



# GOLD WO INTERNATIONAL HOLDINGS LIMITED

## (金禾國際控股有限公司)\*

(Incorporated in Bermuda with limited liability)

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2002

#### RESULTS

The board of directors of Gold Wo International Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2002 together with comparative figures for the previous year as follows:

	<i>Notes</i>	<b>2002</b> <b>HK\$'000</b>	2001 <i>HK\$'000</i>
Turnover	3	<b>156,162</b>	145,959
Cost of sales		<b>(122,954)</b>	(97,381)
Gross profit		<b>33,208</b>	48,578
Other revenue		<b>1,328</b>	430
Selling and distribution costs		<b>(2,253)</b>	(2,095)
Administrative expenses		<b>(11,755)</b>	(7,067)
Other operating expenses		<b>(393)</b>	(700)
Profit from operating activities	4	<b>20,135</b>	39,146
Finance costs		<b>(2,681)</b>	(2,006)
Profit before tax		<b>17,454</b>	37,140
Tax	5	<b>(1,895)</b>	(3,575)
Net profit from ordinary activities attributable to shareholders		<b>15,559</b>	33,565
Dividend	6	<b>–</b>	13,000
Earnings per share	7		
Basic		<b>1.3 cents</b>	9.6 cents
Diluted		<b>N/A</b>	N/A

*Notes:*

## **1. Group reorganisation**

The Company was incorporated in Bermuda on 10 January 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 12 April 2001, the Company became the holding company of the companies now comprising the Group on 26 March 2001 (the "Group Reorganisation"). This was accomplished by acquiring the entire issued share capital of Richlink International Holdings Limited ("Richlink International"), the then holding company of other subsidiaries of the Company, in consideration of and in exchange for the allotment and issue of 10,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company, credited as fully paid, to the former shareholders of Ricklink International, and 10,000,000 nil paid shares, credited as fully paid at par.

## **2. Basis of presentation and consolidation**

The consolidated financial statements include the audited financial statements of the Company and its subsidiaries for the year ended 31 March 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively.

The 2001 comparative consolidated financial statements have been prepared using the merger basis of accounting as a result of the Group Reorganisation completed as described in note 1 above. Under this basis, the Company has been treated as the holding company of its subsidiaries prior to the date of their acquisition pursuant to the Group Reorganisation completed on 26 March 2001. Accordingly, the consolidated results of the Group for the year ended 31 March 2001 include the results of the Company and its subsidiaries with effect from 1 April 2000 or since their respective dates of incorporation, where this is a shorter period, as if the existing Group structure had been in existence throughout the year ended 31 March 2001.

In the opinion of the directors, the comparative consolidated financial statements prepared on the above basis present more fairly the results and the state of affairs of the Group as a whole.

### 3. Turnover and segment information

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

#### (a) Business segments

The following table presents revenue and results information for the Group's business segments.

	Melamine products		Silicon rubber products		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment revenue:						
Sales to external customers	<b>123,480</b>	110,444	<b>32,682</b>	35,515	<b>156,162</b>	145,959
Other revenue	<b>197</b>	263	<b>60</b>	105	<b>257</b>	368
Total	<b><u>123,677</u></b>	<u>110,707</u>	<b><u>32,742</u></b>	<u>35,620</u>	<b><u>156,419</u></b>	<u>146,327</u>
Segment results	<b><u>17,616</u></b>	<u>33,425</u>	<b><u>3,563</u></b>	<u>5,961</u>	<b><u>21,179</u></b>	<u>39,386</u>
Interest and unallocated gains					<b>1,071</b>	62
Unallocated expenses					<b>(2,115)</b>	(302)
Profit from operating activities					<b>20,135</b>	39,146
Finance costs					<b>(2,681)</b>	(2,006)
Profit before tax					<b>17,454</b>	37,140
Tax					<b>(1,895)</b>	(3,575)
Net profit from ordinary activities attributable to shareholders					<b><u>15,559</u></b>	<u>33,565</u>

## (b) Geographical segments

The following table presents revenue and results information for the Group's geographical segments.

