



和寶國際控股有限公司

Wealthmark International (Holdings) Limited
(Incorporated in the Cayman Islands with limited liability)

INTERIM REPORT
2004



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DIRECTORS' REPORT

The Directors are pleased to present the Group's interim report and condensed financial statements for the six months ended 30 June 2004 which have been reviewed by the Group's audit committee. The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30 June 2004, and the consolidated balance sheet as at 30 June 2004 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 6 to 17 of this report.

BUSINESS OVERVIEW

For the six months ended 30 June 2004, the Group's turnover decreased slightly by 1% to approximately HK\$141.6 million compared to the corresponding period in previous year. The gross profit margin decreased slightly from 14% to 13.6% compared to the corresponding period in previous year. On the other hand, the Group's profit attributable to shareholders increased slightly by 3% to HK\$5.4 million. There are no significant changes in turnover, gross profit margin and profit attributable to shareholders compared to the corresponding period in previous year.

LIQUIDITY AND FINANCIAL RESOURCES

BORROWINGS AND BANKING FACILITIES

At 30 June 2004, the Group had outstanding bank borrowings of approximately HK\$74.2 million (mainly represented by trust receipt loans and packing loans of approximately HK\$27.3 million, short-term bank loans of approximately HK\$23.7 million, short-term portion of long-term bank loans of approximately HK\$11.5 million and long-term portion of long-term bank loans of approximately HK\$11.5 million). The main purpose of the bank loans was to finance the daily operation of the Group.

The aggregate banking facilities of the Group were approximately HK\$205.7 million. The utilisation rate of banking facilities was about 36%. These banking facilities were secured by corporate guarantees given by the Company.

The bank borrowings are mainly denominated in Hong Kong dollar and Renminbi. 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 2004, the gearing ratio of the Group, calculated at total debts divided by total assets, was approximately 52%.



NET CURRENT ASSETS AND WORKING CAPITAL

As at 30 June 2004, the Group's total current assets and current liabilities were approximately HK\$148.4 million and HK\$83.5 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 costs for the six months ended 30 June 2004 were approximately HK\$15.0 million, representing a decrease of approximately 8% to the corresponding period in previous year. The Group had a workforce of about 2,522 staff, 24 of them located in Hong Kong, 2,147 of them located in Hui Zhou, the People's Republic of China (the "PRC") and the remaining staff located in the Kingdom of 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 options have been granted up to the date of this report. Details of the share option scheme were disclosed in the 2003 annual financial statements.

FUTURE PLANS

The consignment sales of DAPHNE ladies' handbags in major cities of the PRC amounted to approximately RMB10 million (equivalent to approximately HK\$9.3 million) for the six months ended 30 June 2004. The sales volume has triple the sales amount of the corresponding period in the previous year (sales for the six months ended 30 June 2003 was approximately RMB3 million (equivalent to approximately HK\$2.8 million)). The growth in domestic sales was encouraging. The Group will allocate more resources to further develop the domestic sales in the major cities of the PRC in the foreseeable future.

In August 2004, the Group formed a new subsidiary in Macau, namely Glory Bright Electronics (Macau) Company Limited (shareholding of the Group is 51%). The main purpose for setting up this new subsidiary is to carry out the trading of printed circuit boards. It is a new line of trading business for the Group, management of the Group believes the prospect of this new business line is promising.



CHARGES ON THE GROUP'S ASSETS

As at 30 June 2004, there were no charges on the Group's assets.

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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 30 June 2004, the interests of the Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Name of director	Number of ordinary shares of HK\$0.1 each in the Company		Total
	Family interests	Corporate interests	
Mr. WONG Chor Wo – long position	15,000,000 (note 1)	135,000,000 (note 3)	150,000,000
Ms. Rosita ANDRES – long position	135,000,000 (note 2)	15,000,000 (note 4)	150,000,000

Notes:

- (1) These shares are ultimately beneficially owned by Ms. Rosita ANDRES, the spouse of Mr. WONG Chor Wo.
- (2) These shares are ultimately beneficially owned by Mr. WONG Chor Wo, the spouse of Ms. Rosita ANDRES.
- (3) These shares are registered in the name of Wisechoice Assets Limited, the entire issued share capital of which is held by Mr. WONG Chor Wo.
- (4) These shares are registered in the name of Accuport Developments Limited, the entire issued share capital of which is held by Ms. Rosita ANDRES.

