FU CHEONG INTERNATIONAL HOLDINGS LIMITED

富昌國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

2003 INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2003 AND CHANGE OF DIRECTORS

FINANCIAL HIGHLIGHTS

- Turnover decreased 81% to HK$19,514,000
- Net income decreased 383% to HK$-58,047,000
- Basic earnings per share were HK$-4.8cents
- Cash and cash equivalents amounted to HK$2,174,000
- Current ratio (current assets to current liabilities) was 86 %
- Gearing ratio (total interest-bearing borrowings to total assets) was 5%

The board (the "**Board**") of directors (the "**Directors**") of Fu Cheong International Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2003 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited Six months ended 30 June	
		2003	2002
	Notes	***HK$'000***	*HK$'000*
Turnover	2	**19,514**	101,932
Cost of sales		**(23,192)**	(72,645)
Gross profit		**(3,678)**	29,287
Other revnue		**143**	233
Selling and distribution expenses		**(466)**	(430)
Administrative expenses		**(6,236)**	(6,456)
Extraordinary expenses	3	**(47,441)**	–
Profit from operating activities	4	**(57,658)**	22,634
Finance costs		**(189)**	(164)
Profit before tax		**(57,847)**	22,470
Tax	5	**(200)**	(1,945)
Net profit from ordinary activities attributable to shareholders		**(58,047)**	20,525
Dividends	6	**–**	–
Earning per share	7		
Basic		**(4.8 cents)**	1.8 cents
Diluted		**N/A**	N/A

Notes:

1. Basis of presentation and accounting policies

The unaudited condensed consolidated interim financial statements of the Group 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 ("**Listing Rules**") Governing the Listing of

Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The accounting policies and basis of preparation are the same as those used in the annual financial statements for the year ended 31 December 2002 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 HKSSAPs are summarised as follows:–

HKSSAP12 (Revised): Income Taxes

In the current period, the Group has adopted SSAP 12 (revised) "Income Taxes". The effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12(Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statement and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. No provision for Hong Kong profit tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. So, the SSAP has had no significant impact on these financial statement.

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

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 was 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. A subsidiary factory - Jiang Yin Hong Yuan New Materials Limited, located in Jiangyin, Shanghai, the PRC was established on 13 August 2002. It was dedicated to the manufacture of V0 copper-clad laminate boards. The total investment for the new factory was estimated at HK$81,600,000. The Group planned to fund the construction in part with the proceeds of a loan of HK$20,000,000 with banks. The target date for pilot production was March 2003. Since the major bankers had cancelled and revised our bank facilities after 16 December 2002, the management of the Group (the "**Management**") was forced to shelve this project. The Directors estimated that approximately HK$47.8 million loss will be realised at the third quarter of 2003. The provision had been made in this period.

4. Profit from Operating Activities

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

	Unaudited Six months ended 30 June	
	2003	2002
	HK$'000	*HK$'000*
Depreciation	**8,287**	7,596
Interest income	**0**	(120)
Loss on disposal	**1,186**	–

5. Taxation

The Directors considered that the Group did not generate any assessable profits arising in Hong Kong during the current and prior period. However, the Group will provide fifty thousand dollars deposit for Hong Kong tax which used for conditional stand over order-objection against notice of assessment for the year of assessment 1996/97 dated 7 May 2003. Further provision will be made at the end of the year if it is necessary.

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	
	2003	2002
	HK$'000	*HK$'000*
Current year provision for elsewhere	**200**	1,945
Provision for Hong Kong tax assessment	**50**	0

6. Dividends

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2003.

7. Earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to the shareholders for the six months ended 30 June 2003 of HK$-58,047,000 (2002 : HK$20,525,000) and the weighted average of 1,200,000,000 (2002 : 1,117,458,000) ordinary shares.

No diluted earnings per share have been presented for the six months ended 30 June 2002 and 2003 as there were no potential dilutive ordinary shares in existence for those periods end.

BUSINESS REVIEW

There was a steady development in PCBs industry in 2003. However, some anxious events had happened, such as the tension of Middle East, terrorism and the outbreak of Severe Acute Respiratory Syndrome ("**SARS**"). The business of the Group was affected by those events and the sales order had dropped significantly.

The prices of laminate had pushed upward for approximately 20%, because the price of crude oil had raised in middle of 2003. On the same time the cost of cladding increased for approximately 10% due to the precious metal prices had pushed upward at the year-end. However, the Management considers these problems are normal for the Group of which had a history of over 12 year.

Manufacturing industry is wide-scale, include development, design, production, sale, logistics and finance. To overcome the problem is a part of the life. Referring to the previous track record results of the Group, the Management has proven its ability to overcome those problems.

