

Edgar Filing: SCORE ONE INC - Form 10QSB/A

SCORE ONE INC
Form 10QSB/A
August 23, 2002

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB/A

AMENDMENT NO. 1

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended June 30, 2002.

Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from _____ to _____.

Commission file number: 0-26717

SCORE ONE, INC.

(Exact Name of Small Business Issuer as Specified in Its Charter)

NEVADA

88-0409164

(State or Other Jurisdiction of
Incorporation or organization)

(IRS Employer
Identification No.)

Unit 2, 34 Floor
Cable TV Tower
9 Hoi Shing Road
TSUEN WAN, HONG KONG

(Address of Principal Executive Offices)

011-852-2406-8978

(Issuer's Telephone Number, Including Area Code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes
No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of June 30, 2002, there were 249,198 shares of common stock issued and outstanding.

Edgar Filing: SCORE ONE INC - Form 10QSB/A

The undersigned registrant hereby amends the following items or other portions of its Form 10-QSB filed with the Securities and Exchange Commission on August 15, 2002, for the quarter ended June 30, 2002, pursuant to Section 13 and 15(d) of the Securities Exchange Act of 1934 as set forth herein.

Item 2. Management's Discussion and Analysis of Financial Condition or Results of Operations

Management's Discussion and Analysis of Financial Condition or Results of Operations is amended to delete the entire subsection titled "Common Stock Issued" and to read in its entirety as follows:

Management's discussion and analysis of results of operations and financial condition ("MD&A") is provided as a supplement to the accompanying consolidated financial statements and footnotes to help provide an understanding of Score One, Inc. and Subsidiaries (the "Company") financial condition, changes in financial condition and results of operations. The MD&A is organized as follows:

- o Caution concerning forward-looking statements. This section discusses how certain forward-looking statements made by the Company throughout the MD&A and in the consolidated financial statements are based on management's present expectations about future events and are inherently susceptible to uncertainty and changes in circumstances.
- o Recent accounting pronouncements - This sections provides an update on the Financial Accounting Standards Board's recent accounting pronouncements.
- o Critical accounting policies. This section provides an analysis of the significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities.
- o Nature of the Company's present operation and future trends. This section provides a general description of the Company's business, as well as recent developments that the Company believes are important in understanding the results of operations, as well as to anticipate future trends in those operations.
- o Future prospects. This section provides a discussion on events that are likely to have an impact on short-term or long-term liquidity.
- o Results of operations. This section provides an analysis of the Company's results of operations for the second quarter of 2002 relative to that of 2001. A brief description is provided of transactions and events that impact the comparability of the results being analyzed.
- o Liquidity and capital resources. This section provides an analysis of the Company's financial condition and cash flows as of and for the six months ended June 30, 2002.

Caution Concerning Forward Looking Statements

The following discussion should be read in conjunction with Score One, Inc.'s ("we," "us," "or the "Company") financial statements and the notes thereto and the other financial information appearing elsewhere in this document. In addition to historical information, the following discussion and other parts of this document contain certain forward-looking information. When used in this discussion, the words "believes," "anticipates," "expects," "intends," "will" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those projected due to a number of factors beyond the Company's control. The Company does not undertake to publicly update or revise any of its forward-looking statements even if experience or future changes show that the indicated results or events will not be realized. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Readers are also urged to carefully review and consider the Company's discussions regarding the various factors, which affect its business, included in this section and elsewhere in this report.

Recent Accounting Pronouncements

In June 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," effective for exit or disposal activities initiated after December 31, 2002. The standard addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity." SFAS 146 essentially requires a liability to be recognized and measured initially at its fair value in the period in which the liability is incurred for a cost associated with an exit or disposal activity. The Company has not had a chance to review what impact this standard may have on its financial statements.