	Hong Kong		South East Asia		South America		Europe		The People's Republic of China		Others		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:														
Sales to external customers	<u>47,256</u>	<u>57,902</u>	<u>55,907</u>	<u>24,120</u>	<u>47,466</u>	<u>50,809</u>	<u>3,310</u>	<u>11,473</u>	<u>987</u>	<u>-</u>	<u>1,236</u>	<u>1,655</u>	<u>156,162</u>	<u>145,959</u>
Segment results	<u>7,379</u>	<u>16,711</u>	<u>7,011</u>	<u>6,439</u>	<u>5,949</u>	<u>13,564</u>	<u>464</u>	<u>2,155</u>	<u>149</u>	<u>-</u>	<u>227</u>	<u>517</u>	<u>21,179</u>	<u>39,386</u>

## 4. Profit from operating activities

The Group's profit from operating activities is arrived at after charging depreciation of HK\$14,986,000 (2001: HK\$13,791,000).

## 5. Tax

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	2002	2001
	HK\$'000	HK\$'000
Current year provision for Hong Kong profits tax	<u>1,895</u>	<u>3,575</u>

## 6. Dividend

No dividend has been paid or declared by the Company since the date of its incorporation.

The dividend for the year ended 31 March 2001 was declared and paid by a subsidiary of the Company to its then shareholders prior to the Group Reorganisation, which was completed on 26 March 2001.

## 7. Earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$15,559,000 (2001: HK\$33,565,000) and the weighted average of 1,187,732,000 (2001: 351,429,000) ordinary shares in issue during the year, adjusted to reflect the rights issue after the balance sheet date.

The weighted average of shares used to calculate the basic earnings per share for the year ended 31 March 2001 included the pro forma issued share capital of the Company, comprising 10,000,000 ordinary shares issued nil paid upon incorporation of the Company, 10,000,000 shares issued for the acquisition of Richlink International and the capitalisation issue of 308,000,000 shares, adjusted to reflect the rights issue after the balance sheet date.

There were no dilutive potential ordinary shares in issue during either the current or prior years, and accordingly, diluted earnings per share amounts have not been shown.

## **FINANCIAL REVIEW**

The Group's turnover and profit attributable to the shareholders for the year ended 31 March 2002 amounted to HK\$156,162,000 and HK\$15,559,000, respectively and representing an increase of approximately 7% and a decrease of 54%, respectively over the corresponding period in 2001. The earnings per share for the year were HK1.3 cents.

## **OVERVIEW**

For the year ended 31 March 2002, the Group recorded turnover of HK\$156,162,000, representing an increase of 7% as compared to that of the previous year. The growth in turnover resulted from an increase in shipments of the Group's products. The increase was principally attributable to sales of melamine products, sales of which was increased by 12% to HK\$123,480,000 (2001: HK\$110,444,000). Sales of silicon products amounted to HK\$32,682,000 (2001: HK\$35,515,000), representing a decrease of 8% over that of the previous year.

Although the Group was able to experience an increment in turnover, its profit margin was reduced due to the change in sales mix. The global economic slowdown affected many companies and industries on a worldwide basis, including our valuable customers. Hence, both the demand and orders of the high-end products, which possess higher profit margins, were inevitably affected adversely. As compared with the first half of the financial year, results in the second half was less satisfactory. This was mainly due to the "9-11" incident, which further impeded the economy. In the second half of the financial year, the demand and orders from the US and Europe markets for the Group's high-end products dropped considerably. Although the Group recorded a decline of sales of its high end products, the demand for its lower end products fortunately witnessed an increase and helped to offset the negative impact of the global economic slowdown to a certain extent.

