



FU CHEONG INTERNATIONAL HOLDINGS LIMITED

富昌國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

2002 INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2002

FINANCIAL HIGHLIGHTS

- Turnover increased 6% to HK\$101,932,000
- Net income decreased 1% to HK\$20,525,000
- Basic earnings per share were HK1.8 cents
- Cash and cash equivalents amounted to HK\$8,771,000
- Current ratio (current assets to current liabilities) was 134%
- Gearing ratio (total interest-bearing borrowings to total assets) was 1.4%

The board of directors (the “Board”) of Fu Cheong International Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2002 as follows:

Condensed Consolidated Profit and Loss Account

		Unaudited	
		Six months ended 30 June	
		2002	2001
	Notes	HK\$'000	HK\$'000
TURNOVER	2	101,932	96,050
Cost of sales		(72,645)	(68,060)
Gross Profit		29,287	27,990
Other revenue		233	153
Selling and distribution costs		(430)	(349)
Administrative expenses		(6,456)	(5,238)
PROFIT FROM OPERATING ACTIVITIES	3	22,634	22,556
Finance costs		(164)	(179)
PROFIT BEFORE TAX		22,470	22,377
Tax	4	(1,945)	(1,640)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>20,525</u>	<u>20,737</u>
DIVIDENDS	5	–	13,000
EARNINGS PER SHARE	6		
Basic		1.8 cents	2.0 cents
Diluted		N/A	N/A

Note:

1. Basis of presentation and accounting policies

The condensed consolidated interim financial statements include the audited financial statements of the Company and its subsidiaries for six months ended 30 June 2002. The results of subsidiaries acquired or disposal of during the period are consolidated from or to their effective dates of acquisition or disposal respectively.

The 2001 comparative condensed consolidated interim 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 6 March 2002. Accordingly, the unaudited condensed consolidated results of the Group for the six months ended 30 June 2001 include the results of the Company and its subsidiaries with effect from 1 January 2001 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 six months ended 30 June 2001.

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

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“HKSSAP”) 25 “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants (“HKSA”) and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”). The accounting policies and basis of preparation are the same as those used in the annual financial statements for the year ended 31 December 2001 except that the following new and revised HKSSAPs issued by the HKSA have been adopted for the first time in the preparation of the current periods’ condensed consolidated financial statements.

These revised HKSSAPs prescribed new disclosure practices. The major effects of adopting these revised HKSSAPs are summarised as follows:

HKSSAP 1 (revised):	Presentation of Financial Statements
HKSSAP15 (revised):	Cash Flow Statements
HKSSAP 33:	Discontinuing Operations
HKSSAP 34:	Employee Benefits

HKSSAP 1 (revised) prescribes the basis for presentation of financial statements and sets out guidelines for their structure and minimum requirements of the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

HKSSAP 15 (revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classified cash flows during the period into operating, investing and financing activities. The condensed consolidated statement of changes in equity for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

HKSSAP 33 prescribes the basis for segregating information about a major operation that an enterprise is discontinuing from information about its continuing operations and to specify minimum disclosures about a discontinuing operation. This HKSSAP has had no significant impact on these financial statements.

HKSSAP 34 prescribes the accounting treatment and disclosures for employee benefits. This HKSSAP has had no significant impact on these financial statements.

The adoption of the above revised and new HKSSAPs has had no material effect on the amounts reported in prior years.

These unaudited condensed consolidated interim financial statements have been reviewed by the audit committee of the Company (the “Committee”) and were approved by the Board of Directors on 16 September 2002.

2. Turnover

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.

No segmental information was disclosed as all the Group's turnover were generated from the sales of printed circuit boards ("PCBs") to Hong Kong based consumer electronic products manufacturers with production facilities in Guangdong Province, the People's Republic of China (the "PRC").

3. Profit from Operating Activities

The Group's profit from operating activities is arrived at after charging (crediting):

	Unaudited	
	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Depreciation	7,596	4,308
Interest income	<u>(120)</u>	<u>(15)</u>

4. Taxation

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the current and prior period.

Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Unaudited	
	Six months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
Current period provision for elsewhere	<u>1,945</u>	<u>1,640</u>

5. Dividends

The directors do not recommend any interim dividend for the six months ended 30 June 2002.

6. Earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$20,525,000 (2001: HK\$20,737,000) and the weighted average of 1,117,458,000 (2001: 1,020,000,000) ordinary shares.

The weighted average number of shares used to calculate the basic earnings per share for the six months ended 30 June 2002 includes the above-mentioned 1,020,000,000 pro-forma issued share capital of the Company in issue prior to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the 180,000,000 ordinary shares issued to the public on 25 March 2002 in connection with the listing of the Company's shares on the Stock Exchange.

The weighted average number of shares used to calculate the basic earnings per share for the six months ended 30 June 2001 includes 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 Lassie Palace and the capitalisation issue of 1,000,000,000 shares.

