

**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

**2003**

\* For identification purposes only

## **Corporate Information**

### **DIRECTORS**

#### **Executive**

HO Wing Cheong (*Chairman*)

HO Wing Hung

(resigned on 18 February 2004)

HO Marjorie

(appointed on 18 February 2004)

#### **Independent Non-Executive**

LAW Yau Tim

XIE He Ping

(resigned on 18 February 2004)

SHUM Man Wah

(appointed on 18 February 2004)

### **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 ADVISER AS TO HONG KONG LAW**

Chiu & Partners

41st Floor, Jardine House

1 Connaught Place

Hong Kong

### **AUDITORS**

Lam, Kwok, Kwan & Cheng C.P.A. Limited

*Certified Public Accountants*

Room 1502-03A, 15th Floor

Wing On House

71 Des Voeux Road Central

Hong Kong

### **COMPANY SECRETARY**

CHAN Wing Kui

### **AUDIT COMMITTEE MEMBERS**

LAW Yau Tim

XIE He Ping

(resigned on 18 February 2004)

SHUM Man Wah

(appointed on 18 February 2004)

### **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**

Flat 6, 3rd Floor, Block 2

Tak Fung Industrial Centre

166-176 Texaco Road

Tsuen Wan

New Territories

Hong Kong

Tel: 852-24068936, 24068978

Fax: 852-24068896

Email: fortpcb@fucheongint.com

### **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

28th Floor

Bank of East Asia Harbour View Centre,

56 Gloucester Road,

Wanchai,

Hong Kong

### **PRINCIPAL BANKERS**

Dah Sing Bank Limited

Standard Chartered Bank

The Hong Kong and Shanghai Banking

Corporation Limited

The board (the "Board") of directors (the "Director") 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 2003 as follows:

**Condensed Consolidated Profit and Loss Account**

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2003</b>	2002
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
TURNOVER	2	<b>19,514</b>	101,932
Cost of sales		<b>(23,192)</b>	(72,645)
<b>GROSS PROFIT/(LOSS)</b>		<b>(3,678)</b>	29,287
Other revenue		<b>143</b>	233
Selling and distribution costs		<b>(446)</b>	(430)
Administrative Expenses		<b>(6,236)</b>	(6,456)
Extraordinary expenses	12	<b>(47,441)</b>	
<b>PROFIT FROM OPERATING ACTIVITIES</b>	3	<b>(57,658)</b>	22,634
Finance costs		<b>(189)</b>	(164)
<b>PROFIT BEFORE TAX</b>		<b>(57,847)</b>	22,470
Tax	4	<b>(200)</b>	(1,945)
<b>NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>(58,047)</b>	20,525
<b>DIVIDENDS</b>	5	-	-
<b>EARNINGS PER SHARE</b>	6		
Basic		<b>(4.8 cents)</b>	1.8 cents
Diluted		<b>N/A</b>	N/A

**Condensed Consolidated Balance Sheet**

	Notes	Unaudited	
		2003	2002
		HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets	7	<b>59,087</b>	76,943
<b>CURRENT ASSETS</b>			
Inventories		<b>1,175</b>	8,054
Accounts receivable	8	<b>14,024</b>	46,175
Prepayments, deposits and other receivables		<b>55</b>	6,540
Cash and bank balances		<b>2,174</b>	9,799
		<b>17,428</b>	70,568
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		<b>3,876</b>	2,034
Accounts payable	9	<b>7,707</b>	19,654
Accrued liabilities and other payables		<b>8,688</b>	13,541
Amount due to holding companies		<b>5</b>	2,860
Tax payable		<b>24,308</b>	14,727
		<b>44,584</b>	52,816
<b>NET CURRENT ASSETS</b>		<b>(27,156)</b>	17,752
<b>NET ASSETS</b>		<b>31,931</b>	94,695
<b>CAPITAL AND RESERVES</b>			
Issued share capital	10	<b>12,000</b>	12,000
Reserves		<b>19,931</b>	82,695
		<b>31,931</b>	94,695

**Condensed Consolidated Cash Flow Statement**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Net cash from operating activities	<b>10,455</b>	32,935
Net cash used investing activities	<b>(297)</b>	(55,279)
Net cash used financing activities	<b>(9,944)</b>	26,713
Net increase in cash and cash equivalents	<b>214</b>	4,369
Cash and cash equivalents at beginning of the period	<b>1,960</b>	4,402
Cash and cash equivalents at end of the period represented by bank balances and cash	<b>2,174</b>	8,771

**ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS**

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Cash and bank balances	<b>2,174</b>	9,799
Trust receipt loans with original maturity of within 3 months	<b>–</b>	(1,028)
	<b>2,174</b>	8,771

**Condensed Consolidated Statement of Changes in Equity**

	Unaudited six months ended 30 June 2003					
	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 2003	12,000	15,025	(259)	801	62,411	89,978
New issue and placing of shares	-	-	-	-	-	-
Capitalisation of share premium	-	-	-	-	-	-
Share issuance expenses	-	-	-	-	-	-
Profit attributable to the shareholders	-	-	-	-	(58,047)	(58,047)
At 30 June 2003	<u>12,000</u>	<u>15,025</u>	<u>(259)</u>	<u>801</u>	<u>4,364</u>	<u>31,931</u>
	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	-	742
New issue and placing of shares	1,800	34,200	-	-	46,604	82,604
Capitalisation of share premium	10,000	(10,000)	-	-	-	-
Share issuance expenses	-	(9,176)	-	-	-	(9,176)
Profit attributable to the shareholders	-	-	-	-	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>74,170</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 the Condensed Consolidated Financial Statements**

### **1. Basis of preparation 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 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.

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):

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Depreciation	<b>8,287</b>	7,596
Interest income	<b>0</b>	(120)
Loss on disposal	<b>1,186</b>	-
	<u><b>1,186</b></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 fifty thousand dollars deposit for Hong Kong tax which was 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.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Current year provision for elsewhere	<b>200</b>	1,945
Provision for HongKong tax assessment	<b>50</b>	0
	<u><b>250</b></u>	<u>1,945</u>

**5. Dividends**

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

**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 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.



**7. Fixed assets**

The changes in the net book value of fixed assets for the six months ended 30 June 2003 are as follows:

	<b>Unaudited As at 30 June 2003 HK\$'000</b>
At 1 January 2003	<b>75,149</b>
Additions	<b>297</b>
Depreciation	<b>(8,287)</b>
Disposal	<b>(8,072)</b>
	<hr/>
At 30 June 2003	<b><u>59,087</u></b>

**8. Accounts receivable**

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

	<b>Unaudited Six Months ended 30 June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Outstanding balances aged:		
Within 30 days	<b>5,392</b>	29,837
Between 31 to 60 days	<b>1,033</b>	7,132
Between 61 to 180 days	<b>7,599</b>	9,206
	<hr/>	<hr/>
	<b><u>14,024</u></b>	<b><u>46,175</u></b>

**9. Accounts payable**

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

	<b>Unaudited Six Months ended 30 June</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Outstanding balances aged:		
Within 30 days	<b>2,348</b>	16,869
Between 31 to 60 days	<b>–</b>	1,231
Between 61 to 180 days	<b>5,359</b>	1,554
	<hr/>	<hr/>
	<b><u>7,707</u></b>	<b><u>19,654</u></b>

## 10. Share capital

	As at 30 June 2003 HK\$	As at 31 December 2002 HK\$
Authorised share capital:	100,000,000	100,000,000
Issued and fully paid:	12,000,000	12,000,000

### *Share option scheme*

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 report.

## 11. Related party transactions

The Group had following transactions with the related parties during the six months ended 30 June 2003:

		Unaudited Six months ended 30 June	
	Notes	2003 HK\$'000	2002 HK\$'000
Sale to Yue Fung Development Company Limited	(i)	0	2,141
Rent paid to Grand Link International Limited	(ii)	115	120
Purchase from Jiangyin Jingtai Laminated Board Company Limited	(iii)	<u>2,439</u>	<u>8,963</u>

### *Notes:*

- (i) Yue Fung Development Company Limited ("Yue Fung") is a subsidiary of Yue Fung International Group Holding Limited, which is indirectly interested in about 14.27% of the issued share capital of the Company. The Group sold PCBs to Yue Fung and the sales were based on the price mutually agreed by both parties and on the same terms and conditions as the Group sold its products to independent third parties.
- (ii) The Group paid rent to Grand Link International Limited, which is owned by two executive Directors for the lease of office premises at Cable TV Tower, Tsuen Wan at the monthly rent of HK\$20,000 during the period from January to May 2003 and at Tak Fung Industrial Centre, Tsuen Wan at the monthly rent of HK\$5,000 during the period from April to June 2003. The Directors considered that both rentals were calculated by reference to open market rentals.
- (iii) The Group purchased laminated sheets from Jiangyin Jingtai Laminated Board Company Limited, a fellow subsidiary of the Company. The Directors considered that the purchases were based on the prices mutually agreed by both parties and made on the same terms and conditions offered to other customers by the related party.

