



FU CHEONG INTERNATIONAL HOLDINGS LIMITED

富昌國際控股有限公司*

(incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2002

RESULTS

The board of directors of Fu Cheong International Holdings Limited (the “Company”) is pleased to announce the audited combined results of the Company and its subsidiaries (the “Group”) (note 1) for the year ended 31 December 2002 together with comparative figures for the previous year as follows:

		Combined (Note 1)	
	<i>Notes</i>	2002 HK\$'000	2001 HK\$'000
Turnover	2	172,397	202,728
Cost of sales		(136,770)	(143,657)
Gross profit		35,627	59,071
Other revenue		317	208
Selling and distribution expenses		(897)	(847)
Administrative expenses		(15,864)	(9,806)
Other operating expenses		–	(2,963)
Profit from operating activities		19,183	45,663
Finance costs	2	(386)	(310)
Profit before taxation		18,797	45,353
Taxation	3	(2,990)	(4,790)
Net profit from ordinary activities attributable to shareholders		15,807	40,563
Dividends	4	–	(13,000)
Earning per share	5		
Basic		1.4 cents	4.0 cents
Diluted		N/A	N/A

Notes:

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 23 May 2001 under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Group reorganisation

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 27 March 2002, the Company became the holding company of the companies now comprising the Group on 6 March 2002 (the "Group Reorganisation"). This was accomplished by acquiring the entire issued share capital of Lassie Palace Limited ("Lassie Palace"), the intermediate holding company of the subsidiaries of the Group, 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 Lassie Palace, and the crediting as fully paid at par the existing 10,000,000 nil paid shares held by such shareholder.

Basis of presentation

The Group Reorganisation involved companies under common control. As the Group Reorganisation took place on 6 March 2002, according to the Hong Kong Statement of Standard Accounting Practice No. 2.127 "Accounting for Group Reconstructions", the Company together with its subsidiaries should only be regarded and accounted for as a continuing group in the preparation of the Group's financial statements commencing from the year ending 31 December 2003. All significant transactions and balance among the companies comprising the Group have been eliminated on combination.

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 combination.

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

Profit from operating activities is arrived at after charging depreciation charge of HK\$18,062,000 (2001: HK\$9,099,000).

3. 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 year (2001: Nil).

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:

	2002 <i>HK\$'000</i> <i>(note 1)</i>	2001 <i>HK\$'000</i> <i>(note 1)</i>
Current year provision for elsewhere	2,990	4,790

There was no significant unprovided deferred tax liability in respect of the year (2001: Nil) for which provision has not been made.

4. DIVIDENDS

No dividend has been paid or declared by the Company since the date of its incorporation. The dividends were paid by a subsidiary of the Company to its then shareholders prior to the Group Reorganisation as set out in note 1 above.

5. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders for the year of approximately HK\$15,807,000 (2001: HK\$40,563,000) and the weighted average of 1,157,599,000 (2001: 1,020,000,000) shares deemed to have been issued throughout the year.

There were no dilutive ordinary shares in existence for the two years ended 31 December 2002, and accordingly, no diluted earnings per share has been presented.

MAJOR DIFFERENCE BETWEEN THE AUDITED AND UNAUDITED RESULTS

In the unaudited financial statement of the Group announced in the announcement of the Company dated 29 April 2003, the profit of the Group was approximately HK\$20,148,000.

Approximately HK\$4.3 million adjustment were made in the final audited results. Details please refer to the reconciliation below:

	2002 HK\$'000
Profit per management accounts	20,148
Provision for contingent cost in China Factory	(1,500)
Adjustment in value inventory	(443)
	<hr/> 18,205 <hr/>
Interest income	<hr/> 2 <hr/>
	<hr/> 18,207 <hr/>
Audit fee	(850)
Loss on exchange	(1)
Overprovision of legal fee	200
Sundry expenses	(1,591)
Travelling expenses	(126)
MPF	(1)
	<hr/> 15,838 <hr/>
Bank interest	<hr/> (31) <hr/>
Profit per audited financial statement	<hr/> 15,807 <hr/>

OPINION OF THE AUDITORS

Basis of Opinion

Lam, Kwok, Kwan & Cheng C.P.A. Limited, the auditors of the Company (the "Auditors"), conducted their audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants except the scope of their audit was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

The Auditors planned and performed their audit so as to obtain all the information and explanations which they considered necessary in order to provide them with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to them was limited by the matters referred to below:

- (a) They were initially appointed as the Company's auditor on 11 September 2003 which was subsequent to the end of the Company's financial year. They were unable to attend the physical inventory taking carried out by the Directors at the balance sheet date. Due to the time constraint, the Company was not able to arrange a roll back inventory test. The Auditors were unable to carry out any other satisfactory audit procedures to obtain adequate assurance regarding the valuation of inventories in the amount of HK\$3,103,745 as stated in the balance sheet. Any adjustment to the figure may have a consequential significant effect on the loss and net liabilities as at 31 December 2002.
- (b) The Group had paid deposits of approximately HK\$30.5 million, of which approximately HK\$26 million were paid by cash during the period from 28 August 2002 to 19 December 2002, to three companies in Mainland China in respect of the construction of a plant and related air-conditioning, water and electrical connection infrastructure in Jiangyin, Jiangsu Province, the PRC. Aggregate contract sum of the works

concerned was amounted to approximately HK\$41 million. The construction works were suspended due to shortage of financial resources and the whole project was sold to a third party at very heavy loss in the forthcoming year. For those cash payments, the Auditors were unable to obtain third parties evidence in supporting the delivery of cash except receipts and confirmations from the recipients.

- (c) Approximately HK\$19 million out of the total acquisition of machinery for the year of HK\$43 million was paid by cash, of which approximately HK\$6.5 million were sold to third parties subsequent to the balance sheet date. For those cash payments, the Auditors were unable to obtain adequate third parties evidence in supporting the delivery of cash except receipts and confirmations from the recipients.
- (d) Approximately HK\$30 million out of the total purchase of HK\$73 million (total purchase for the year is HK\$97 million) from the top 5 major suppliers were settled by cash. For those cash payments, the Auditors were unable to obtain third parties evidence in supporting the delivery of cash except receipts and confirmations from the recipients.

In forming their opinion, the Auditors also evaluated the overall adequacy of the presentation of information in the financial statement. The Auditors believed that their audit provides a reasonable basis for their opinion.

Qualified Opinion Arising from Limitation of Audit Scope

Except for any adjustments that might have been found to be necessary had the Auditors been able to obtain sufficient evidence for the matters referred to in the above paragraphs, in the opinion of the Auditors, the financial statements give a true and fair view, in all material respects, of the state of the Company's affairs as at 31 December 2002 and of its results and cash flow statement for the year then ended and have been properly prepared in accordance with the Companies Ordinance (Chapter 32 of the laws of Hong Kong).

FINANCIAL REVIEW

The Group's turnover and net profit attributable to the shareholders for the year ended 31 December 2002 amounted to approximately HK\$172,397,000 and HK\$15,807,000 represented a decrease of approximately 15% and 61%, respectively over the corresponding period in 2001. The basic earnings per share for the year under review were HK1.4 cents.

BUSINESS REVIEW

The Group manufactures PCBs in the PRC and sells the products to consumer electronics manufacturers that are based in Hong Kong but with production facilities in the PRC.

Our PCB portfolio comprises five categories - carbon through hole paper phenolic PCBs, single-side PCB with carbon jumper, paper phenolic double-side plate through hole PCB, high density PCB and mylar PCB (carbon/silver paste). PCB is the key material for myriad consumer electronic products, and different PCBs are deployed for the manufacture of calculators, remote controls, portable game sets, watches, data banks, PDAs, MP3 players, digital cameras, universal serial bus devices, joy stick, audio, car accessories and telecommunications devices.

Our comprehensive and well-balanced product mix of quality assured PCBs has enabled us to cater to changing market demands and evolving industry trends.

Demand for the Group's other PCBs dropped substantively during the year under review which appeared to be affected by the investigation by Independent Commission Against Corruption, details of which has been disclosed in the Company's announcement dated 29 April 2003; and the strike which occurred in the container terminal in the west coast in the United States of America during the end of 2002, but a production still flow throughout the year. We were also certainly requited by the accomplishments made in increasing production efficiency and cost effectiveness through implementation of stringent control measures on our operation and quality assurance.

BUSINESS PROSPECTS

We hope the Closer Economic Partnership Arrangement between Hong Kong and the Mainland will bring a recovery to Hong Kong economy. We continue to be optimistic as to the future prospects of our PCB manufacturing and sales business.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank balances as at 31 December 2002 were mostly held in Hong Kong dollars. The Group's borrowings as at 31 December 2002 were made in Hong Kong dollars and bore interest at prime rate or HIBOR plus 1% per annum. As at 31 December 2002, the Group's borrowings amounted to approximately HK\$13.8 million, all of which was repayable within one year. The gearing ratio of the Group as at 31 December 2002, calculated as a ratio of total interest-bearing borrowings to total assets, was approximately 10%. Net current assets as at 31 December 2002 was approximately HK\$32,095,000. As the Group's transactions are mostly settled by Hong Kong dollars, Renminbi, or Hong Kong dollars pegged currencies, the Group does not consider the use of financial instruments for hedging purposes is necessary.