Apart from the above, at no time during the period, the Directors and chief executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations (within the meaning of the SFO).



At no time during the period was the Company, its subsidiaries, its associated company or its holding company a party to any arrangement to enable the Directors and chief executives of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

At 30 June 2004, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the Directors and chief executives as disclosed above.

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 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited at any time during the six months ended 30 June 2004.

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 2004 with the Directors.

On behalf of the Board

WONG Chor Wo

Chairman

Hong Kong, 13 September 2004



CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2004

		Unaudited	
		Six months ended 30 June	
		2004	2003
	Note	HK\$'000	HK\$'000
Turnover		141,568	143,098
Cost of sales		(122,329)	(122,935)
Gross profit		19,239	20,163
Other revenue		435	52
Distribution, administrative and other operating expenses		(12,158)	(11,853)
Operating profit	3	7,516	8,362
Finance costs		(1,142)	(1,445)
Share of profits of an associated company		-	24
Profit before taxation		6,374	6,941
Taxation	4	(1,013)	(1,718)
Profit attributable to shareholders		5,361	5,223
Basis earnings per share	6	2.7 cents	2.6 cents



CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2004 AND 31 DECEMBER 2003

		Unaudited 30 June 2004 HK\$'000	Audited 31 December 2003 HK\$'000
NON-CURRENT ASSETS			
Goodwill	7	111	148
Fixed assets	7	36,657	37,132
Interests in an associated company		(333)	(333)
		36,435	36,947
CURRENT ASSETS			
Inventories		31,302	27,694
Trade and other receivables	8	83,967	79,279
Bank balances and cash		33,106	53,350
		148,375	160,323
LESS: CURRENT LIABILITIES			
Trade and other payables	9	10,379	23,864
Trust receipt loans – unsecured		27,312	22,079
Short-term bank loans – unsecured		23,648	21,976
Current portion of long-term liabilities	10	11,688	11,696
Provision for taxation		10,518	10,318
		83,545	89,933
NET CURRENT ASSETS		64,830	70,390
TOTAL ASSETS LESS CURRENT LIABILITIES		101,265	107,337
NON-CURRENT LIABILITIES			
Long-term liabilities	10	11,590	17,430
Deferred tax liabilities	12	195	288
		11,785	17,718
NET ASSETS		89,480	89,619
CAPITAL AND RESERVES			
Share capital	11	20,000	20,000
Reserves		69,480	64,119
Proposed final dividend		–	5,500
SHAREHOLDERS' FUNDS		89,480	89,619

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

FOR THE SIX MONTHS ENDED 30 JUNE 2004

	Unaudited	
	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(11,390)	(2,005)
NET CASH USED IN INVESTING ACTIVITIES	(4,411)	(7,356)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(4,443)	18,771
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(20,244)	9,410
BANK BALANCES AND CASH AT 1 JANUARY	53,350	15,510
BANK BALANCES AND CASH AT 30 JUNE	33,106	24,920



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2004

	Unaudited								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Properties Revaluation reserve HK\$'000	Merger reserve HK\$'000	Statutory reserve HK\$'000	Exchange difference HK\$'000	Retained earnings HK\$'000	Proposed final dividend HK\$'000	
At 1 January 2003, as previously reported	20,000	27,645	406	2,150	2,223	202	26,028	-	78,654
Changes in accounting policy - provision for net deferred tax liabilities	-	-	(110)	-	-	-	(324)	-	(434)
At 1 January 2003, as restated	20,000	27,645	296	2,150	2,223	202	25,704	-	78,220
Profit for the year	-	-	-	-	-	-	11,399	-	11,399
Dividend - proposed	-	-	-	-	-	-	(5,500)	5,500	-
At 31 December 2003	20,000	27,645	296	2,150	2,223	202	31,603	5,500	89,619
Profit for the period	-	-	-	-	-	-	5,361	-	5,361
Dividend - paid	-	-	-	-	-	-	-	(5,500)	(5,500)
At 30 June 2004	20,000	27,645	296	2,150	2,223	202	36,964	-	89,480



NOTES TO CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2004

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 No. 25, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These condensed financial statements should be read in conjunction with the 2003 annual financial statements.

