



FU CHEONG INTERNATIONAL HOLDINGS LIMITED

富 昌 國 際 控 股 有 限 公 司*

(incorporated in the Cayman Islands with limited liability)

INTERIM REPORT 2002

Corporate Information

DIRECTORS

Executive

HO Wing Cheong (*Chairman*)
HO Wing Hung
KWOK Shuk Wah

Independent non-executive

POON Kuai Cheong
FONG Ching Yin

LEGAL ADVISERS AS TO CAYMAN ISLANDS LAW

Conyers Dill & Pearman, Cayman
Century Yard
Cricket Square
Hutchins Drive
George Town
Grand Cayman
British West Indies

LEGAL ADVISERS AS TO HONG KONG LAW

Chiu & Partners
41st Floor, Jardine House
1 Connaught Place
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
15th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

COMPANY SECRETARY

YOUNG Chi Shan, Michael

AUDIT COMMITTEE MEMBERS

POON Kuai Cheong
FONG Ching Yin

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

Unit 2, 34th Floor
Cable TV Tower
9 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
P.O. Box 513 GT
3rd Floor, 36C Bermuda House
Dr. Roy's Drive
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
4th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

PRINCIPAL BANKERS

Dah Sing Bank Limited
Standard Chartered Bank
The Hong Kong and Shanghai Banking Corporation, Limited

The board of directors (the “Board”) of Fu Cheong International Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated 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
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
TURNOVER	3	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	4	22,634	22,556
Finance costs		(164)	(179)
PROFIT BEFORE TAX		22,470	22,377
Tax	5	(1,945)	(1,640)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		20,525	20,737
DIVIDENDS	6	–	13,000
EARNINGS PER SHARE	7		
Basic		1.8 cents	2.0 cents
Diluted		N/A	N/A

Condensed Consolidated Balance Sheet

		Unaudited	Audited
		As at	As at
		30 June 2002	31 December 2001
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets	8	76,943	28,340
CURRENT ASSETS			
Inventories		8,054	7,663
Accounts receivable	9	46,175	47,900
Prepayments, deposits and other receivables		6,540	2,271
Cash and bank balances		9,799	4,402
		70,568	62,236
CURRENT LIABILITIES			
Interest-bearing bank borrowings		2,034	7,623
Accounts payable	10	19,654	14,521
Accrued liabilities and other payables		13,541	8,304
Amount due to holding companies		2,860	–
Tax payable		14,727	12,782
		52,816	43,230
NET CURRENT ASSETS		17,752	19,006
NET ASSETS		94,695	47,346
CAPITAL AND RESERVES			
Issued share capital	11	12,000	200
Reserves		82,695	47,146
		94,695	47,346

Condensed Consolidated Cash Flow Statement

	Unaudited	
	Six months ended 30 June	
	2002	2001
	HK\$'000	<i>HK\$'000</i>
Net cash inflow from operating activities	32,935	18,113
Net cash outflow from investing activities	(55,279)	(4,948)
Net cash inflow (outflow) from financing activities	26,713	(13,122)
Increase in cash and cash equivalents	4,369	43
Cash and cash equivalents at beginning of period	4,402	1,108
Cash and cash equivalents at end of period	8,771	1,151

ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

	2002	2001
	HK\$'000	<i>HK\$'000</i>
Cash and bank balances	9,799	1,151
Trust receipt loans with original maturity of within 3 months	(1,028)	-
	8,771	1,151

Condensed Consolidated Statement of Changes in Equity

	Unaudited Six months ended 30 June 2002					
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2002	200	-	(259)	801	46,604	47,346
New issue and placing of shares	1,800	34,200	-	-	-	36,000
Capitalization of shares premium	10,000	(10,000)	-	-	-	-
Share issuance expenses	-	(9,176)	-	-	-	(9,176)
Profit attributable to the shareholders	-	-	-	-	20,525	20,525
At 30 June 2002	<u>12,000</u>	<u>15,024</u>	<u>(259)</u>	<u>801</u>	<u>67,129</u>	<u>94,695</u>
	Unaudited Six months ended 30 June 2001					
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2001	200	-	(259)	801	19,041	19,783
Profit attributable to the shareholders	-	-	-	-	12,316	12,316
Dividends	-	-	-	-	(13,000)	(13,000)
At 30 June 2001	<u>200</u>	<u>-</u>	<u>(259)</u>	<u>801</u>	<u>18,357</u>	<u>19,099</u>

Notes to Condensed Consolidated Financial Statements

1. Group reorganisation

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

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 as set out below, 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 the former shareholders of Lassie Palace.

