

CHAIRMAN'S STATEMENT

I am pleased to present this annual report of Fu Cheong International Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2003.

The restructuring of the Group was satisfied in general in 2003. The Group's turnover was approximately HK\$32,430,000, gross loss ("G.L.") was approximately HK\$8,467,000, total liabilities was approximately HK\$36,280,000, comparing with those of the same period of 2002 (turnover was approximately HK\$172,397,000, gross profit was approximately HK\$ 35,627,000, total liabilities was approximately HK\$47,503,000), they represented a decrease of approximately 81.2%, 123.8% and 23.9 % respectively.

For the whole year, carbon through hole paper phenolic ("CHPP") printed circuit boards (the "PCBs") and high-density ("HD") PCB contributed to about 24.9% and 32.6% of total turnover of the Group respectively.

The principal bankers of the Company required early settlement of short and middle term bank loans. Approximately HK\$13 million had been fully settled at 30 September 2003. The Group had no outstanding bank loans as at 31 December 2003.

PCB industry is vital in 2004. Indebted by the recovery the global economy, electronic product market would increase ideally.

BUSINESS REVIEW

The Group manufactures PCBs in the People's Republic of China (the "PRC") and sells products to electronics products manufacturers that are based in Hong Kong but with production facilities in the PRC.

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"). 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.

The management of the Company (the "Management") believed that the recovery of Hong Kong's and global economies would bring up the demand in the electronic products 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 entered into 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. However, this project failed at the end due to many unexpected events, including the major bankers of the Group, the suppliers and building contractors required early settlement of payment, because of investigation made by the Independent Commission Against Corruption. The Group was forced to delay the project due to inadequate capital. In June 2003, the investment agreement entered into between the Group and the local government in Jiangyin was terminated by the local government because the Group could not inject adequate capital in accordance with the timetable of the projects. During the period of the outbreak of SARS, in order to contain loss of the project, the Management decided to turn down the whole

CHAIRMAN'S STATEMENT *(continued)*

project and sold some contracts under the project for RMB 1 million. We believed that this alternative can mitigate the loss, stabilise the Group's financial situation and enable the Group to repay the bank loans. The Directors confirmed that approximately HK\$45 million loss was realised at the third quarter of 2003.

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.

In order to let the Company to be able to maintain the profitability of its business in the market, the Management recombined the human resources and production lines and stabilised the business so as to reach the goal of efficiency and effectiveness actively. The Management tried their best and will continue to take steps to improve the financial situation of the Group.

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 of Hong Kong Limited. 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.

BUSINESS PROSPECTS

4 | After reviewing 2003, we believe that 2004 is a good year for PCB industry. The global semiconductor industry will be in an upward stage in 2004, alike the year of 2000, according to the information of "PCBinfo.net". A lot of marketing research companies consider that the high season of this industry would be continuing to 2005. In 2004, there is no doubt that the global electronic industry will be in an upward situation. The Group is preparing to welcome this high season.

Finally, on behalf of the Group, I would also like to extend my sincere thanks and appreciation to our employees and the Management for their dedication, commitment and contribution in a rough ride of 2003.

Ho Wing Cheong

Chairman

Hong Kong, 19 April 2004