



HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31st DECEMBER 2002

The Board of Directors (the "Directors") of Hua Lien International (Holding) Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2002 together with the comparative amounts for 31st December 2001, are as follows:

CONSOLIDATED INCOME STATEMENT

	2002	2001
Notes	HK\$'000	HK\$'000
Turnover	(b) 851,428	803,674
Cost of sales	757,438	703,961
Gross profit	93,990	99,713
Other operating income	11,841	13,717
	<u>105,831</u>	<u>113,430</u>
Administrative expenses	44,415	38,836
Selling expenses	2,153	3,079
	<u>46,568</u>	<u>41,915</u>
Operating profit	(b) 59,263	71,515
Finance charges	11,630	11,336
Profit from ordinary activities before taxation	47,633	60,179
Taxation	(d) 7,029	5,334
Profit before minority interests	40,604	54,845
Minority interests	10,552	12,585
Profit for the year	<u>30,052</u>	<u>42,260</u>
Dividend	(e) 8,237	6,864
Earnings per share (cents)	(f) 4.38	6.16

Notes:

(a) Adoption of New and Revised Statements of Standard Accounting Practice/Change in Accounting Policies

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new and revised accounting policies. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement the inclusion of statement of changes in equity but has had no material effect on the results for the current or prior accounting years.

Foreign currencies

The revisions to SSAP 11 Foreign Currency Translation have eliminated the choice of translating the income statements of Group's operations in the PRC at the closing rate for the year, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting years.

Cash Flow Statements

In the current year, the Group has adopted SSAP 15 (Revised) Cash Flow Statements. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest income, which was previously presented under a separate heading, is classified as investing cash flows. Interest expenses and dividend paid, which were previously presented under a separate heading, are classified as financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. The re-definition of cash and cash equivalents have resulted in a restatement of the comparative amounts shown in the cash flow statement.

Employee Benefits

In the current year, the Group has adopted SSAP 34 Employee Benefits, with introduces measurement rules for employee benefits, with introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group's participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

(b) Turnover and operating profit by geographical segment

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments are its primary reporting format.

Business segment

The Group is solely engaged in the manufacture and sale of leather. All of the Group's turnover, contribution to operating profit and assets were attributable to this business segment.

Geographical segment

The Group reports its primary segment information by geographical location of its customers who are principally located in the United States of America ("US") and the People's Republic of China (the "PRC").

2002	US	PRC	Other	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	640,895	166,312	44,221	851,428
RESULT				
Segment result	47,171	6,624	5,468	59,263
Finance charges				(11,630)
Profit before taxation				47,633
Taxation				(7,029)
Profit before minority interests				40,604

2001	US	PRC	Other	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	505,572	194,780	103,322	803,674
RESULT				
Segment result	36,845	31,147	3,523	71,515
Finance charges				(11,336)
Profit before taxation				60,179
Taxation				(5,334)
Profit before minority interests				54,845

(c) Depreciation and amortisation

During the year, the operating profit has been arrived at after charging depreciation and amortisation of approximately HK\$45,899,000 (2001: HK\$37,090,000).

(d) Taxation

	2002	2001
	HK\$'000	HK\$'000
Hong Kong Profits tax	47	–
PRC enterprise income tax	6,982	5,334
	<u>7,029</u>	<u>5,334</u>

Hong Kong Profits Tax has been provided in the financial statements at the rate of 16% on estimated assessable income for the year.

PRC enterprise income tax is calculated at the prevailing rates. Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries are entitled to exemption from PRC enterprise income tax for the first two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC enterprise income tax for the following three years. The tax exemption and tax reduction period can be extended by the relevant tax authorities. The charge of PRC enterprise income tax for the year has been provided for after taking these incentives into account.

A portion of the Group's profit is not subject to taxation in the jurisdiction in which it operates.

There was no significant unprovided deferred taxation for the year or at the balance sheet date.

(e) Dividend

	2002	2001
	HK\$'000	HK\$'000
Final dividend of 1.2 Hong Kong cent per share for the year ended 31st December (2000: 1 Hong Kong cent per share)	8,237	6,864

(f) Earnings per share

The calculation of the earnings per share for the year is based on profit for the year of HK\$30,052,000 (2001: HK\$42,260,000) and on 686,400,000 shares (2001: 686,400,000 shares) in issue during the year.

The Company has no dilutive potential ordinary shares in issue during years ended 31st December 2001 and 2002.