Particulars of the subsidiaries that were acquired by the Company pursuant to the Group Reorganisation are set out below:

Name	Place of incorporation/ registration and principal operations	Issued and fully paid up share capital/ registered capital	% of equity attributable to the Company		Principal activities
			Direct	Indirect	
Lassie Palace Limited	British Virgin Islands	US\$1,000	100%	-	Investment holding
Ford Reach (HK) Limited	Hong Kong	HK\$1,000	-	100%	Dormant
Fortune (Conductive Carbon) PCB Factory Company Limited	British Virgin Islands	US\$100	-	100%	Trading of printed circuit boards ("PCBs")
Horn Kingdom Limited	British Virgin Islands	US\$1	-	100%	Provision of technical engineering and consultancy services
Fortune (Hong Kong) PCB Factory Company Limited	Hong Kong	HK\$1,000,000	-	100%	Investment holding
Dongguan Fortune Circuit Factory Company Limited ("Dongguan Fortune")	Peoples' Republic of China ("PRC")	HK\$8,400,000	-	100%	Manufacture of PCBs

2. 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 on 16 September 2002.

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 consolidation.

Segment Information

No segmental information was disclosed as all the Group's turnover was generated from the sales of PCBs to Hong Kong based consumer electronic products manufacturers with production facilities in Guangdong Province, the PRC.

4. 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	(120)	(15)

5. 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	<i>HK\$'000</i>
Current period provision for elsewhere	<u>1,945</u>	<u>1,640</u>

6. Dividends

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

7. 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, as set out in Note 11.

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 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.

8. Fixed assets

The changes in the net book value of fixed assets for the six months ended 30 June 2002 are analysed as follows:

	Unaudited As at 30 June 2002 HK\$'000
At 1 January 2002	28,340
Additions	56,199
Depreciation	(7,596)
	<hr/>
At 30 June 2002	76,943
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9. Accounts receivable

An aged analysis of the accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	Unaudited As at 30 June 2002 HK\$'000	Audited As at 31 December 2001 HK\$'000
Outstanding balances aged:		
Within 30 days	29,837	17,891
Between 31 to 60 days	7,132	15,997
Between 61 to 180 days	9,206	14,012
	<hr/>	<hr/>
	46,175	47,900
	<hr/> <hr/>	<hr/> <hr/>

10. Accounts payable

An aged analysis of the accounts payable as at the balance sheet date, based on invoice date, is as follows:

	Unaudited As at 30 June 2002 HK\$'000	Audited As at 31 December 2001 HK\$'000
Outstanding balances aged:		
Within 30 days	16,869	11,095
Between 31 to 60 days	1,231	2,423
Between 61 to 180 days	1,554	1,003
	<hr/>	<hr/>
	19,654	14,521
	<hr/> <hr/>	<hr/> <hr/>

11. Share capital

The following movements in the Company's authorised and issued share capital took place during the period from 23 May 2001 (date of incorporation) to the date of these financial statements.

- (a) On incorporation, the authorised share capital of the Company was HK\$200,000 divided into 20,000,000 shares of HK\$0.01 each.
- (b) On 29 May 2001, 10,000,000 shares were allotted and issued nil paid.
- (c) On 6 March 2002, the authorised share capital of the Company was increased from HK\$200,000 to HK\$100,000,000 by the creation of a further 9,980,000 additional shares of HK\$0.01 each, ranking pari passu with existing share capital.
- (d) On 6 March 2002, the Company;
 - i. issued an aggregate of 10,000,000 new shares of HK\$0.01 each credited as fully paid at par;
 - ii. credited as fully paid at par the existing 10,000,000 shares issued nil paid on 29 May 2001 as set out in (b) above;

in consideration of and in exchange for the acquisition of the entire issued share capital of Lassie Palace.

- (e) On 6 March 2002, a total of 1,000,000,000 shares of HK\$0.01 each were allotted as fully paid at par to the holders of the shares on the register of members of the Company in proportion to their then respective shareholdings at the close of business on 6 March 2002, by way of the capitalisation of the sum of HK\$10,000,000 standing to the credit of the share premium account of the Company, conditional on the share premium account being credited as a result of the new issue and placing of shares to the public as detailed in (f) below.
- (f) On 25 March 2002, a total of 180,000,000 shares of HK\$0.01 each were issued to the public at a price of HK\$0.20 each for a total cash consideration, before related expenses, of HK\$36,000,000.

A summary of the above movements in the issued share capital of the Company is as follows:

	<i>Notes</i>	Number of shares issued	Par value HK\$'000
Shares allotted and issued nil paid	<i>(b)</i>	10,000,000	–
Shares issued as consideration for the acquisition of the entire share capital of Lassie Palace	<i>(d)</i>	10,000,000	100
Application of contributed surplus to pay up nil paid shares	<i>(d)</i>	–	100
Capitalization issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of new shares to the public	<i>(e)</i>	<u>1,000,000,000</u>	<u>–</u>
Proforma issued share capital as at 31 December 2000 and 2001		1,020,000,000	200
New issue and placing of shares to the public	<i>(f)</i>	180,000,000	1,800
Capitalization of the share premium account as set out above	<i>(e)</i>	<u>–</u>	<u>10,000</u>
Share capital at the date of approval of the financial statements		<u><u>1,200,000,000</u></u>	<u><u>12,000</u></u>

Share options

The Company operates 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 Company’s 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 approval of these financial statements.

