



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)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

RESULTS

The board (“Board”) of directors (the “Directors”) of Fu Cheong International Holdings Limited (the “Company”) is pleased to announce the audited results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2004 together with comparative figures for the previous year as follows:

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December

		2004	2003
	Notes	HK\$'000	HK\$'000
Turnover	3	20,166	32,430
Cost of sales		(21,667)	(40,897)
Gross loss		(1,501)	(8,467)
Other revenue		386	475
Selling and distribution expenses		(1,101)	(737)
Administrative expenses		(9,150)	(31,759)
Other operating expenses		–	(44,441)
Loss from operating activities		(11,366)	(84,929)
Finance costs	3	–	(212)
Loss before taxation		(11,366)	(85,141)
Taxation	4	(2,350)	(1,329)
Loss from ordinary activities attributable to shareholders		(13,716)	(86,470)
Extraordinary income			
Deferred tax written back from disposed of subsidiary company	5	24,821	–
Extraordinary income			
Provision for contingent liabilities	5	(24,821)	–
Loss after extraordinary items		(13,716)	(86,470)
Dividends	6	–	–
Losses per share	7		
Basic		(1.14 cents)	(7.2 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.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and land and buildings, and the making to market of certain investments in securities as explained in the accounting policies set out below.

The financial statements of the Company has been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business although the Company has a deficiency of current assets and significant accumulated loss.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

3. 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 of the Group's turnover were generated from the sales of printed circuit boards ("PCBs") to Hong Kong based electronic products manufacturers with production facilities in Guangdong Province, the People's Republic of China (the "PRC").

Loss from operating activities is arrived at after charging depreciation charge of HK\$10,411,000 (2003: HK\$16,172,000).

4. TAXATION

The provision of Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 17.5% (2003: 17.5%). The Group had provided 1.5 millions dollars deposit 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. No further provision was made during the year.

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.

	2004 HK\$'000 (note 1)	2003 HK\$'000 (note 1)
Current year provision for Hong Kong	638	—
Current year provision for elsewhere	1,712	1,329
	<u>2,350</u>	<u>1,329</u>

There was no significant unprovided deferred tax liability in respect of the year (2003 : Nil) for which provision has not been made.

5. CONTINGENT LIABILITIES

The Company has disposed one of its subsidiaries. All tax liabilities under dispute provided for by the subsidiary company were written back as extraordinary income, however, the Company indemnify the buyer of the subsidiary company for all losses or claims from third parties, such tax liabilities were fully provided for in these financial statements.

6. DIVIDENDS

No dividend has been paid or declared by the Company since the date of its incorporation.

7. LOSSES PER SHARE

The calculation of basic earnings per share is based on the loss attributable to shareholders for the year of approximately HK\$13,716,000 (2003 : HK\$86,470,000) and the weighted average of 1,200,000,000 (2003 : 1,200,000,000) shares deemed to have been issued throughout the year.

There were no dilutive ordinary shares in existence for the two years ended 31 December 2004, and accordingly, no diluted earnings per share has been presented.

OPINION OF THE AUDITORS

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 Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, 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 accounts are free from material misstatement. In forming their opinion they also evaluated the overall adequacy of the preparation of information in the accounts. They believe that their audit provides a reasonable basis for their opinion.

UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming the Auditors opinion, the Auditors have considered the adequacy of the disclosures made in the financial statements concerning the preparation of financial statements on going concern basis in view of the significant accumulated losses of HK\$37,775 thousand and net current liabilities of HK\$26,698 thousand as at 31 December 2004. The continuance in business as a going concern is dependent upon the availability of financial support from the shareholders.

The financial statements do not include any adjustments that would result from a failure to obtain such financial support and undertakings. Details of the circumstances relating to this uncertainty are described in note 2. The Auditors consider that appropriate estimates and disclosures have been made and their opinion is not qualified in this respect.

