

WEALTHMARK INTERNATIONAL (HOLDINGS) LTD
THE WONGS' FAMILY 'BANK' GOES PUBLIC

Prospective shareholders of handbag maker, Wealthmark International (Holdings) Ltd (Code: 39 – Main Board, The Stock Exchange of Hongkong Ltd), may sleep soundly in their beds because Management has promised that it shall not be borrowing any more of the tens of millions of dollars that it borrowed from the publicly listed company, unsecured and interest-free, henceforth.

This is stated, very clearly, at Page 85 of the New Issue Prospectus, dated January 4, 2001.

Under Note 15 of the Accountants' Report, it shows that Mr Wong Chor Wo and Mr Wong Chor Sang, Chairman and Vice Chairman, respectively, borrowed, what must be considered, large sums of money from the Company, relative, that is, to its Turnover and Net Profits of the past 3 years or so.

Note 15 states: *'For Mr WONG Chor Wo, the maximum amounts due from him during the (Financial) years ended 31 December 1998, 1999 and the six months ended 30 June 2000 were \$(HK)24,735,000, \$(HK)35,131,000 and \$(HK)35,305,000 respectively.*

'For Mr WONG Chor Sang, the maximum amounts due from him during the (Financial) years ended 31 December 1997, 1998, 1999 and the six months ended 30 June 2000 were \$(HK)1,582,000, \$(HK)3,872,000; \$(HK)5,509,000 and \$(HK)7,349,000 respectively.

'The amounts were fully settled up to 30 June 2000. The Directors have represented that such transaction will discontinue subsequent to the date of the Prospectus.'

No doubt, such intelligence will pacify and placate all those prospective shareholders, who may have thought, on first reading of the New Issue Prospectus, that they may have to continue to support the Wong Family members with free money.

It is obvious that, if interest had been charged on the Brothers Wong borrowings, it would have boosted the Bottom Line, substantially, since interest, paid to banks on Company borrowings, would have been reduced, if nothing else.

Wealthmark International Offered a total of 10 million, 10-cent shares to the investing public at a Premium of 90 cents per share and, at the same time, 40 million shares were Placed on the same basis.

However, the Company only received the net proceeds from the sales of 40 million shares since 10 million shares were, formerly, the property of Chairman Wong Chor Wo and his wife, Mrs Rosita Wong (nee Rosita Andres).

So Mr and Mrs Wong Chor Wo walked home with \$HK10 million, before paying their share of the expenses to advisors/sub-agents/sub-underwriters for their help in selling their shares, while Wealthmark International ended up with \$HK32 million, net of expenses.

Not a bad way to settle one's debts, one may be tempted to comment.

The money, raised by Wealthmark International, is to be used as to:

1. \$HK18 million for the construction of a new factory in the People's Republic of China (PRC);
2. \$HK7 million to buy some more manufacturing equipment; and,

3. \$HK7 million to be tipped into the General Working Capital Account.

The History

Chairman Wong Chor Wo founded this Company in September 1987 when he leased factory premises in Shunde, the PRC, where he employed some 100 workers.

About 8 years later, it was all stops out and the former little handbag factory had grown into a Sino-foreign, equity joint venture in Hui Zhuo, the PRC, a handbag factory whose employees had been enriched by some 500 workers.

Today, Wealthmark International employs some 1,716 workers at its factory compound, located at Xiamazhuang Village, Henanan Town, Hui Zhou, Guangdong Province, the PRC.

In terms of the number of workers, the Turnover of this Company is not particularly large; one cannot help but wonder whether or not, all things considered, the Wong Family struggled very hard in the past 14 years in order to make things happen for this Company.