CONTINGENT LIABILITIES

As at 31 December 2002, the Company provided corporate guarantees to banks in connection with facilities granted to its subsidiaries and the banking facilities were utilised to the extent of approximately HK\$14 million.

Those facilities were over after September 2003.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2002, the Group had 5 staff working in Hong Kong. In addition, 453 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 comprise salary, commissions and bonuses based on individual performance. The Group operates a share option scheme for its employees and other eligible participants with a view to provide an incentive to or as a reward for their contribution to the Group. During the year ended 31 December 2002, no options were granted under the share option scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

There were no purchase, sale or redemption of the listed shares of the Company or any of its subsidiaries during the year.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company was 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 (the "Listing Rules").

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A detailed announcement of annual results of the Group for the year ended 31 December 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 of Director of
Fu Cheong International Holdings Limited
Ho Wing Cheong
Chairman

Hong Kong, 6 November 2003

* *For identification purposes only*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Fu Cheong International Holdings Limited (the “**Company**”) will be held at 4:00 p.m. on 10 December 2003 at Ailingkan Management District, Dalingshan Town, Dongguan, Guangdong Province, the People’s Republic of China for the following purposes:

1. to receive and approve the audited combined financial statements and the reports of the directors and the Company’s auditors for the year ended 31 December 2002;
2. to re-elect the directors and to authorise the board of directors to fix the director’s remuneration;
3. to re-appoint the Company’s auditors and to authorise the board of directors to fix their remuneration;

and, as special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions respectively:

4. “**THAT:**

- (a) subject to paragraph (c) below, pursuant to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with the unissued shares (each a “**Share**”) of HK\$0.01 each in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue; or (ii) the exercise of any options granted under the share option scheme of the Company adopted from time to time in accordance with the Listing Rules; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares shall not exceed the aggregate of:
 - (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and
 - (bb) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the aggregate nominal amount of any share capital of the Company purchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution),

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

- (d) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of 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 articles of association of the Company, the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) (the “**Companies Law**”) of the Cayman Islands or any other applicable law of the Cayman Islands to be held; and

- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution;

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the directors of the Company to holders of Shares on the Company’s register of members on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the directors of the Company 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, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

5. “**THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase shares (each a “**Share**”) of HK\$0.01 each in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission of Hong Kong, the Stock Exchange, the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) (the “**Companies Law**”) of the Cayman Islands and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be purchased or agreed to be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (c) for the purposes of this resolution, “**Relevant Period**” means the period from the date of 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 articles of association of the Company, the Companies Law or any other applicable law of the Cayman Islands to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution.”

6. “**THAT** conditional on the passing of resolution no. 4 above, the general mandate granted to the directors of the Company pursuant to paragraph (a) of resolution no. 4 above be and it is hereby extended by the addition to the aggregate nominal amount of the shares of HK\$0.01 each in the capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to or in accordance with such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company purchased or agreed to be purchased by the Company pursuant to or in accordance with the authority granted under paragraph (a) of resolution no. 5 above.”

By order of the board of directors of
Fu Cheong International Holdings Limited
Ho Wing Cheong
Chairman

Hong Kong, 6 November 2003

Registered office:
Century Yard
Cricket Square
Hutchins Drive
P.O.Box 2681 GT
George Town
Grand Cayman
British West Indies

*Head office and principal place
of business in Hong Kong:*
Flat 6, 3rd Floor, Block 2
Tak Fung Industrial Centre
166-176 Texaco 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 one or more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the offices of the Company's Hong Kong branch share registrar, Tengis Limited at 28th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 48 hours before the time of the meeting or any adjourned meeting.
3. In relation to the proposed resolutions numbered 4 and 6 above, approval is being sought from the shareholders for the grant to the Directors of a general mandate to authorise the allotment and issue of shares of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The Directors have no immediate plans to issue any new shares of the Company other than shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme which may be approved by the shareholders.
4. In relation to the proposed resolution no. 5 above, the Directors wish to state that they will exercise the powers conferred thereby to purchase shares of the Company in circumstances which they deem appropriate for the benefit of the shareholders. An explanatory statement containing the information necessary to enable the shareholders to make an informed decision to vote on the proposed resolution as required by the Listing Rules will be set out in a separate document to be despatched to the shareholders.

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