Critical Accounting Policies And Estimates

Our discussion and analysis or plan of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to bad debts, inventories, intangible assets, unbilled revenue, income taxes and contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

Edgar Filing: SCORE ONE INC - Form 10QSB/A

Other investments. We consider our accounting policy for investments in affiliated companies ("other investments") and provisions for impairment losses to be affected by

2

management judgments and/or uncertainties. The Company periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated life of other investments, or whether the remaining balance of other investments should be evaluated for possible impairment. If and when such factors, events or circumstances indicate that other investments should be evaluated for possible impairment, the Company would make an estimate of undiscounted cash flows over the remaining lives of the respective assets in measuring recoverability. Judgment is required in assessing the realization of any future economic benefits resulting from the carrying value of the assets. Fluctuations in the actual outcome of these future economic benefits could materially impact the Company's financial position or its results of operations. In the event that the Company did not generate any future economic benefit as a result of the carrying value of the related assets, total assets would be overstated by \$1,277,041. Reducing the assets to zero would result in an additional expense in the period in which it is determined that the asset cannot be realized. These assets represent approximately 5.7% of our total assets at June 30, 2002.

Accounting of Sales of Stock by a Subsidiary. The Company accounts for gains or losses arising from issuances of a subsidiary's stock in the consolidated financial statements in accordance with SEC Staff Accounting Bulletin 51 Topic 5.H ("SAB 51") and presents the item in the consolidated income statement as non-operating income. Management does not expect similar transactions to occur in future years, nor does the Company intend to spin-off its subsidiary to shareholders or contemplate reacquisition of the shares. The Company's income statement treatment in consolidation for issuances of stock by a subsidiary represents a choice among alternative accounting methods and, therefore, must be applied consistently to all stock transactions that meet the conditions for income statement treatment per SAB 51. SAB 51 does not allow the Company to selectively apply the guidance in the SAB by recognizing the impact of certain issuances by a subsidiary in the income statement and other issuances as equity transactions.

Nature of the Company's Present Operations

Score One, Inc. was incorporated in Nevada on June 7, 1996. Our shares are voted on the OTC Bulletin Board in the United States. The success of the Company's proposed plan of operation will depend to a great extent on the operations, financial condition, and management of our subsidiaries, Advanced Technology International Holdings Limited ("Advanced Technology"), World Top Development Ltd. (owner of King Peace Ltd., which in turn owns Jiangyin Jintai Laminated Board Co. Ltd. (formerly known as Jiangyin Kaicheng Copper Clad Laminated Sheet Co. Ltd.) ("Jiangyin")) Fu Cheong International Holdings Ltd. ("Fu Cheong") and Wisdom World Limited, formed on June 7, 2002 ("Wisdom World"). The Company cannot ensure that it will be commercially or economically viable business operation. It will face all of the risk inherent in a new business, the majority of which is beyond the control of the management of both of the Company

Edgar Filing: SCORE ONE INC - Form 10QSB/A

and our subsidiaries.

The PCB manufacturing industry has become increasingly globalized. While the downturn of the Asian economy, as well as the global economy, in the year 2002 has continued to adversely impact our competitors, we face increasing competition from PCB manufacturers with operations around the globe. In addition, the recent admission of the Peoples Republic of China (the "PRC") into World Trade Organization has allowed a greater number of corporations to set up factories in China to produce their electrical consumer products and directly supply the China market. Now these global competitors are all competing to produce a high quality, technically competitive product at the lowest price. We are aware that price will remain an integral part of our ability to compete, and we are continually seeking methods to manufacture in a more cost-

3

effective manner. We emphasize our high quality standards (ISO 9001 and ISO 9002), a comparatively long history of operating in China, a hard working company culture and goodwill with our existing client base. We remain confident in our mix of competitive pricing and established qualitative factors.

During the three months ended June 30, 2002, the Company has continued to focus on building shareholder value and improving our capacity for productivity. Net sales, net income available to common stockholders and gross margin for the three months ended June 30, 2002 were \$7,085,942, \$764,303 and \$1,991,658, respectively. As we complete the second and enter the third fiscal quarters, the peak season for our business, we expect turnover to increase as compared with the period ended June 30, 2001 and to remain stable as compared to the second and third quarters in 2001. 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 such as Joy Stick and Playstation 2. We believe that toy and game markets will be one of the first sectors in the industry to recover in 2002 from the impact of the global economic downturn.

The Company expects to continue to purchase equipment and focus on hiring and training new employees as is commensurate with the growth of the business. While the Company has no plans to acquire plant in the next fiscal quarter, we will continue to acquire machinery and equipment for replacement purposes and for the expansion of our product lines as necessary. In addition, we will continue to invest more funds in research for product development.

