



# ROCKAPETTA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

## 2001 FINAL RESULTS ANNOUNCEMENT

### RESULTS

The Directors of Rockapetta Holdings Limited (the “Company”) are pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December 2001, together with the comparative figures for previous year as follows:

	Note	2001 HK\$'000	2000 HK\$'000
<b>TURNOVER</b>	1	<b>112,944</b>	134,041
<b>COST OF SALES</b>		<b>(117,152)</b>	(135,721)
<b>GROSS LOSS</b>		<b>(4,208)</b>	(1,680)
<b>OTHER REVENUE</b>		<b>3,568</b>	4,917
<b>OTHER EXPENSES</b>			
Distribution costs		(11,105)	(1,748)
Administrative expenses		(24,132)	(32,511)
Other operating expenses		(4,319)	(8,000)
		<b>(39,556)</b>	(42,259)
<b>LOSS FROM OPERATIONS</b>		<b>(40,196)</b>	(39,022)
<b>FINANCE COSTS</b>		<b>(5,644)</b>	(5,698)
<b>SHARE OF LOSSES OF ASSOCIATES</b>		<b>(10)</b>	(156)
<b>LOSS BEFORE TAXATION</b>		<b>(45,850)</b>	(44,876)
<b>TAXATION</b>	2	<b>(9)</b>	1
<b>NET LOSS FOR THE YEAR</b>		<b>(45,859)</b>	(44,875)
<b>LOSS PER SHARE — BASIC</b>	3	<b>(7.5 cents)</b>	(10.1 cents)

Net loss for the year is the sole component of the total recognised gains and losses.

#### Notes:

#### 1. SEGMENTAL INFORMATION

The Group turnover analysed by geographical market is as follows:

	2001 HK\$'000	2000 HK\$'000
North America (principally the United States of America)	<b>84,255</b>	109,962
Asia	<b>21,553</b>	15,541
Europe	<b>5,350</b>	7,276
South America	<b>187</b>	958
Others	<b>1,599</b>	304
	<b>112,944</b>	134,041

Contribution to net loss by geographical market has not been presented as the contribution to net loss from each market is substantially in line with the overall Group ratio of net loss to turnover.

#### 2. TAXATION

The amount of taxation charged to the income statement represents:

	2001 HK\$'000	2000 HK\$'000
Overprovision of Hong Kong profits tax in prior years	—	(5)
Overseas taxation	<b>(9)</b>	4
	<b>(9)</b>	(1)

No Hong Kong profits tax has been provided for in the financial statements as the Group has no assessable profits for the year.

No provision for deferred taxation has been made for the year as the effect of all timing differences is not material.

#### 3. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK\$45,859,000 (2000: HK\$44,875,000) and on the weighted average number of 615,213,726 shares (2000: 443,577,978 shares) in issue during the year.

No diluted loss per share figures have been presented as the effect of the potential ordinary shares outstanding during these two years would be anti-dilutive.

### DIVIDENDS

No interim dividend was paid and the Directors do not recommend the payment of any final dividend for the year ended 31st December 2001.

### MANAGEMENT DISCUSSION AND ANALYSIS

#### Business Overview

For the year ended 31st December 2001, the Group recorded a turnover of approximately HK\$113 million, representing a decline of approximately 15.7% compared with the previous year. Such decline was mainly attributable to the decrease in sales of manufactured goods to US and Europe markets. Loss attributable to shareholders increased from approximately HK\$44.9 million to approximately HK\$45.9 million.

The increase in net loss was a result of the decrease in turnover and increase in the gross loss margin (calculated by gross loss/sales). Increase in gross loss margin was mainly due to the significant stock provision made and change in stock value estimation, totalling about HK\$17 million.

The group has introduced various cost control measures during the year. Such measures have successfully reduced the administrative expenses from HK\$32.5 million to HK\$24.1 million. However, such improvement was offset by the increase in distribution cost by HK\$9.4 million.

Apart from the above, the net loss for the year ended 31st December 2001 included a deficit arising on revaluation of the Group's property of HK\$2.5 million, and a provision of doubtful debts of HK\$2.6 million.

### LIQUIDITY AND FINANCIAL RESOURCES

#### Borrowings and banking facilities

As at 31st December 2001, the Group had outstanding short-term bank borrowings of approximately HK\$20.0 million, compared with last year of HK\$30.5 million. The main purpose of the bank borrowings was to finance working capital of the Group.

As at 31st December 2001, the Group's bank deposits was HK\$10.7 million (2000: HK\$8.3 million) of which of HK\$2.6 million (2000: HK\$8.3 million) were pledged to banks to secure banking facilities granted to a subsidiary, and the Group's leasehold land and buildings in PRC with an aggregate net book value of HK\$81.6 million were pledged to banks to secure bank loans granted to a subsidiary.

The bank borrowings were mainly denominated in Hong Kong Dollars and Renminbi. The Group did not enter into any hedging transactions. Foreign exchange exposure did 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 31st December 2001, the gearing ratio of the Group, calculated as total debts over total assets was approximately 36.1%.

