



FU CHEONG INTERNATIONAL HOLDINGS LIMITED

富昌國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 916)

2004 INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2004 AND APPOINTMENT OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR

FINANCIAL HIGHLIGHTS

- Turnover decreased 57% to HK\$8,313,000
- Net loss reduced 85% to HK\$8,702,000
- Basic earnings per share were HK\$-0.7cents
- Cash and cash equivalents amounted to HK\$327,000
- Current ratio (current assets to current liabilities) was 54 %
- Gearing ratio (total interest-bearing borrowings to total assets) was 0%

FU CHEONG INTERNATIONAL HOLDINGS LIMITED

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 (collectively the “Group”) for the six months ended 30 June 2004 as follows:

Condensed Consolidated Profit and Loss Account

	<i>Notes</i>	Unaudited	
		Six months ended 30 June	
		2004	2003
		<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	2	8,313	19,514
Cost of sales		(9,804)	(23,192)
GROSS PROFIT/(LOSS)		(1,491)	(3,678)
Other revenue		134	143
Selling and distribution expenses		(158)	(446)
Administrative expenses		(5,775)	(6,236)
Extraordinary expenses		–	(47,441)
PROFIT FROM OPERATING			
ACTIVITIES	3	(7,290)	(57,658)
Finance costs		–	(189)
PROFIT BEFORE TAX		(7,290)	(57,847)
Tax	4	(1,412)	(200)
NET PROFIT/(LOSS) FROM			
ORDINARY ACTIVITIES			
ATTRIBUTABLE TO			
SHAREHOLDERS		<u>(8,702)</u>	<u>(58,047)</u>
DIVIDENDS	5	–	–
EARNING PER SHARE	6		
Basic		(0.7 cents)	(4.8 cents)
Diluted		N/A	N/A

Notes:

1. Basis of presentation and accounting policies

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 (the “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 2003.

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.

Segment information

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. Profit from Operating Activities

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

	Unaudited	
	Six months ended 30 June	
	2004	2003
	HK\$’000	HK\$’000
Depreciation	5,450	8,287
Interest income	—	—
Loss on disposal	3,937	1,186
	<u> </u>	<u> </u>

4. 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 approximately two hundred ninety-nine thousand dollars provision in this period for Hong Kong tax of which was used for conditional stand over order-objection against notice of assessment for the year of assessment 1996/97 dated 7 May 2003 and 1997/98 dated 21 January 2004. 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. During the period of first half year of 2004, the Directors regard over provision for these taxes based on information collected in the countries in which the Group operates. So, the director decided to re-allocate some provision to general reserve.

	Unaudited	
	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Current year provision for elsewhere	83	200
Provision for HongKong tax assessment	299	50
	<u> </u>	<u> </u>

5. Dividends

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2004.

6. 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 2004 of HK\$-8,702,000 (2003: HK\$-58,047,000) and the weighted average of 1,200,000,000 (2003: 1,200,000,000) ordinary shares.

No diluted earnings per shares have been presented for the six months ended 30 June 2003 and 2004 as there were no potential dilutive ordinary shares in existence for those periods end.

Business Review

The Group experienced the worst of time for the year ended December 2003. As a result of the Independent Commission Against Corruption, (“ICAC”) Investigation, the Group faced tremendous pressure from suppliers, financiers and creditors to transact the Group’s businesses in cash and near cash basis. In addition, the business drive of the Group was hindered because of the creditability allegation and management took extreme measure to safeguard the continuation of the operations by selling off certain non-vital businesses pursuits, reducing the administrative expenses by retaining solely the core employees, scaling down capital commitments to preserve the adequacy of the capital base. More so, starting from the first quarter of 2004, the total remuneration of all Directors took approximately near to 90% reduction. The Directors all demonstrated their unswerving support of the Group’s operations.

For the period under review, the management strived to stabilize the operations and maintained a healthy sales volume averaging HK\$ 1.5 million monthly. The Group continued to secure additional financing in order to attain the volume, which is so vital to turn the operations into profitable. The performance was affected during 2004 as the price of laminated board had increased by approximately 20%. Furthermore, the costs of claddings increased by 10% due to higher metal prices and wastage from operation due to insufficient time spent by management as resources were directed to resolve the ICAC Investigation. Nevertheless, losses of the Group was reduced from HK\$57 million for the period ended June 2003 to loss of HK\$ 8 million before exception item for the period ended 30 June 2004. The management is pleased to state that, all these unfavorable incidents could be put aside from now on, and full concentration could be made to improve on the financial situation of the Group once the re-structuring and resumption plans are implemented.

