

## REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") herein present their report and the audited financial statements of the Company for the year ended 31 December 2004.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries of the Company acquired and investment in subsidiaries subsequent to the balance sheet date are set out in note 1 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

### SEGMENT INFORMATION

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

### RESULTS AND DIVIDENDS

The Group's operating results for the year ended 31 December 2004 and its state of affairs of the Company and the Group at that date, are set out in the financial statements on pages 19 to 42.

The Directors do not recommend the payment of any dividend in respect of the year.

### SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the published combined results and of the assets and liabilities of the Group for the five years ended 31 December 2004, prepared on the basis set out in the note below:

**REPORT OF THE DIRECTORS** (continued)**RESULTS**

	<b>2004</b>	2003	2002	2001	2000
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	<b>20,166</b>	32,430	172,397	202,728	158,107
(LOSS)/PROFIT BEFORE TAX	<b>(11,366)</b>	(85,141)	18,797	45,353	34,451
TAX	<b>(2,350)</b>	(1,329)	(2,990)	(4,790)	(3,680)
(NET LOSS)/NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<b>(13,716)</b>	(86,470)	15,807	40,563	30,771

**ASSETS AND LIABILITIES**

	<b>2004</b>	2003	2002	2001	2000
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS	<b>16,490</b>	30,802	75,149	28,340	25,016
CURRENT ASSETS	<b>7,947</b>	8,986	62,332	62,236	24,877
CURRENT LIABILITIES	<b>(34,645)</b>	(36,280)	(47,503)	(43,230)	(26,252)
NON-CURRENT LIABILITIES	-	-	-	-	(3,858)
	<b>(10,208)</b>	3,508	89,978	47,346	19,783

Note: The results of the Group for the year ended 31 December 2004 and its assets and liabilities as at that date are those set out on pages 20 and 21 of the financial statements, and are presented on the basis set out in note 1 to the financial statements.

**FIXED ASSETS**

Details of movements in the fixed assets of the Group are set out in note 13 to the financial statements.

**SHARE CAPITAL AND SHARE OPTIONS**

Details of the Company's share capital and share options during the year are set out in note 17 to the financial statements and disclosed under the paragraph headed "Share option scheme" below.

## **REPORT OF THE DIRECTORS** *(continued)*

### **RESERVES**

Details of movements in the reserves of the Group during the year are set out in note 18 to the financial statements.

### **DISTRIBUTABLE RESERVES**

As at 31 December 2004, the Company did not have any distributable reserves.

### **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.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### **MAJOR CUSTOMERS AND SUPPLIERS**

Sales to the Group's five largest customers accounted for approximately 72% of the Group's total turnover for the year, and sales to the Group's largest customer accounted for approximately 50% of the Group's total turnover for the year.

Purchases from the Group's five largest suppliers accounted for approximately 74% of the Group's total purchases for the year, and purchases from the Group's largest supplier accounted for approximately 60% of the Group's total purchases for the year.

As far as the Directors are aware, other than Jiangyin Jingtai Laminated Board Co. Ltd. ("Jiangyin"), none of the Directors or their associates or any of the shareholders which, to the best knowledge of the Directors, own more than 5% of the Company's issued shares capital, had any beneficial interest in the Group's five largest customers or suppliers. Jiangyin is the largest supplier of the Group. Jiangyin is a wholly-owned subsidiary of Advanced Technology International Holdings Limited, which owns 696,000,000 shares of the Company on 31 December 2004. Further details are set out under the heading "Substantial Shareholders" of this report.

### **CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS**

Details of the connected transactions and related party transactions of the Group are set out in note 21 to the financial statements.

**REPORT OF THE DIRECTORS** (continued)**CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS** (continued)

The Group had entered into the following connected transactions (the “**Connected Transactions**”) during the year ended 31 December 2004, the details of which are required to be disclosed in this report pursuant to the Listing Rules:

Name of connected person	Nature of transaction(s)	HK\$
Jiangyin Jingtai Laminated Board Co., Limited ( <i>Note</i> )	purchases of laminated sheets	350,500

*Note:* Jiangyin Jingtai Laminated Board Co., Limited is a wholly subsidiary of Advanced Technology International Holdings Limited (“**Advanced Technology**”). Advanced Technology is a substantial shareholder of the Company, holding 58% of the issued share capital of the Company. A waiver from the strict compliance of the requisite disclosure requirements pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) in respect of the transactions had been granted by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the then independent shareholders for the period of 3 financial years ended 31 December 2004 on certain conditions, details of which are set out in the circular of the Company dated 3 December 2002 (the “**Circular**”).

The Company had complied with the relevant requirements of the Listing Rules for the Connected Transactions for the financial year ended 31 December 2004 and the board of Directors, including the independent non-executive Directors, confirmed that:

1. the Connected Transactions had been:
  - (i) entered into by the Group in the ordinary and usual course of its business;
  - (ii) conducted on normal commercial terms (which expression will be applied by reference to transactions of a similar nature and made by similar entities) or (where there is no available comparison) on terms that are fair and reasonable as far as the shareholders are concerned;
  - (iii) entered into on terms no less favourable than those available to and from independent third parties;
2. the aggregate amount of the purchases had not been exceeded HK\$20,000,000 for the year ended 31 December 2004;
3. the Company’s auditors had reviewed the Connected Transactions and confirmed that:
  - (i) the Connected Transactions had received the approval of Company’s board of Directors;
  - (ii) the Connected Transactions had been entered into in accordance with the terms of the agreements, documents and arrangements governing each of the Connected Transactions or, if there are no such agreements, on terms no less favourable than those available to and from independent third parties;
  - (iii) the Connected Transactions had been carried out in accordance with the Group’s pricing policies; and
  - (iv) the Purchase Cap Amount of HK\$20,000,000 had not been exceeded.