The following is the Company's trading record for the 42 months, ended June 30, 2000:

	All Figures are Denominated in \$HK'000			
	1997 -- Year ended December 31	1998 -- Year ended December 31	1999 -- Year ended December 31	Six Months ended June 30, 2000
Turnover	149,613	229,114	303,605	191,394
Cost of Sales	(115,603)	(183,444)	(244,930)	(150,743)
Gross Profit	34,010	45,670	58,675	40,651
Gross Profit Margin	22.73 percent	19.93 percent	19.32 percent	21.24 percent
Other Revenues	256	426	432	439
Distribution Costs	(5,356)	(6,941)	(8,430)	(6,180)
Administrative Expenses	(7,339)	(8,450)	(11,044)	(6,003)
Other Operating Expenses	(814)	(960)	(907)	(2,009)
Operating Profit	20,757	29,745	38,726	26,898
Finance Costs	(2,810)	(4,553)	(4,790)	(3,252)
Profit before Taxation	17,947	25,192	33,936	23,646
Taxation	(2,607)	(3,430)	(6,307)	(2,624)
Profit after Taxation	15,340	21,762	27,629	21,022
Minority Interests	(793)	(1,022)	(1,131)	(786)
Profit Attributable to Shareholders	14,547	20,740	26,498	20,236
Dividends	6,397	9,256	21,449	32,171

For the Financial Year, ended December 31, 2000, the Directors have forecast a Net Profit Attributable to Shareholders before Extraordinary Items of not less than \$HK30 million.

That being the case, Management is expecting a 2000 Net Profit, which represents an increase of about 13 percent over the 1999 Bottom Line.

This, therefore, would be the lowest increase in the Bottom Line for at least the past 3 Financial Years.

And one must remember that, in the past 42 months, the Brothers Wong had been dipping into the coffers of the Company when the spirit moved them, without, it must be noted, the benefit of an interest factor, being paid on the borrowings to the Company that they control.

Like so many family companies, it is difficult for the controlling family to distinguish family interests from those of the company since the family, more often than not, does not view the company as being an entity, separate and

distinct from the family.

Still on the subject of the Brothers Wong borrowings, it is clear that, in those heady years, those borrowings exceeded the Net Profits Attributable to Shareholders.

Chairman Wong Chor Wo was about 21 years old when he started this handbag-manufacturing company in 1987. His present age is 49 years, Page 40 of the Prospectus states.

His brother, Mr Wong Chor Sang, was 18 years old when started sewing handbags in 1987, while Chairman Wong's wifey, Rosita, pitched in, in the formative stages of the Company's establishment, she having more than 20 years' experience in dealing with handbags (women know more about handbags than men, in any event: That is where they keep the cash).

The Financials

Wealthmark International owed its bankers about \$HK54.30 million, as at October 31, 2000.

As at that same date, the Gearing Ratio (Total Debt divided by Total Assets) was about 80 percent.

Interest on bank borrowings has been rising steadily since 1997, and the 2000 Financial Year, ended December 31, looked as though it was a corker since the interest element was about \$HK3.22 million up to June 30, 2000.

The following little table illustrates the growth of interest expenses, paid to bankers, CITIC Ka Wah Bank Ltd, Natexis Banques Populaires and Standard Chartered Bank, since 1997:

	All Figures are Denominated in \$HK'000			
	1997 -- Year ended December 31	1998 -- Year ended December 31	1999 -- Year ended December 31	Six Months ended June 30, 2000
Interest on Bank Loan and Overdrafts	2,810	4,553	4,750	3,222
Percentage Increase		62.03 percent	4.33 percent	

The steep increases in bank interest between the 1997 Financial Year and the 1998 Financial Year corresponds to the steep increase in the interest-free borrowings of the Brothers Won, by the way.

The Adjusted Net Tangible Assets of this Company amount to just a shade more than \$HK56 million. Of this figure, \$HK32 million, or about 57 percent, represents the net proceeds from the cash-raising exercise by going public.

As for dividends, the Directors have confirmed, at Page 52, that a dividend of not more than 1.35 cents per share would have been recommended for the 2000 Financial Year, ended December 31.

As such, the Offer Price of \$HK1 indicates that one may expect a yield on the share price of Wealthmark International of not more than 1.35 percent.

Major Risk Factors

Aside from the obvious and well-worn saw about the PRC, becoming a full member of the World Trade Organisation (WTO), later this year, and the effect that this ... [CLICK TO ORDER FULL ARTICLE](#)

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