(g) Transfer to and from reserves

	PRC					Total
	Translation reserve	Goodwill reserve	Special Reserve	statutory Reserves	Retained Profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2002	6,480	(24,509)	238,966	12,852	324,156	557,945
Transfer	–	–	–	4,204	(4,204)	–
Profit for the year	–	–	–	–	30,052	30,052
Dividend	–	–	–	–	(8,237)	(8,237)
At 31st December 2002	<u>6,480</u>	<u>(24,509)</u>	<u>238,966</u>	<u>17,056</u>	<u>341,767</u>	<u>579,760</u>

BUSINESS REVIEW

Despite the challenging market conditions, the Group's turnover for the year ended 31st December 2002 reached HK\$851,428,000, representing a 5.9% increase over HK\$803,674,000 in 2001. The Group's consolidated profit for the year is HK\$30,052,000, a decrease of 28.9% over last year. Earnings per share is HK cents 4.38 (2001: HK cents 6.16).

The increase in turnover was brought by the growth in business of the third production unit, Xin Hui Galloon Tannery Company Limited, which had successfully launched a range of new products that are well received by our customers. The decrease in the Group's profit was mainly caused by an 23.7% increase in depreciation expenditures and an 14.3% increase in administrative expenses.

Geographically speaking, the increase in sales to US from HK\$505,572,000 to HK\$640,895,000 was attributed to the successful launching of a new line of fashion leather products that was well received by US customers. On the other hand, sales to PRC and other regions decreased from HK\$194,780,000 and HK\$103,322,000 to HK\$166,312,000 and HK\$44,221,000 was due to the keen competition and shift of market focus to high-yield markets.

FINANCIAL REVIEW

Liquidity and Financial Resources

During the year, the Group has relied primarily upon funds generated internally from the Group's operating activities and revolving credit facilities provided by the Group's principal bankers. As at 31st December 2002, the Group's total borrowings is HK\$242,665,000 as compared to HK\$166,039,000 at 31st December 2001. Of the total borrowings, HK\$210,350,000 (2001: HK\$165,938,000) is repayable within one year and HK\$32,314,000 (2000: HK\$101,000) is repayable after one year.

Shareholders' funds of the Group as at 31st December 2002 amounts to HK\$648,400,000 (31st December 2001: HK\$626,585,000). The Group's gearing ratio which is measured on the basis of the Group's total borrowings over the shareholders' funds as at 31st December 2001 is 37.4% (31st December 2001: 26.5%).

The sales and purchases of the Group are mainly denominated in Renminbi, US dollar and Hong Kong dollar. Hence, the Group's exposure to foreign exchange risk is expected to be minimal. Bank borrowings are also mainly denominated in Renminbi, US dollar and Hong Kong dollar and the interests are charged on a floating rate basis. The Group's management oversees the movement of interest rates very closely and takes appropriate measures to minimise the Group's interest rate risks whenever necessary.

Contingent Liabilities

	2002	2001
	HK\$'000	HK\$'000
Bills discounted with recourse	–	1,339

At the balance sheet date, the Company had given guarantees to banks in respect of general banking facilities granted to subsidiaries and the aggregate amount utilised by these subsidiaries amounted to HK\$246 million (2001: HK\$173 million).

Pledge of Assets

At the balance sheet date, certain of the Group's property, plant and equipment with an aggregate carrying value of HK\$144.5 million (2001: HK\$79 million) and bank deposits of HK\$21 million (2000: HK\$15.5 million) was pledged to banks to secure general banking facilities granted to the Group.

Employee Remuneration Policy

As at 31st December 2002, the Group employed 1,066 (2001: 1,176) full time management, administrative and production staff in Hong Kong, Taiwan and PRC.

The Group's emolument policies are formulated on the bases of individual performance and the salary trend in the various regions, and will be reviewed every year. The Company has set up share options plan and provides staff quarters to the staff in PRC.

PROSPECTS

Looking ahead, the delay in economic recovery around the world has caused deflation and unemployment rate to continue into 2003. It is estimated that business conditions will continue to be tough in 2003. The outbreak of atypical pneumonia especially in Asia will have serious impact on leather goods consumption and in turn demand for leather goods and leather. As a result, the demand of leather from US and Asia, especially the PRC, are expected to be slack in 2003.

Faced with this tough and competitive market environment in 2003, the Group will focus on maintaining her market share and competitiveness by improving existing products and developing new products to differentiate herself from competitors.