While the Company knows of no trends that are expected to affect the cost of labor or materials and expects sales to be stable over the next six months, the impact of the recent U.S. accounting scandals, the increasingly tense relations between the PRC and Taiwan and the threat of growing tensions between the U.S. and Iraq all could have a negative affect on the global economy generally and our Company's performance in particular.

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 than globally. The CCLA

Edgar Filing: SCORE ONE INC - Form 10QSB/A

forecasted that demand for copper-clad laminates, which are used in Hi-Fi equipment, VCR's, DVD players, televisions and in high resolution televisions and monitors should reach annual production levels similar to those seen 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, will be dedicated to the manufacture of V0 copper-clad laminate boards. The total investment for the new factory is estimated at \$10,470,000. We plan to fund the construction in part with the proceeds of a loan of \$2,564,000, the terms of which are currently being negotiated with Dah Sing Bank Limited, and, if necessary, a raise of additional capital through an equity financing. March 2003 is the target date for pilot production and we plan to start actual production in June 2003. We estimate the production capacity of this factory at 2.4 million pieces of copper-clad laminate per annum.

V0 copper-clad laminate board has shown itself to be a much more reliable product than the popular 94HB copper-clad laminate board 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 copper-clad laminate board a new core product of the Company and we believe that by using newly developed sophisticated machinery imported from Japan and

4

Taiwan this new product has the potential of favorably impacting the Company's overall financial performance. By summer of 2003, we hope to be a competitor in the copper-clad laminates market.

Results of Operations

Three Month and Six Month Periods Ended June 30, 2002 as Compared to Three Month and Six Month Periods Ended June 30, 2001

The following table shows the selected consolidated income statement data of the Company and its subsidiaries for the three and six month periods ended June, 2002 and 2001. The data should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated financial statements and the notes thereto included as part of this quarterly report:

(U.S. Dollars)	Three month period ended June 30,		Six mo 2002
	2002	2001	2002
	-----	-----	-----
Net Sales	\$ 7,085,942	\$ 7,205,495	\$13,068,
Cost of sales	(5,094,284)	(5,187,702)	(9,313,
Gross margin	1,991,658	2,017,793	3,754,
Gross profit margin			
Selling expenses	(27,766)	(33,793)	(55,

Edgar Filing: SCORE ONE INC - Form 10QSB/A

General and administrative expenses	(466,636)	(376,816)	(895,
Amortization of goodwill	-	(185,801)	
	-----	-----	-----
Operating income	1,497,256	1,421,383	2,804,
Other income / (expenses)	11,058	(22,703)	9,
Minority interest	(602,292)	(103,956)	(820,
	-----	-----	-----
Net income from operations before income taxes	906,022	1,294,724	1,992,
Provision for income taxes	(141,719)	(109,534)	(249,
	-----	-----	-----
Income before non-operating income	764,303	1,185,190	1,743,
Non-operating income	-	4,013,692	2,729,
	-----	-----	-----
Net income available to common stockholders	\$ 764,303	\$ 5,198,882	\$ 4,472,
	=====	=====	=====
Basic and diluted income per share			
Operating income	\$ 3.07	\$ 4.76	\$ 7
Non-operating income	-	16.11	10
	-----	-----	-----
Total basic and diluted income per common share	\$ 3.07	\$ 20.86	\$ 17
	=====	=====	=====
Weighted average number of common stock outstanding - basic and diluted	249,198	249,198	249,
	-----	-----	-----

See condensed notes to the financial statements.

Revenues. Net sales for the three months ended June 30, 2002, decreased by \$119,553 to \$7,085,942, from \$7,205,495 for the corresponding period in 2001. The decrease reflected the decrease in the demand and price for PCBs in the second quarter of 2002. Net sales for the six months ended June 30, 2002 increased by \$221,504 to \$13,068,186 from \$12,846,682 for the corresponding period in 2001. Additionally, our effort to increase our customer base by contacting an increased number of potential clients has resulted in an increase in travel related expenses by our sales team which has in turn impacted our total revenue. We also experienced an increase of \$2,052 for the three months ended June 30, 2002, as compared to the comparable period in 2001, in survey and lab test expenses attributable to the testing for new production methods and new products in connection with the development of "high density" board. Our target customers for our PCBs are consumer products' manufacturers, producing products such as calculators. Even in an economic downturn these products tend to maintain a relatively stable sales market. We believe this customer base can provide us with stable net sales through further economic downturn.

