainland China is full of opportunity.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the six months ended 30 June 2002.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed financial statements for the six months ended 30 June 2002 with the directors.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

A detailed results announcement containing all the information in respect of the Company required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on The Stock Exchange of Hong Kong Limited's website (<http://www.hkex.com.hk>) in due course.

On behalf of the Board
WONG Chor Wo
Chairman

Hong Kong, 9 September 2002