

Corporate Information

DIRECTORS

Executive

HO Wing Cheong (*Chairman*)
HO Marjorie

Independent Non-Executive

LAW Yau Tim
SHUM Man Wah
LUM Pak Sum

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
SHUM Man Wah
LUM Pak Sum

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
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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 "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

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

Condensed Consolidated Balance Sheet

	Notes	Unaudited	
		Six months ended 30 June	
		2004	2003
		HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Fixed assets	7	21,436	59,087
CURRENT ASSETS			
Inventories		1,926	1,175
Accounts receivable	8	6,019	14,024
Prepayments, deposits and other receivables		17	55
Cash and bank balances		327	2,174
		8,290	17,428
CURRENT LIABILITIES			
Interest-bearing bank borrowings		163	3,876
Accounts payable	9	6,560	7,707
Accrued liabilities and other payables		1,566	8,688
Amount due to holding companies		(9)	5
Tax payable	12	6,901	24,308
		15,181	44,584
NET CURRENT ASSETS		(6,891)	(27,156)
NET ASSETS		14,545	31,931
CAPITAL AND RESERVES			
Issued share capital	10	12,000	12,000
Reserves	12	2,545	19,931
		14,545	31,931

Condensed Consolidated Cash Flow Statement

	Unaudited	
	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Net cash from operating activities	484	10,455
Net cash used investing activities	(20)	(297)
Net cash used financing activities	—	(9,944)
Net increase in cash and cash equivalents	464	214
Cash and cash equivalents at beginning of the period	(137)	1,960
Cash and cash equivalents at end of the period represented by bank balances and cash	<u>327</u>	<u>2,174</u>

ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

	2004	2003
	HK\$'000	HK\$'000
Cash and bank balances	327	2,174
Trust receipt loans with original maturity within 3 months	—	—
	<u>327</u>	<u>2,174</u>

Condensed Consolidated Statement of Changes in Equity

	Unaudited six months ended 30 June 2004						
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	General reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2004	12,000	15,024	(259)	-	801	(24,058)	3,508
New issue and placing of shares	-	-	-	-	-	-	-
Capitalization of shares premium	-	-	-	-	-	-	-
Share issuance expenses	-	-	-	-	-	-	-
Profit attributable to the shareholders	-	-	-	19,739	-	(8,702)	11,037
At 30 June 2004	<u>12,000</u>	<u>15,024</u>	<u>(259)</u>	<u>19,739</u>	<u>801</u>	<u>(32,760)</u>	<u>14,545</u>
	Unaudited six months ended 30 June 2003						
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	General 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	-	-	-	-	-	-	-
Capitalization of shares 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>-</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	General 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
Capitalization of shares 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>-</u>	<u>801</u>	<u>67,129</u>	<u>74,170</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 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	<u>3,937</u>	<u>1,186</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 share have been presented for the six months ended 30 June 2003 and 2004 as there were no potential dilutive ordinary shares in existence for the periods end.

7. Fixed assets

The changes in the net book value of fixed assets for the six months ended 30 June 2004 are as follows:

	Unaudited As at 30 June 2004 HK\$'000
At 1 January 2004	30,802
Additions	20
Depreciation	(5,450)
Disposal	(3,937)
	<hr/>
At 30 June 2004	<u>21,436</u>

8. Accounts receivable

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

	Unaudited Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Outstanding balances aged:		
Within 30 days	3,175	5,392
Between 31 to 60 days	414	1,033
Between 61 to 180 days	2,430	7,599
	<hr/>	<hr/>
	<u>6,019</u>	<u>14,024</u>

9. Accounts payable

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

	Unaudited Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Outstanding balances aged:		
Within 30 days	2,358	2,348
Between 31 to 60 days	–	–
Between 61 to 180 days	4,202	5,359
	<hr/>	<hr/>
	<u>6,560</u>	<u>7,707</u>

10. Share capital

	As at 30 June 2004 HK\$	As at 31 December 2003 HK\$
Authorised share capital:	100,000,000	100,000,000
Issued and fully paid:	12,000,000	12,000,000

Share options 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 these report.

11. Related party transactions

The Group had following transactions with the related parties during the six months ended 30 June 2004:

		Unaudited Six months ended 30 June	
	<i>Notes</i>	2004 HK\$'000	2003 HK\$'000
Rent paid to Grand Link International Limited	<i>(i)</i>	30	115
Purchase from Jiangyin Jingtai Laminated Board Company Limited	<i>(ii)</i>	351	2,439

Notes:

- (i) The Group paid rent to Grand Link International Limited, which is owned by executive Director for the lease of office premises at Tak Fung Industrial Centre, Tsuen Wan at the monthly rent of HK\$5,000. The Director considered that both rentals were calculated by reference to open market rentals.
- (ii) 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. Exceptional Item- provisions written back

During this period, the Directors were reorganizing the operations of the Group by simplifying the Group's structure and made plans for future growth. After reviewing the regulatory submissions by the Group for the past few years and on information obtained in the countries in which the Group operates, the Directors considered that the cumulative provision of approximately HK\$20 million is no longer required based on the opinion that the sales company should not be liable to any claim since it did not maintain any permanent establishment in the PRC; accordingly, such amount was written back into the general reserve.

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 these report.

Directors' and Chief Executive's Interest and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2004, the interest and/or short positions of the Directors, chief executives of the Company and their associates in the share, 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 Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) and the Model Code for Securities Transactions by the Directors of Listed Companies (the "Model Code"), were as follows:

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

Note: The shares are registered in the name and beneficially 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 Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) and the Model Code.

Arrangement to Purchase Shares or Debentures

Save as disclosed under Note 10 "Share Capital" to the unaudited condensed consolidated financial statements and "Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures" above 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 benefits by means of the 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.

Interest and Short Positions of Substantial Shareholders Discloseable Under the SFO

As at 30 June 2004, so far as is known to the Directors, the following persons had an interests 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, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Number of shares held	Percentage of holdings
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 having 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 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 Companies 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.

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

Hong Kong, 24 September 2004