## **12. Post balance sheet events**

A subsidiary factory - Jiang Yin Hong Yuan New Materials Limited ("Hong Yuan"), located in Jiangyin, Shanghai, the PRC which 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 for this period.

## ***Business Review***

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

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

Manufacturing industry involves many activities, including development, design, production, sale, logistics and finance. To overcome problems arising from these areas is a part of the life. Referring to the previous track record result of the Group, the Management has proven its ability to overcome those problems.

The Management has rich experience in PCBs industry. We estimate that the Hong Kong's and global economies will recover soon.

The Management believed that the recovery of Hong Kong's and global economic would bring up the demand in the electronic product market in 2003 and it would stimulate the demand for the PCBs. Under such estimations in 2002, the Management believed that it was the suitable time for investment. The Group 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 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. The Group scheduled to commence pilot production in the first quarter of 2003. There was increasing demand for the laminates and the price of laminated board increased by over 20% in 2002-2003, and this proved that the Management made an accurate estimation. However, this project 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 some investigation made by the Independent Commission Against Corruption. The Group was 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 contain 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 mitigate the loss, stabilised 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.") for same period of 2002 (approximately HK\$101,932,000, HK\$29,287,000 respectively). We expected the loss would amount to approximately HK\$86,000,000 for 2003. The Management believed that total cost would come down and meet the break-even point. However, some suppliers, customers and bankers lost their patient, the major bankers cancelled the bank facilities and the suppliers reduced the credit limit. The Management tried to remedy the situation but the choices left were little. It caused a shortage of raw material for production. A lot of customers decreased their orders. The Management tried their best and will continue to take steps to improve the financial situation of the Group.

Finally, we understand that there is great concern of the shareholders of the Company in relation to the resumption of trading of the shares of the Company on the Stock Exchange. However, because the investigation made by the Independent Commission Against Corruption has not yet been completed, the Company estimated that the trading of shares of the Company may have to be suspended for a while until further notice.

### ***Future Prospects***

The Management has never refused to face problems and believed that all problems could be solved. The Management actively prepare plans for the future development of the Group. The Management believes that the Group will earn back better investment for 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 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 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 has adopted 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 report.

### ***Directors' Interests in Shares***

As at 30 June 2003, the interest and/or short positions of the directors, chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the Directors of Listed Companies (the "Model Code"), were as follows:

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

*Note:* The shares are owned by Advanced Technology International Holdings Limited ("Advanced Technology"), the shares of which are beneficially owned 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 chief executives of the Company, nor their associates, had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### ***Directors' Rights to Acquire Shares***

Save as disclosed under Note 10 "Share Capital" to the unaudited condensed consolidated financial statements, 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 directors or chief executives of the Company to acquire benefit by means of acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors, their spouses or children under the age of 18, had any right to subscribe for the shares of the Company, or had exercised any such rights during the period.

### ***Substantial Shareholders***

As at 30 June 2003, so far as is known to the Directors, the following persons had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<b>Name</b>	<b>Number of shares held</b>	<b>Percentage of the issued share capital of the Company</b>
Mr. Ho Wing Cheong ( <i>Note</i> )	696,000,000	58%
Advanced Technology ( <i>Note</i> )	696,000,000	58%
I. World ( <i>Note</i> )	696,000,000	58%

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

Save as disclosed above, the Directors are not aware of any other person had an interest of 5% or more in the share capital of the Company.

## ***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 2003.

## ***Audit Committee***

On 6 March 2002, the Company establish 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 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.

## ***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 since the listing of the Company's shares on the Stock Exchange on 27 March 2002.

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

Hong Kong, 27 February 2004