**REPORT OF THE DIRECTORS** *(continued)***CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS** *(continued)*

Save as disclosed therein, there are no other transactions needed to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

**DIRECTORS**

The Directors during the financial year and up to date of this report were:

**Executive Directors**

Mr. Ho Wing Cheong	(resigned on 8 December 2004)
Ms. Ho Marjorie	(appointed on 18 February 2004)
Mr. Tsao Ke Wen, Calvin	(appointed on 8 December 2004 and resigned on 18 April 2005)
Mr. Yip Shek Ling	(appointed on 8 December 2004)
Mr. Ho Wing Hung	(resigned on 18 February 2004)

**Independent non-executive Directors**

Mr. Shum Man Wah	(appointed on 18 February 2004)
Mr. Law Yau Tim	(appointed on 28 April 2003)
Mr. Lum Pak Sum	(appointed on 24 September 2004)
Ms. Xie Me Ping	(resigned on 18 February 2004)

**RE-ELECTION OF DIRECTORS**

Pursuant to Article 112 of the Articles of Association of the Company ("Articles"), any Director appointed by the Directors to fill casual vacancy in the Company shall hold office only until the next following annual general meeting and shall then be eligible for re-election at the meeting.

In this connection, Mr. Yip Shek Ling and Mr. Lum Pak Sum, being Directors appointed after the 2004 annual general meeting of the Company, will hold office until the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

**BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

Biographical details of the Directors and the senior management of the Group are set out on pages 6 to 7 of this annual report.

## **REPORT OF THE DIRECTORS** *(continued)*

### **EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID DIRECTORS/ EMPLOYEES**

Details of the emoluments of the directors on a named basis during the year under review are set out in note 7 to the financial statements.

Details of the five highest paid individuals during the year under review are set out in note 8 to the financial statement.

### **INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company, pursuant to Rule 3.13 of the Listing Rules, has received from each of its independent non-executive Directors confirmation of his independence and the Company considers that each of them to be independent.

### **DIRECTORS' SERVICE CONTRACTS**

Ms. Ho Marjorie had entered into a service agreement with the Company for fixed term of three years commencing from 18 February 2004.

Each of the independent non-executive Directors is currently appointed for a term of two years from the date of appointment.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### **DIRECTORS' INTERESTS IN CONTRACTS**

No Director had a significant beneficial interest, either direct or indirect, in any contracts of significance to the business of the Group to which the Company or any of its holding companies, subsidiaries and fellow subsidiaries was a party during the year.

### **DIRECTORS' INTERESTS IN SHARES**

As at 31 December 2004, none of the directors or chief executives of the Company, nor their associates, had any interests or short positions 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 (the "Model Code") for Securities Transactions by the Directors of Listed Companies.

## REPORT OF THE DIRECTORS *(continued)*

### DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the paragraph headed "Share option scheme" below, "Directors' interest in shares" above and at no time during the year was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the 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.

### SHARE OPTION SCHEME

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 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.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue immediately upon completion of the share offer and the capitalisation issue of the Company. No share options were granted during the year and up to the date of this report. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue for the time being. Any further grant of share options in excess of this limit is subject to shareholder's approval in a general meeting.

Share options to be granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive Directors. In addition, any shares options to be granted to a substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholder's approval in advance in a general meeting.

The offer of the grant of a share option may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of the grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares.

## REPORT OF THE DIRECTORS *(continued)*

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2004, 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:

Name	Number of shares held	Percentage of holdings
Mr. Ho Wing Cheong	696,000,000 <i>(Note 1)</i>	58%
Advanced Technology	696,000,000 <i>(Note 1)</i>	58%
I. World Limited	696,000,000 <i>(Note 1)</i>	58%
Ms. Leung Wai Fun	696,000,000 <i>(Note 2)</i>	58%

*Note 1:* The entire issued shares of Advanced Technology are owned by I. World Limited. The issued shares of I. World Limited 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.

*Note 2:* Ms. Leung Wai Fun is the spouse of Mr. Ho Wing Cheong, she is deemed to be interested in the shares of the Company held by Mr. Ho Wing Cheong 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.

### BANK LOANS AND OTHER BORROWINGS

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

### RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme of the Group are set out in note 4 to the financial statements.

### CORPORATE GOVERNANCE

The Company has complied throughout the year with the Code of Best Practice as set out by the Stock Exchange in the then effective Appendix 14 to the Listing Rules throughout the year ended 31 December 2004.

The Company has adopted the terms of the Model Code (the "Model Code") for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. For the year ended 31 December 2004, the Company, having made specific enquiry of all the Directors, confirms that all Directors have complied with the Model Code.



## REPORT OF THE DIRECTORS *(continued)*

### 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 to 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 and 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.

### PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

### AUDITORS

The auditors, Messrs. Lam, Kwok, Kwan & Cheng C.P.A. Limited, Certified Public Accountants, retire but, being eligible, offer themselves for re-appointment. A resolution is to be proposed to the forthcoming annual general meeting to re-appoint Messrs. Lam, Kwok, Kwan & Cheng C.P.A. Limited as auditors of the Company.

FOR AND ON BEHALF OF

**Fu Cheong International Holdings Limited**

**Ho Marjorie**

*Chairman*

Hong Kong, 18 April 2005