In terms of geographical segments, Hong Kong, South East Asia and South America continued to be the major markets for the Group's products. Sales to these markets contributed to over 96% of the Group's turnover. Sales to Hong Kong were approximately HK\$47 million (2001: HK\$58 million), sales to South East Asia were approximately HK\$56 million (2001: HK\$24 million), and sales to South America were approximately HK\$47 million (2001: HK\$51 million). Customers consist of industry leaders and giants, including international tobacco companies, fast food corporations, soft drink manufacturers, or anyone who demands top quality and meticulously designed premium gifts, household products and decorative items.

## **Production Facilities**

Headquarters in Hong Kong, the Group has its production facilities in Dongguan, the People's Republic of China (the "PRC"), with a total gross floor area of approximately 10,078 sq.m. It is equipped with 68 automatic oil hydraulic machines for the production of melamine products and 20 machines for silicon rubber products. During the year under review, the Group has consistently achieved a utilization rate of 98% and 55% respectively.

## **Quality Control**

The Group's quality assurance team based in the PRC is responsible for implementing a stringent quality control on a daily basis to ensure quality consistency and timely delivery. Coupled with proactive communications with customers on product designs and development, the Group has continuously enjoyed amicable relationships with its customers.

To reinforce its leadership role in melamine and silicon rubber products, the Company has always paid much attention to research and development to keep it abreast of market trends and the latest technologies. During various stages of production, the Group conducts random quality tests on materials and accessories and applies appropriate technologies to produce innovative products that are in line with the changing customer demand, increasing production efficiency and rapid technological advancements.

## **Investment**

During the year, the Group paid a refundable deposit of HK\$10 million for a potential equity investment in an unlisted company.

By investing in the equity interest in this company, the Group expects to diversify its business opportunities as well as improve the prospects of its future earnings.

## **Liquidity and Financial Resources**

The Company was listed on 12 April 2001. The share offer which comprised a new issue of 72 million shares and raised net proceeds of approximately HK\$25.5 million for the Group.

As at 31 March 2002, the Group enjoyed a strong liquidity position, with unpledged cash on hand and bank balances that totaled HK\$5 million and net current assets of HK\$39.9 million. The comparative figures as at 31 March 2001 were HK\$5 million and HK\$13 million respectively. Most of the funds were held in Hong Kong dollars. As at 31 March 2002, the Group's total interest-bearing bank borrowings amounted to approximately HK\$47.6 million, among which approximately 83% is repayable within one year. The gearing ratio of the Group as at 31 March 2002, calculated as a ratio of interest-bearing borrowings to total assets, was approximately 28%. Needless to say, the Group enjoyed a sound financial position and it will undoubtedly benefit its future business developments.

As at 31 March 2002, the bank facilities of the Group were secured by (i) first legal charges on all of the Group's leasehold land and buildings and investment property with carrying values of approximately HK\$ 5,200,000 and HK\$1,170,000 respectively; and (ii) the pledge of the Group's time deposits amounting to HK\$34,628,000 (2001: Nil).

Pursuant to a directors' resolution passed on 16 May 2002, the Company raised approximately HK\$32 million, before share issue expenses, by way of a rights issue of 2,000,000,000 rights shares of HK\$0.001 each of the Company at a subscription price of HK\$0.016 per rights share, on the basis of one rights share for every two existing shares held by shareholders whose names appeared on the register on 21 May 2002. The net proceeds of the rights issue will be used for the working capital of the Group.

On 26 June 2002, the Company, Taiwan Concord Securities (Hong Kong) Limited and Great-China Brokerage Limited, independent third parties, entered into an agreement for the placing of a total of 480,000,000 shares of HK\$0.001 each of the Company at an issue price of HK\$0.011 per share. The subscription was completed on 12 July 2002 and the net proceeds of approximately HK\$4.9 million will be used for the working capital of the Group.

### **Future Prospects**

In November 2001, the Group successfully penetrated the PRC market. The Group established amicable cooperation with six retail shops, five in Guangdong province and one in Zhejiang province, to distribute its melamine and silicon rubber products in the PRC. Eyeing the tremendous potentials of the highly populated PRC market, the Group is very optimistic of its future development in the PRC market and will dedicate to expand its network in the PRC, especially in major cities such as Shanghai and Shandong.