USE OF PROCEEDS

The Company issued 68,640,000 new ordinary shares of HK\$0.10 each for cash at HK\$1 per share on 27th January 2000 (the "New Issue") in accordance with terms as set out in the Company's prospectus (the "Prospectus") dated 18th January 2000 in connection with the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and a net proceed of HK\$61,042,000 being raised. At 31st December 2002, the Group has utilised approximately HK\$36,787,000 to finance the construction and purchase of new plant and equipment for a new workshop, HK\$10,915,000 for the purchase of plant and machinery for the new production facilities in Aixi Town, approximately HK\$4,000,000 for the improvement of the waste water treatment facilities and HK\$9,340,000 as general working capital.

The net proceeds had been used in full in accordance with the plan for use of proceeds as disclosed in the Prospectus.

DIVIDEND

The Directors does not recommend the payment of final dividend for the year ended 31st December 2002. (2001: HK cents 1.2)

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 20th June 2003 to Friday, 27th June 2003, both days inclusive, during which period no transfer of shares will be registered. In order to determine who are entitled to attend the 2003 Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Secretaries Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 19th June 2003.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares.

PUBLICATION OF RESULTS ANNOUNCEMENT ON THE EXCHANGE'S WEBSITE

A detailed results announcement containing all the information required by paragraphs 45(1), 45(2) and 45(3) of Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited will be subsequently published on the Exchange's website in due course.

By order of the Board
Chaiterath Boonchai
Chairman

Hong Kong, 29th April 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2003 Annual General Meeting (the "Meeting") of Hua Lien International (Holding) Company Limited (the "Company") will be held at Function Room, 2/F, Great Eagle Hotel, 8 Peking Road, Tsimshatsui, Kowloon on Friday, 27th June 2003 at 11:30 a. m. for the following purposes:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and of the Auditors for the year ended 31st December 2002.
2. To re-elect the retiring directors and to authorize the Board of Directors to fix the remuneration of the directors.
3. To appoint auditors and to authorize the Board of Directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"THAT

- (a) subject to paragraph (c) of this resolution, the exercise by the directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of the shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights issue (as hereinafter defined); (ii) any Share Option Scheme (as hereinafter defined) of the Company; or (iii) any scrip dividend or other similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company pursuant to the articles of association of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the shares of the Company in issue at the date of passing this resolution; and
- (d) for the purpose of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next Annual General Meeting of the Company;
 - (ii) the revocation or variation of the authority given under this resolution by Ordinary Resolution of the shareholders in a general meeting; and
 - (iii) the expiration of the period within which the next Annual General Meeting of the Company is required by the articles of association of the Company or any applicable laws to be held.

"Rights Issue" means an offer of shares open for a period fixed by the directors to holders of shares of the Company on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong); and

"Share Option Scheme" means a share option scheme or similar arrangement for the time being, as varied from time to time, adopted for the grant or issue to executive directors and employees of the Company and its subsidiaries of rights to acquire shares of the Company."

5. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"THAT

- (a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase its own shares, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares of the Company to be repurchased or agreed conditionally or unconditionally to be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10 per cent of the aggregate nominal amount of the shares of the Company in issue at the date of passing this resolution; and
- (c) for the purpose of this resolution, "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next Annual General Meeting of the Company;
 - (ii) the revocation or variation of the authority given under this resolution by Ordinary Resolution of the shareholders in a general meeting; and
 - (iii) the expiration of the period within which the next Annual General Meeting of the Company is required by the articles of association of the Company or any applicable laws to be held."

6. As special business, to consider and, if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"THAT conditional upon the passing of Ordinary Resolutions 4 and 5 as set out in the notice convening this Meeting, the general mandate granted to the directors to issue and dispose of additional shares in the capital of the Company pursuant to Ordinary Resolution 4 set out in the notice convening this Meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the shares of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution 5 set out in the notice convening this Meeting provided that such amount shall not exceed 10 per cent of the aggregate nominal amount of the shares of the Company in issue at the date of this resolution."

By order of the Board
Wan Hok Shing
Company Secretary

Hong Kong, 29th April 2003

Notes :

- (a) The Register of Members will be closed from 20th June 2003 (Friday) to 27th June 2003 (Friday), both days inclusive, during which period no transfer of shares will be registered. In order to determine who are entitled to attend the 2003 Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Registrar in Hong Kong, Secretaries Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p. m. on 19th June 2003 (Thursday).
- (b) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or, if holding two or more shares, more than one proxy to attend and, in the event of a poll, vote on his behalf. A proxy need not be a member of the Company.
- (c) To be valid, the form of proxy together with the power of attorney, if any, or other authority, if any, under which it is signed, or a notorially certified copy of such power or authority, must be deposited at the Company's Branch Registrar in Hong Kong, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or adjournment thereof.