The Management has rich experience in PCBs industry. We estimated that the Hong Kong's and global economies will recovery soon. The Management believes that the economy recovery would bring up the demand of the electronic product market at 2003 and it would stimulate the demand for the PCBs. Under such estimations in 2002, we believe that it was the suitable time for investment. The Group's decided to invest HK$80 million to set up a new factory for manufacturing laminated boards in the Eastern China with an annual production capacity of 3 million square meters of laminated boards and an annual turnover of approximately HK$150 million. The Group's had reached an agreement with the local government in Jiangyin with a good bargain, ordered high technology machines with suppliers and invested approximately HK$47 million. We scheduled to commence pilot production in the first quarter of 2003. Increasing demand for the laminates and the price of laminated board has increased over 20% in 2002-2003, this proved that we had made an accurate estimation. However, this project was failed at the end due to many unexpected events, including the major bankers of the Group, the suppliers and building contactors required earlier settlement, because of the investigation by the Independent Commission Against Corruption. The Group forced to delay the project due to inadequate capital. In 2003, the investment agreement was cancelled by the local government in Jiangyin because the Group could not inject adequate capital. During the period of the outbreak of SARS, in order to limit loss of the project, the Management decided to turn down the whole projects and sold some contracts for RMB 1 million. We believed that this alternative can minimise the loss, stabilise the Group's financial situation and enable the Group to repay the bank loans in a few months.

The Group's turnover was approximately HK$19,514,000, gross loss ("**G.L.**") was HK$3,678,000, comparing with the turnover and gross profit ("**G.P.**") of same period of 2002 (approximately HK$101,932,000, HK$29,287,000 respectively). The Management believed that total cost shall come down and meet the break-even point. However, our suppliers, customers and bankers began to lose patience and the major bankers cancelled the bank facilities and the suppliers reduced the credit limit. The Management has tried to remedy the situation but the choices left for us were little. It caused a shortage of raw material for production. A lot of customers decreased their orders. The Management had tried their best and will continue to improve the financial situation of the Group.

FUTURE PROSPECTS

The Management has never avoid to overcome the problems and believe that the problems could be solved. The Management believes that the Group will earn back for investment of our shareholders in around 2005.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to be in a tight financial position with cash and bank balances of approximately HK$2,174,000 as at 30 June 2003. As at 30 June 2003, the Group's current ratio, as a ratio of current assets to current liabilities, was 86% (30 June 2002 : 134%) and the Group's gearing ratio, as a ratio of total interest-bearing borrowings to total assets, was 5% (30 June 2003 : 1.4%).

The bank borrowings of the Group as at 30 June 2003 were approximately HK$3,876,000 (30 June 2002 : HK$ 2,034,000), which were denominated in Hong Kong Dollar, bearing interest at approximated HIBOR plus1.75%.

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 2003, the Group had 3 staffs working in Hong Kong. In addition, 294 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 Company operates a share option scheme (the "**Scheme**"), for the purpose or providing incentives and rewards to eligible participants for their contribution to the Group. Eligible participants of the Scheme include the Directors, including independent non-executive Directors, other employees or proposed employees of the Group, suppliers of goods or services to the Group, customers of the Group, any person or entity that provides research, development or other technological support to the Group and shareholders of any member of the Group. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 27 March 2002 and, unless otherwise cancelled or amended, will remain in force for a period of 10 years from that date.

No options had been granted or agreed to be granted under the Scheme up to the date of this announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company's shares were listed on the Stock Exchange on 27 March 2002. 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 2003.

AUDIT COMMITTEE

On 6 March 2002, the Company established the Audit Committee (the "**Committee**") with written terms of reference in compliance with Code of Best Practice as set out in Appendix 14 of the Listing Rules. The primary duties of the Committee are to review and supervise the financial reporting process and internal controls 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 2003 have been reviewed by the Committee and approved by the Board on 18 February 2004.

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 in due course. The interim report of the Company will be despatched to its shareholders on or before 27 February 2004.

CHANGE OF DIRECTORS

Mr Ho Wing Hung and Ms Xie He Ping have resigned from their office of executive Director and independent non-executive Director respectively with effect from 18 February 2004. In addition, the Board is pleased to announce the appointment of Ms Ho Marjorie and Mr Shum Man Wah as the executive Director and independent non-executive Director with effect from 18 February 2004. On behalf of the Company, the Board would like to express their gratitude to Mr Ho Wing Hung and Ms Xie He Ping for their contribution during their term of office with the Company.

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

Hong Kong, 18 February 2004

* *For identification purposes only*

Please also refer to the published version of this announcement in China Daily dated 19 February 2004.