2. SEGMENT INFORMATION

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

PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS

The Group is organised into three main business segments:

Handbag products and related accessories – manufacture and sale of handbag products and related accessories and provision of related subcontracting services

Garments – manufacture and sale of garments and provision of related subcontracting services

Raw materials – trading of raw materials

SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

The Group's principal markets are located in four main geographical areas:

United States of America – sales of manufactured handbag products and related accessories

– subcontracting fee income from garments

Europe – sales of manufactured handbag products and related accessories

The People's Republic of China (the "PRC") – trading of raw materials

– sales of manufactured handbag products and related accessories

Asian region except the PRC – sales of manufactured handbag products and related accessories



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

(Unaudited)				
Six months ended 30 June 2004				
	Handbag Products and related accessories HK\$'000	Garments HK\$'000	Raw materials HK\$'000	Group HK\$'000
Revenue	106,247	14,040	21,281	141,568
Segment results	18,452	289	498	19,239
Other revenue				435
Unallocated costs				(12,158)
Operating profit				7,516
Finance costs				(1,142)
Profit before taxation				6,374
Taxation				(1,013)
Profit attributable to shareholders				5,361

(Reclassified)				
(Unaudited)				
Six months ended 30 June 2003				
	Handbag Products and related accessories HK\$'000	Garments HK\$'000	Raw materials HK\$'000	Group HK\$'000
Revenue	114,189	886	28,023	143,098
Segment results	19,681	(354)	836	20,163
Other revenue				52
Unallocated costs				(11,853)
Operating profit				8,362
Finance costs				(1,445)
Share of Profit of an associated company				24
Profit before taxation				6,941
Taxation				(1,718)
Profit attributable to shareholders				5,223



There are no sales or other transactions between the business segments. Unallocated costs represent corporate expenses.

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

	Turnover		Segment result	
	Six months ended		Six months ended	
	30 June		30 June	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States of America	69,098	68,206	10,298	11,347
Europe	39,561	41,307	5,804	7,687
The People's Republic of China (the "PRC")	31,328	26,605	3,042	612
Asian region except the PRC	1,581	6,980	95	517
	141,568	143,098	19,239	20,163

Sales are based on the country in which the ultimate customers are located. Sales or transactions between the geographical segments are eliminated on presentation of segment information of the Group.

3. OPERATING PROFIT

Operating Profit is stated after charging the following:

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Depreciation:		
Owned fixed assets	4,873	5,037
Leased fixed assets	13	113
Amortisation of goodwill	37	37
Staff costs	14,986	16,238
Cost of inventories sold	101,235	102,321



4. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated 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 subsidiaries operate.

The amount of taxation charged to the consolidated income statement represents:

	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current taxation	1,147	805
Overseas taxation		
Current taxation	651	1,065
Overprovision in previous years	(692)	–
Deferred taxation relating to the origination and reversal of temporary differences	(93)	(216)
Deferred taxation resulting from an increase in tax rate	–	60
	1,013	1,714
Share of taxation attributable to an associated company	–	4
Taxation charge	1,013	1,718

5. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2004 (2003: Nil).

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$5,361,000 (2003: HK\$5,223,000).

The basic earnings per share is based on 200,000,000 (2003: 200,000,000) ordinary shares in issue during the period.

Diluted earnings per share for the periods ended 30 June 2004 and 2003 were not disclosed as there were no dilutive potential ordinary shares.



7. CAPITAL EXPENDITURE

	Goodwill	Fixed
	HK\$'000	assets
		HK\$'000
Opening net book amount as at 1 January 2004	148	37,132
Additions	–	4,411
Amortisation/depreciation charge	(37)	(4,886)
Closing net book amount as at 30 June 2004	111	36,657

8. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables and their ageing analysis is as follows:

	30 June	31 December
	2004	2003
	HK\$'000	HK\$'000
Current to 30 days	45,124	41,467
31 to 60 days	25,641	18,890
61 to 90 days	9,986	14,823
Over 90 days	3,216	3,696
	83,967	78,876

Customers are generally granted credit terms of 45 to 120 days.