Looking ahead, the Group targets to expand its PRC sales network and distributes its products in a total of 20 retail stores, while also seeking for potential partnerships to further enhance its presence, promote its brand name recognition as well as expand its production capacity. The Company will ensure that its utilization rate will maintain over 90% at all times as an effort to satisfy the increasing demand, especially after the PRC's accession into WTO.

With the Group's familiarity of market needs and customer tastes, coupled with limited competition in the manufacture of melamine and silicon rubber products, the Group will capitalize on its unrivaled expertise and experience to reinforce its leadership role in the industry and to secure its unique positioning and recognition in the PRC market. Upon the recovery of the US economy and the global operating environment, the Group will be ready to demonstrate what its sturdy business foundation is capable of.

### **Contingent Liabilities**

As at 31 March 2002, the Company had contingent liabilities in relation to corporate guarantees given by the Company to banks for facilities granted to subsidiaries of the Company amounting to HK\$69.7 million.

### **Foreign Exchange and Currency Risks**

Since most of the revenue generated from the sale of products and the payment for purchases of materials, components, equipment and salaries are either made in HK dollars, Renminbi, or Hong Kong dollars pegged currencies, no use of financial instruments for hedging purposes is considered necessary.

### **Employees and Remuneration Policy**

As at 31 March 2002, the Group had 13 staff working in Hong Kong. In addition, 596 workers are employed pursuant to the Group's processing arrangement with an independent third party.

The Group remunerates its employees based on their performance and the prevailing industry practice. The remuneration policy and package are reviewed by the Board on a periodical basis. Bonus and commissions may be awarded to employees based on performance evaluation. There are drives and encouragements for personal performance.

### **Use of Proceeds of the Public Offer**

The net proceeds from the Company's issue of new shares at the time of its listing on the Stock Exchange on 12 April 2001, after deduction of related expenses, amounted to approximately HK\$25.5 million. These proceeds were fully applied during the current financial year in accordance with the proposed applications set out in the Company's listing prospectus. Approximately HK\$17 million was used for the procurement of production machinery, equipment and moulds; and the balance of HK\$8.5 million was applied as additional working capital of the Group.

### **SHARE OPTION SCHEME**

The board of directors proposes to adopt a new share option scheme (the "Scheme") in compliance with the existing provisions on share option scheme under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A circular setting out the terms and conditions of the Scheme and incorporating a notice convening a special general meeting of the Company to approve the Scheme will be sent to shareholders in due course.

### **CODE OF BEST PRACTICE**

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year covered by the annual report.

### **AUDIT COMMITTEE**

The Company established an audit committee (the "Committee") on 26 March 2001 with written terms of reference in compliance with the requirements of the Code. The primary duties of the Committee are to review and supervise the financial reporting process and internal control system of the Group. The Committee comprises two independent non-executive directors. The work of the Committee has covered the full financial year ended 31 March 2002.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year.



## **DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE**

A detailed announcement of annual results of the Group for the year ended 31 March 2002 containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By order of the board  
**Fu Chu Kan**  
*Chairman and Managing Director*

Hong Kong, 25 July 2002

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Gold Wo International Holdings Limited (the “Company”) will be held at Tang Room 1, 3rd Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on 2 September 2002 at 10:00 a.m. for the following purposes:–

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st March 2002.
2. To elect directors and to authorise the board of directors to fix their remuneration.
3. To appoint auditors and to authorise the board of directors to fix their remuneration.

By Order of the Board  
**Young Chi Shan, Michael**  
*Company Secretary*

Hong Kong, 25th July 2002

*Principal Office:*  
Room 5, 34th Floor  
Cable TV Tower  
9 Hoi Shing Road  
Tsuen Wan  
New Territories  
Hong Kong

*Notes:–*

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company.
- (2) In order to be valid, the form of proxy must be deposited at the Company’s principal office in Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.

\* *For identification purposes only*

“Please also refer to the published version of this announcement in The Standard”.