During the second quarter, the Company continued to shift its focus to "high density" high margin PCBs, which are expected to be the mainstream of the PCB industry for telecommunication products. The Company intends to continue to

Edgar Filing: SCORE ONE INC - Form 10QSB/A

shift its focus to these high margin PCBs. New equipment has been purchased during the year for the production of these "high density" double-sided PCBs, a new series of products that was introduced to clients during the second half of 2001. As a result, the total revenue for the second quarter and the first half of 2002 decreased by 1.7% and increased by 1.7%, respectively, as compared to the corresponding three and six months in 2001 when the Company concentrated mainly on producing traditional single and double-sided PCBs.

Gross margin. The decrease in gross margin from \$2,017,793 for the three months ended June 30, 2002 to \$1,991,658 and the decrease in cost of revenues for the second quarter of 2002 by \$93,418, or 2%, as compared to the corresponding period in 2001, was the result of a corresponding decrease in net sales and the purchase of machinery and equipment and other related accrued expenses during the period.

Selling Expense. Selling expense decreased by \$6,027, or 18%, to \$27,766 for the second quarter of 2002, as compared with \$33,793 in the corresponding period in 2001. Selling expense for the six months ended June 30, 2002 and 2001 were \$55,081 and \$54,322, respectively. The increase in laboratory testing, custom declaration costs, transportation related costs and travel expenses were the primary contributing factors to the increase in selling expense in the second quarter and the first half of 2002, as compared with the comparable periods in 2001.

General and Administration Expense. Our general and administration expenses consists of compensation and related fringe benefits for marketing and administrative employees, marketing and sales costs and all operations costs. General administrative expenses increased by approximately \$89,820, or 24%, to \$466,636 for the quarter ended June 30, 2002, from \$376,816 for the corresponding period in 2001, and by \$197,502, or 28%, to \$895,249 for the six months ended June 30, 2002, from \$697,747 for the corresponding period in 2001. The following events occurring during the quarter and the six months ended June 30, 2002, contributing to the overall increase in general and administration expense:

(a) Courier Expense - During the three month period ended June 30, 2002, a total of \$945 in courier expense was recorded, an increase of \$731 over the corresponding period in 2001.

6

The increase was the result of an increase in expenses for the delivery of legal documents and listing related documents in connection with Fu Cheong's listing of its shares on the Hong Kong Stock Exchange.

(b) Advertising Expense - During the three month period ended June 30, 2002, a total of \$52,077 in advertising expense was recorded, an increase of \$51,131 over the corresponding period in 2001. This increase in expense can be attributed to costs incurred in the announcement of Fu Cheong listing of its shares on the Hong Kong Stock Exchange.

(c) Repairs and Maintenance Expense - During the three month period ended June 30, 2002, a total of \$994 in repair and maintenance expense was recorded, an increase of \$595 over the same corresponding period in 2001. This increase in expense was the result of the purchase of machinery and equipment

Edgar Filing: SCORE ONE INC - Form 10QSB/A

during the second quarter. Additionally, depreciation expense increased in accordance with the purchase of new machinery and equipment during the period.

(d) Staff Salaries and Allowances and Directors' Remuneration Expense - During the three months ended June 30, 2002, a total of \$36,073 in compensation expense was recorded, an increase of \$3,919 over the corresponding period in 2001. This increase was attributable to the Company's hiring of additional workers to meet the needs of our increased production capacity over the period.

(e) Automobile Expense - During the three months ended June 30, 2002, a total of \$6,659 in automobile expense was recorded, a decrease of \$1,389 over the same corresponding period in 2001. As a result of the decrease in net sales we experienced during the period, our delivery expenses decreased accordingly, impacting our overall automobile expense.

(f) Entertainment Expense - During the three months ended June 30, 2002, a total of \$20,524 of entertainment expense was recorded, an increase of \$2,772 over the corresponding period in 2001. We expect entertainment expense to decrease with the completion of the process associated with the listing of Fu Cheong's shares on the Hong Kong Stock Exchange.