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables and their ageing analysis is as follows:

	30 June	31 December
	2004	2003
	HK\$'000	HK\$'000
Current to 30 days	7,832	2,013
31 to 60 days	1,967	1,571
61 to 90 days	259	861
Over 90 days	321	410
	10,379	4,855



10. LONG-TERM LIABILITIES

	30 June 2004	31 December 2003
	HK\$'000	HK\$'000
Bank loans – unsecured	23,000	28,750
Obligations under finance leases	278	376
	23,278	29,126
Current portion of long-term liabilities	(11,688)	(11,696)
	11,590	17,430

At 30 June 2004, the Group's bank loans and present value of finance lease liabilities were repayable as follows:

	Bank loans – unsecured		Obligations under finance leases	
	30 June 2004	31 December 2003	30 June 2004	31 December 2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	11,500	11,500	188	196
In the second year	11,500	11,500	90	180
In the third to fifth year	–	5,750	–	–
	23,000	28,750	278	376

At 30 June 2004, the Group's finance lease liabilities were repayable as follows:

	30 June 2004	31 December 2003
	HK\$'000	HK\$'000
Within one year	195	204
In the second year	94	187
	289	391
Future finance charges on finance leases	(11)	(15)
Present value of finance lease liabilities	278	376



11. SHARE CAPITAL

	30 June 2004	31 December 2003
	HK\$'000	HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.1 each	100,000	100,000
Issued and fully paid:		
200,000,000 ordinary shares of HK\$0.1 each	20,000	20,000

12. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

The movement on deferred tax liabilities account is as follows:

	Group	
	Six months ended	Year ended
	30 June 2004	31 December 2003
	HK\$'000	HK\$'000
At the beginning of the period/year	288	434
Deferred taxation credited to income statement	(93)	(146)
At the end of the period/year	195	288

13. CONTINGENT LIABILITIES

	Group		Company	
	30 June 2004	31 December 2003	30 June 2004	31 December 2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(a) Guarantees for bank loans and trust receipt loans of subsidiaries	-	-	76,336	72,805
Bills of exchange discounted with recourse	526	2,630	-	-
	526	2,630	76,336	72,805

Management anticipate that no material liabilities will arise from the above bank and other guarantees which arose in the ordinary course of business.



	Group		Company	
	30 June 2004 HK\$'000	31 December 2003 HK\$'000	30 June 2004 HK\$'000	31 December 2003 HK\$'000
(b) Guarantees for banking facilities granted to an associated company	-	3,120	-	3,120
Amount utilised by the associated company	-	-	-	-

- (c) At 30 June 2004, several employees of the Group and the Company had completed the required number of years of service under the Employment Ordinance (the "Ordinance") to be eligible for long service payments upon termination of their employment. The Group and the Company are only liable to make such payments where the termination meets the required circumstances specified in the Ordinance. If the termination of the employees met the circumstances required by the Ordinance, the Group's and the Company's liability at 30 June 2004 would have been approximately HK\$613,000 (31 December 2003: HK\$664,000). No provision has been made for this amount in the financial statements.

14. COMMITMENTS UNDER OPERATING LEASES

At 30 June 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	30 June 2004 HK\$'000	31 December 2003 HK\$'000
Not later than one year	369	341
Later than one year and not later than five years	214	412
	583	753

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to comfort with the current period's presentation.



GENERAL INFORMATION

DOMICILE AND LEGAL FORM OF COMPANY

Incorporated in the Cayman Islands with limited liability.

ADDRESS OF OUR REGISTERED OFFICE:

Ugland House
South Church Street
P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

PRINCIPAL PLACE OF BUSINESS (IF DIFFERENT FROM REGISTERED OFFICE)

Units 1 and 2, 3/F
Fook Hong Industrial Building
19 Sheung Yuet Road
Kowloon Bay
Kowloon
Hong Kong

AUTHORISED REPRESENTATIVE

Mr. Wong Chor Wo
Mr. Po, Eric

COMPANY SECRETARY

Mr. Po, Eric, *FCCA, AHKSA*

EXECUTIVE DIRECTORS

Mr. Wong Chor Wo, Ms. Rosita Andres, Mr. Wong Chor Sang, Mr. Po, Eric and Mr. Kwok Kee Ho, Danny

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Sheung Kwan, Mr. Yang Xi and Mr. Wong Tin Sang, Patrick