OPINION

In their opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as 31 December 2004 and of the loss and cash flows of the Group 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 loss attributable to the shareholders for the year ended 31 December 2004 amounted to approximately HK\$20,166,000 and HK\$13,716,000, represented a decrease of approximately 37% and 84% respectively over the corresponding period in 2003. The basic losses per share for the year under review were HK1.14 cents.

The Group had no outstanding bank loans as at 31 December 2004.

BUSINESS REVIEW

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

The result of 2004 reflects our management 2003 expectation written in the 2003 Annual Report. Under guidance of cost control, we succeed our promise in 2003.

There is approximately 37.8% less in sales amount in 2004 compared with that of 2003. However, there is approximately 84.1% drop in loss. It is proved that the success of our cost control. In 2004, we restructured the Group. One subsidiary was sold and tax provision of approximately HK\$24,821,000 are written back. It also reflected our cost control concept and it will maintain effective and efficient management control.

Our PCB portfolio comprises five categories - CHPP PCB, single-side PCB with carbon jumper, paper phenolic double-side plate through hole PCB, HD PCB and mylar PCB (carbon/silver paste). Our products were supplied to the manufacturers of toys, home appliances, electronic products and office equipments.

BUSINESS PROSPECTS

We hope that we will get a better result at the end of the year 2005 if the business restructuring succeed.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank balances as at 31 December 2004 were mostly held in Hong Kong dollars. As at 31 December 2004, the Group had no outstanding borrowings. The gearing ratio of the Group as at 31 December 2004, calculated as a ratio of total interest-bearing borrowings to total assets, was 0%. Net current liabilities as at 31 December 2004 was approximately HK\$26,698,000 and current ratio was maintained at a level of approximately 22.9%. 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2004, the Group had 2 staff working in Hong Kong. In addition, 210 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 2004, 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 the then effective Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2004.

Reference is made to the announcement of the Company dated 13 December 2004. The Board acknowledges temporarily breach of Rule 3.24 of the Listing Rules after the resignation of Mr. Chan Wing Kui as the qualified accountant of the Company on 8 December 2004. The Company is now looking for suitable candidate to fill the vacancy.

AUDIT COMMITTEE

The Company established an audit committee (the “Committee”) on 6 March 2002 with written terms of reference in compliance with Code of Best Practice as set out in the then effective Appendix 14 of the Listing Rules. The primary duties of the Committee are to review and supervise the Group’s financial reporting process and internal controls. The Committee is comprised of three independent non-executive Directors, namely Mr. Law Yau Tim, Mr. Shum Man Wah and Mr. Lum Pak Sum.

The Committee had reviewed the results of the Group for the year ended 31 December 2004.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE’S WEBSITE

A detailed announcement of annual results of the Group for the year ended 31 December 2004 containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules in force prior to 31 March 2004 will be published on the website of the Stock Exchange in due course.

RESIGNATION OF THE DIRECTOR

The Board announces that Mr. Tsao Ke Wen, Calvin has resigned from the office of an executive director of the Company with effect from 18 April 2005 due to his personal reason. Mr. Tsao confirmed that there is neither any disagreement with the Board nor any matters that need to be brought to the attention of the holders of securities of the Company and The Stock Exchange of Hong Kong Limited in respect of his resignation. On behalf of the Company, the Board would like to express their gratitude to Mr Tsao Ke Wen, Calvin for his contribution during his term of office with the Company.

APPOINTMENT OF COMPANY SECRETARY

Reference is made to the announcement of the Company dated 13 December 2004 relating to, among others, the resignation of the Company Secretary of the Company. The Board also announces that Ms Chan Yuen Ying Stella was appointed as the Company Secretary of the Company with effect from 18 April 2005. Ms. Chan is an associate member of The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators.

DIRECTORS OF THE COMPANY AS AT THE DATE OF THIS ANNOUNCEMENT

Executive Directors:

HO Marjorie
YIP Shek Ling

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 Marjorie
Chairman

Hong Kong, 18 April 2005

* *For identification purposes only*

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