Other Income (Expense). Total other income during the quarter ended June 30, 2002 was \$11,058, as compared with total other (expense) of \$22,703 in the corresponding period in 2001. This increase in total other income in the second quarter was due primarily to an increase in interest income of \$13,099 from \$1,855 in the quarter ended June 30, 2001 to \$14,954 in the quarter ended June 30, 2001. For the six months ended June 30, 2002, other income, increased 155% to \$9,007 from (\$16,375). These increases in total other income in the quarter ended and the six months ended June 30, 2002, respectively, as compared with the corresponding periods in 2001, were due primarily to the interest income, expenses and from capital raised in the listing of Fu Cheong shares on the Hong Kong Stock Exchange. Financial expenses were included in total other (expenses) and mainly represented interest and bank charges spent on maintaining the trust receipt loan facilities for the provision of working capital flexibility. The Company did not have any significant interest expense on long-term debt facilities.

Income Taxes. Income taxes payable increased to \$141,719 for the second quarter in 2002, from \$109,534 for the comparable period in 2001, and to \$249,399 for the six months ended June 30, 2002, from \$210,906 for the comparable period in 2001. This increase was the result of a \$917,000 increase in the technical support services fees in Horn Kingdom. This increase in fees can be attributed to our increased technical support for high density PCB production and the testing of our new production line. We expect a similar situation in the third

quarter. a slight increase in net sales and an increased provision for taxes corresponding to the increase in net sales. The Company believes that we should not be liable for taxation in PRC because none of the Company's subsidiaries have a permanent establishment or mode of operations in China, and, therefore, their sales and purchase contracts concluded with Chinese entities are not subject to Chinese taxation. Further, the Company should not be liable for taxation in Hong Kong as none of the Company's subsidiaries derive income in

Edgar Filing: SCORE ONE INC - Form 10QSB/A

Hong Kong and, therefore, are not subject to Hong Kong's Inland Revenue Tax. However, full provision for the potential Chinese tax liabilities in connection with our subsidiary Horn Kingdom has been made by the Company as a cautionary measure and this cumulative provision will not be written back in the foreseeable future. Further provision for these potential taxes will be made in the future until either there is a change in the mode of operation of and/or there is a change in the tax regulatory regimes in China. The basis for income taxes are 5% on turnover for business tax and 10% on gross profit for income taxes. Business tax increased by \$10,000 for the quarter ended June 30, 2002, as compared to the same period in 2001, and by \$17,905 for the six months ended June 30, 2002, as compared to the same period in 2001. The increase was due to the additional provision for business tax the Company has made as a matter of prudence.

Minority interest. Minority interest for the six months period ended June 30, 2002 was \$820,744, compared to \$103,956 for the same period in 2001, and \$602,292 and \$103,956 for the three months ended June 30, 2002 and 2001, respectively.

Non-operating income. Non-operating income represents the following for the six months ended June 30, 2002 and 2001:

June 30, 2001. In May 2001, Advanced Technology sold 20% of the existing issued share capital of Lassie Palace Limited, an indirect subsidiary of Advanced Technology, to four unrelated investors for HK\$36,000,000, or 200 shares at HK\$180,000 per share. On May 23, 2001, Fu Cheong, became the holding company of Lassie Palace Limited. Fu Cheong was formed as a subsidiary of Advanced Technology for the purpose of owning the Company's operating subsidiaries, including Lassie Palace Limited. The disposal of 20% of the existing share capital in Lassie Palace Limited occurred prior to the listing of Fu Cheong on the Main Board of the Hong Kong Stock Exchange. The Company, through its direct subsidiary, Advanced Technology, owned 1,000 shares of common stock before the transaction and 800 shares of common stock after the transaction, decreasing its ownership interest in Advanced Technology to 80%. Accordingly, minority interest (20%), calculated to HK\$4,693,200 based on the net assets of Fu Cheong at May 31, 2001 of HK\$23,466,000, resulting in a net gain on the transaction of HK\$31,306,800, or \$4,013,692. No deferred income taxes have been provided for in this non-operating income since this gain is not subject to the tax regulatory regimes of any countries.