No diluted earnings per share have been presented for the six months ended 30 June 2001 and 2002 as there were no potential dilutive ordinary shares in existence for the periods end.

Business Review

The downturn of the Asian economy, as well as the global economy, in the year 2001 has continued to adversely affect our competitors. However, we also faced stronger competition as more companies are seeking to take advantage of China's entry into the World Trade Organisation. We are aware that price will remain an integral part of our ability to compete, and we continue to seek a more cost-effective manufacturing process. We are also emphasising our high quality standards (ISO 9001 and ISO 9002), comparatively long operating history in China, hard working company culture and goodwill with our existing client base. We remain confident in our mix of competitive pricing with established qualitative factors.

During the six months ended 30 June 2002, the Company has continued to focus on building shareholder value and improving our capacity for productivity. Net sales, net profit attributable to shareholders and gross profit for the six months ended 30 June, 2002 were HK\$101,932,000, HK\$20,525,000 and HK\$29,287,000, respectively. We are continuing to focus more efforts and resources on the production of high density PCBs and high electric resistance conductive carbon PCBs. The high electric resistance conductive carbon PCBs are used in game products. We believe that toy and game markets will be one of the first sectors in the industry to be recovered in 2002 from the global economic downturn.

Future Prospects

In a report issued in May 2002, the Copper Clad Laminates Association ("CCLA") reported that the global economic downturn had relatively less impact on the demand for copper clad laminates in China. The CCLA forecasted that the demand for copper-clad laminates, which are used in Hi-Fi equipment, VCR's, DVD players, televisions and high resolution televisions and monitors should reach annual production levels similar to those in 2002. In order to meet this growing demand, management has decided to invest in the construction of a new factory in Shanghai, China. This new factory in Shanghai, which will be held by our newly formed subsidiary Wisdom World Limited, will be dedicated to the manufacturing V0 copper-clad laminate boards ("V0"). The total investment for the new factory is estimated at HK\$81,600,000. We plan to fund the construction in part with the proceeds of a loan of HK\$20,000,000 with banks, and, if necessary, we may raise additional capital through equity or other method of financing. The target date for pilot production is March 2003 and we plan to start commercial production in June 2003.

V0 has shown itself to be a much more reliable product than the popular 94HB copper-clad laminate board ("94HB") traditionally used in the industry. We believe that given its track record for reliability, it is inevitable that the V0 will eventually replace the 94HB. Our objective is to make the V0 as a new core product of the Company. We believe that by using newly developed sophisticated machinery imported from Japan and Taiwan, this new product has the potential of favorably impacting on the Company's overall financial performance. By the summer of 2003, we hope to become a competitor in the copper-clad laminate boards market.

Liquidity and Financial Resources

The Group continues to be in a strong financial position with cash and bank balances of approximately HK\$9,799,000 as at 30 June 2002. As at 30 June 2002, the Group's current ratio, as a ratio of current assets to current liabilities, was 134% (31 December 2001: 144%) and the Group's gearing ratio, as a ratio of total interest-bearing borrowings to total assets, was 1.4% (31 December 2001: 8.4%).

The bank borrowings of the Group as at 30 June 2002 were approximately HK\$2,034,000 (31 December 2001: HK\$7,623,000), which were denominated in Hong Kong Dollar, bearing interest at approximated HIBOR plus 1.75%.

Most of the Group's monetary assets are denominated in Hong Kong dollar. The foreign exchange fluctuation between Hong Kong dollar, US dollar and Renminbi is not material. Thus, the exchange rate risk of the Group is considered to be minimal.

Employees and Remuneration Policies

As at 30 June 2002, the Group had 7 staff working in Hong Kong. In addition, 666 workers were employed by the Group in the PRC at a factory located in Dongguan. The Group remunerates its employees largely based on industry practice.

Remuneration packages comprised salary, commissions and bonuses based on individual performance.

Purchase, Redemption or Sale of Listed Securities of the Company

The Company's shares were listed on the Stock Exchange on 27 March 2002. Save as disclosed above, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2002.

Audit Committee

On 6 March 2002, the Company established an audit committee (the "Committee") with written terms of reference in compliance with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange. 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 Group's unaudited financial statements for the six months ended 30 June 2002 have been reviewed by the Committee and approved by the Board of Directors on 16 September 2002.

Disclosure of information on the Stock Exchange's website

Information that is required by paragraphs 46(1) to 46(6) of Appendix 16 of Listing Rules will be released on the website of the Stock Exchange on or about 16 September, 2002. The interim report of the Company will be despatched to its shareholders before the end of September 2002.

By order of the Board of
Fu Cheong International Holdings Limited
HO Wing Cheong
Chairman

Hong Kong, 16 September 2002

* *For identification purposes only*

"Please also refer to the published version of this announcement in China Daily".