Future Prospects

In line with the recovery of the local and global economy and the anticipation of brighter prospects of the electronic industry, the management is optimistic that the Group’s result for the year ending 31 December 2004 should be more promising than last year.

The top priority of the management is to return to profitable and provide a reasonable return to shareholders. The Directors were deeply moved by the support shown during the annual general meeting of the Company held in May 2004 by the shareholders of the Company. For the past two years, the management resolved many problems and this could never be achieved without the dedication and unquestionable loyalty of the staffs and workers of our factory in Dongguan. We are proud to state that with such commitment, we surpass our rivals in terms of product quality and reliability. The management considered that the fundamental attributes of the Group's production and staff quality should enable us to attain the corporate goal and reinstate the performance of the past.

Subsequent Event

Pursuant to the restructuring plan of the Group, it is intended that one of the wholly owned subsidiaries, Horn Kingdom Limited, shall be disposed of shortly to an independent third party, who is not related to and does not have any relationship with any of the substantial shareholder, Directors, chief executive of the Company or any of their respective associates (as defined in the Listing Rules). As the net asset value of Horn Kingdom Limited is nominal, the aforesaid disposal does not constitute a connected transaction or a notifiable transaction and therefore is not subject to any reporting or announcement requirements under the Listing Rules.

Liquidity and Financial Resources

The Group continues to be in a tight financial position with cash and bank balances of approximately HK\$327,000 as at 30 June 2004. As at 30 June 2004, the Group's current ratio, as a ratio of current assets to current liabilities, was 54% (30 June 2003: 86%) and the Group's gearing ratio, as a ratio of total interest-bearing borrowings to total assets, was 0% (30 June 2003: 5%).

The bank borrowings of the Group as at 30 June 2004 were approximately HK\$0 (30 June 2003: HK\$ 3,876,000).

Treasury Policies and Foreign Exchange Risk

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 Group's exposure to exchange rate risk is considered to be minimal.

Charges On Assets and Contingent Liabilities

As at 30 June 2004, the Group did not have any charge on assets and contingent liabilities.

Employees and Remuneration Policies

As at 30 June 2004, the Group had 2 staffs working in Hong Kong. In addition, 254 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 has adopted a share option scheme (the "Scheme"), for the purpose of 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 share 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 2004.

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 (the "Code") 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 three independent non-executive Directors. The Group's unaudited financial statements for the six months ended 30 June 2004 have been reviewed by the Committee and approved by the Board on 24 September 2004.

Code of Best Practice and Model Code

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 Listing Rules on the Stock Exchange at any time during the six months ended 30 June 2004.

The Company has adopted a code of conduct with standards not lower than those prescribed under the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules for securities transactions by the Directors of the Company. All Directors of the Company have complied with the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules and its code of conduct regarding securities transactions by the Directors of the Company.

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 dispatched to its shareholders on or before the end of 30 September 2004.

Appointment of an Independent Non- Executive Director

The Board is pleased to announce the appointment of Mr Lum Pak Sum as an independent non-executive Director with effect from 24 September 2004.

Mr. Lum Pak Sum, aged 43, is a professional accountant. He holds a master degree in business administration from the University of Warwick, UK and a LLB (Honour) degree from the University of Wolverhampton, UK. He is currently a fellow member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants. He is a full member of Hong Kong Securities Institute and also a registered person with Securities and Futures Commission in Hong Kong. Mr. Lum has over 15 years' experience in the financial field, the money market and capital market. Mr. Lum is also an independent non-executive director of Grand Field Group Holdings Limited.

As at 24 September 2004, Mr. Lum does not have any interest of shares in the Company within the meaning of Part XV of the Securities and Futures Ordinance nor any relationships with any Directors, senior management or substantial or controlling shareholders of the Company. Mr. Lum is appointed for a term of two years and is entitled to receive an annual Director's fee of HK\$60,000 determined with reference to the financial position of the Company. Mr. Lum has not entered into any service agreement with the Company.

DIRECTORS OF THE COMPANY AS AT THE DATE OF THIS ANNOUNCEMENT

Executive Directors:

Ho Wing Cheong
Ho Marjorie

Independent non-executive Directors:

Law Yau Tim
Shum Man Wah
Lum Pak Sum

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

Hong Kong, 24 September 2004

* *For identification purposes only*

Please also refer to the published version of this announcement in China Daily dated 27 September 2004.