12. Related party transactions

The Group had the following transactions with related parties during the period:

	Notes	Unaudited	
		Six months ended 30 June 2002	2001
		HK\$'000	HK\$'000
Sales to a substantial shareholder of the Company	<i>i</i>	2,141	1,759
Rent paid to a related company	<i>ii</i>	120	145
Purchase from a fellow subsidiary	<i>iii</i>	8,963	6,322

- i. The Group sold PCBs to a substantial shareholder of the Company on the same terms and conditions as the Group sold its products to independent third parties.
- ii. The Group paid rent to a company, which is owned by two executive directors of the Company for the lease of office premises. The Company's directors considered that the rental was calculated by reference to open market rentals.
- iii. The Group purchased laminated sheets from a related party that became a fellow subsidiary of the Company on 31 May 2001. The Company's directors considered that the purchases will be made on the same terms and conditions offered to other customers by the related party.

13. Commitments

(a) Commitments under operating leases

As at 30 June 2002, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

	Unaudited As at 30 June 2002	Audited As at 31 December 2001
	HK\$'000	HK\$'000
Within one year	819	651
In the second to fifth years, inclusive	2,554	1,942
Over five year	—	—
	<u>3,373</u>	<u>2,593</u>

(b) *Capital commitments*

As at 30 June 2002, the Group had the following outstanding commitments not provided for in the financial statements:

	Unaudited As at 30 June 2002 HK\$'000	Audited As at 31 December 2001 HK\$'000
Authorised and contracted for in respect of capital contribution to a subsidiary established in the PRC	–	3,000
Authorised but not contracted for in respect of capital contribution to a subsidiary established in the PRC	81,600	–
	81,600	3,000

14. Post balance sheet events

A new subsidiary factory – Jiang Yin Hong Yuan New Materials Limited (“Hong Yuan”), located in Jiangyin, Shanghai, which is established on 13 August 2002. It will be dedicated to the manufacture of V0 copper-clad laminate boards. 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.

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 (“Wisdom World”), 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.

Use of Proceeds

The Group raised approximately HK\$26.8 million net of related expenses from the issue of 180 million new shares in connection with the listing of the Company's shares on the Stock Exchange on 27 March 2002. As at 30 June 2002, the net proceed have been applied as follows:

- approximately HK\$17 million to acquire additional machinery and equipment for the expansion of the Group's manufacturing capacity of high density PCBs;
- approximately HK\$5 million to refurbish and renovate the existing plant operated by Dongguan Fortune in the PRC; and
- approximately HK\$4.8 million as additional working capital of the Group.

The Group has applied the proceeds according to which set out in the Company's prospectus dated 13 March 2002.

Directors' Interests in Share Capital

As at 30 June 2002, the interests of the directors, chief executives and their associates in the share capital of the company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong) (the "SDI Ordinance"), were as follows:

Name	Nature of interest	Number of shares held
Mr. Ho Wing Cheong	Corporate (<i>Note</i>)	696,000,000

Note: These shares are owned by Advanced Technology International Holdings Limited (“Advanced Technology”), the shares of which are beneficially owned by Score One, Inc. (“Score One”). The shares of Score One are held as to 82% by I. World Limited (“I.World”). The issued shares of I.World are, in turn, beneficially owned as to 58% by Mr. Ho Wing Cheong.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.

Directors’ Rights to Acquire Shares

Save as disclosed under the heading “Share options”, and other than in connection with the Group Reorganisation and the listing of Company’s shares on the Stock Exchange, at no time during the period was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Company’s directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders

As at 30 June 2002, the following interest of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of holding
Mr. Ho Wing Cheong <i>(Note)</i>	696,000,000	58%
Advanced Technology <i>(Note)</i>	696,000,000	58%
Score One, Inc. <i>(Note)</i>	696,000,000	58%
I. World Limited <i>(Note)</i>	696,000,000	58%

Note: The entire issued shares of Advanced Technology are owned by Score One, the issued shares of which are owned as to 82% by I.World. The issued shares of I. World are in turn owned as to 58% by Mr. Ho Wing Cheong. Accordingly, each of Score One, I. World and Mr. Ho Wing Cheong is deemed to be interested in the shares of the Company held by Advanced Technology under the SDI Ordinance.

Save as disclosed above, no other person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

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 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 Listing Rules. 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 on 16 September 2002.

Code of Best Practice

In the opinion of the directors, the Company complied with the Code, as set out in Appendix 14 of the Listing Rules, during the six months ended 30 June 2002.

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

Hong Kong, 16 September 2002