#### Net current liabilities and working capital

As at 31st December 2001, the Group's total current assets and current liabilities were approximately HK\$85.2 million and HK\$112.0 million respectively. The Group serviced its debts primarily through cash generated from its operations. After considering the financial resources available to the Group including internally generated funds and the Group's effort to reduce inventory held by the Group, the Directors are of the opinion that the Group has sufficient resources and working capital to meet its foreseeable debt repayment requirements.

#### Staff Cost, Director Bonuses And Share Option Scheme

Staff costs for the year ended 31st December 2001 were HK\$20.2 million. The Group had a workforce of approximately 600 employees, all employees stationed in Shenzhen, PRC except for 8 employees stationed in Hong Kong. Salaries are maintained at competitive levels while bonuses are granted on a discretionary basis.

In 2001, there was no discretionary bonus payable to a Director.

The Group has adopted a share option scheme under which the Director of the Company may, at their discretion, granted options to the Executive Directors and full-time employees of the Group to subscribe for shares representing up to a maximum of 10% of the issued share capital of the Company from time to time.

#### Prospects And Future Plan

The Group has continued to sell its toys and relevant products to the United States, Europe and other Asia region. As the Group anticipates a strong growth in the PRC market after joining the World Trade Organization, the Group will direct more effort to develop the PRC's domestic market. The Group will increase its sales force to the PRC market through internal sales teams and through its consignment sales through the PRC agents. The consignment sales in the PRC is expected to avoid heavy expenses and reduce its overhead cost such as leasehold improvements costs, rental costs and promotion expenses etc.

During the year 2001, the implement of tight control over production cost and strict monitoring of the efficiency of the production processes were proved to be effective to improve the Group's performance, especially over the inventory turnover, before the provisions of impairment loss of property, stock and bad debts. The Group will continue to tighten its control over the cost and inventory level, and introduce new products so as to improve its financial result in the future.

#### CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not any part of the year ended 31st December 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

#### AUDIT COMMITTEE

An audit committee of the Board of Directors was established in December 1999 and is answerable to the Board. The principal duties of the committee included the review and supervision of the Group's financial reporting process and internal controls.

#### PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, neither the Company nor any of its subsidiaries purchased or sold or redeemed any of the company's listed securities.

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

The 2001 annual report of the Company containing all the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

On behalf of the Board of Directors' and the Shareholders, I would like to express my sincere appreciation to all the staffs for their hard work in the past financial year.

**Chan Sheung Wai**  
Chairman of the Board

Hong Kong, 22nd April 2002

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the shareholders of the Company will be held at Unit 1501-1503, 15th Floor, Lever Tech Centre, No. 69-71, King Yip Street, Kwun Tong, Kowloon, Hong Kong, on Tuesday, 21st May, 2002, at 4:30 p.m. for the following purposes:—

1. To receive and consider the audited financial statements and the reports of the directors and the auditors for the year ended 31st December, 2001.
2. To re-elect the retiring directors and to authorise the board of directors to fix the directors' remuneration.
3. To re-appoint auditors and to authorise the board of directors to fix their remuneration.
4. As special business to consider and, if thought fit, to pass with or without amendments, the following resolutions as **Ordinary Resolutions**:—

A. **"THAT:—**

- (a) subject to paragraph (c) 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 allot, issue and deal with the shares in the capital of the Company, and to make or grant offers, agreements and options which would or 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 be in addition to any other authorisation given to the directors of the Company and shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to:—
  - (i) a Rights Issue (as hereinafter defined);
  - (ii) the exercise of options under the Share Option Scheme adopted by the Company on 28th January, 1994; or
  - (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-Laws of the Company.

shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

- (d) for the purposes 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 expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or any applicable laws to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares whose names appear on the register 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, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong)."

B. **"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 repurchase its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which may be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall be no more than 10 per cent of the aggregate nominal amount of the share capital of the Company in issue on the date of passing this Resolution and the said approval shall be limited accordingly; and
- (c) for the purposes 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 expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or any applicable laws to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting."

- C. **"THAT** conditional upon Resolutions 4A and 4B being passed, the aggregate nominal amount of the share capital of the Company which are repurchased by the Company under the authority granted to the directors of the Company as mentioned in Resolution 4B shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to Resolution 4A, provided that the amount of share capital repurchased by the Company shall not exceed 10 per cent of the total nominal amount of the share capital of the Company in issue on the date of this Resolution."

5. To transact any other business.

By Order of the Board  
**Ho Man Yi**  
Company Secretary

Hong Kong, 22nd April, 2002

*Notes:*

- (1) A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
- (2) To be effective, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the principal place of business of the Company at Unit 1501-1503, 15th Floor, Lever Tech Centre, Nos. 69-71 King Yip Street, Kwun Tong, Kowloon, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- (3) With regard to items 4A and 4B above, approval is being sought from shareholders for a general mandate to allot and repurchase shares of the Company up to the relevant percentage limits. These authorities are sought in order that your directors might take advantage of any relevant circumstances. The Explanatory Statement required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited to be sent to shareholders in connection with the proposed repurchase mandate will be despatched to shareholders together with the annual report.