June 30, 2002. On March 6, 2002, the Company completed a corporate reorganization of its subsidiaries in preparation for a listing of the shares of its subsidiary, Fu Cheong, on the Hong Kong Stock Exchange. The Company, through its direct subsidiary, Advanced Technology, owned 816,000,000 shares of common stock, or 80%, of Fu Cheong. Pursuant to an underwritten initial public offering of Fu Cheong's shares of common stock, the Company sold 120,000,000 of its Fu Cheong's shares for HK\$0.20 per share, Fu Cheong sold a total of 135,000,000 of its new shares through underwriters in a private placement. Additionally, Fu Cheong sold 45,000,000 new shares of common stock on the public market for HK\$0.20 per share. In connection with the offering, Fu Cheong also obtained a listing for its shares on the Main Board of the Hong Kong Stock Exchange. As of June 30, 2002, Fu Cheong had 1,200,000,000 shares of common stock issued and outstanding. The

Edgar Filing: SCORE ONE INC - Form 10QSB/A

Company received gross income of approximately \$3,077,000 (before taking into account for the related expenses incurred) from the sale of its Fu Cheong shares, decreasing its ownership interest in Fu Cheong to 58%. No deferred income taxes have been provided for in this non-operating income since this gain is not subject to the tax regulatory regimes of any countries.

Net income before non-operating income. For the quarter ended and the six months ended June 30, 2002, the Company had net income of \$764,303 and \$1,743,303, respectively, as compared to \$1,185,190 and \$2,350,972, respectively, for the same periods in 2001. This was a decrease of 35.5% and 25.8%, respectively.

Earnings Per Share. Earnings per share for the three and six months ended June 30, 2002 was \$3.07 and \$17.95, compared to \$20.86 and \$25.54 for the same periods in 2001. The significant fluctuations for the comparative periods are the result of non-operating income as more fully described above.

Liquidity and Capital Resources

Cash and Cash Equivalents. Working capital was \$5,394,115 at June 30, 2002, compared to \$3,393,259 at December 31, 2001, primarily representing an increase in cash and cash equivalents of \$782,326, a decrease in other payables and accrued expenses of \$658,148, and a decrease in short-term bank borrowings of \$716,648.

Cash flows:

- o Operating activities - Net cash flows provided by operating activities for the six months ended June 30, 2002 was \$4,009,311, primarily representing net income of \$4,472,553 offset by (i) a decrease in accounts receivable of \$221,174 due to increased collection of accounts receivable thereby producing more cash flow for the daily operations of the business, (ii) a net decrease in accounts payable, other payables and accrued expenses of \$77,222, (iii) an increase in provision for income taxes of \$374,099 and (iv) the addition of certain noncash charges such as depreciation, non-operating income, and minority interest of approximately \$934,655. Net cash flows provided by operating activities for the six months ended June 30, 2001 was \$6,229,008, primarily representing net income of \$6,364,664 offset by (i) an increase in accounts receivable of \$590,059 due to increased sales, (ii) a net decrease in accounts payable, other payables and accrued expenses of \$202,432, (iii) an increase in provision for income taxes of \$870,650, (iv) a decrease in other current assets of \$2,981,090 and (v) certain adjustments for noncash items such as depreciation, non-operating income, and minority interest of approximately \$3,151,697.
- o Investing activities - Net cash flows used in investing activities for the six months ended June 30, 2002 of \$6,254,228 was primarily attributable to capital spending of \$7,205,005 for the purchase of property and equipment, advances to our affiliated company of \$641,206 classified on the balance sheet as an "Other Investment," offset by \$2,429,024 in aggregate proceeds from the sale of our 22% interest in our subsidiary, Fu Cheong, upon its successful completion of an underwritten public offering in Hong Kong. Net cash flows used in investing activities for the six months ended June 30, 2001 of \$6,577,983 was primarily attributable to capital spending of \$639,388

Edgar Filing: SCORE ONE INC - Form 10QSB/A

for the purchase of property and equipment, \$516,765 in advances to related parties. Capital expenditures for the balance of the fiscal 2002 are anticipated to be approximately \$10,470,000, which

9

will be incurred primarily for construction financing facility with Dah Sing Bank Limited for the new factory under construction in Shanghai and for the equipment financing facility with HSBC.

- o Financing activities - Net cash flows provided by financing activities for the six months ended June 30, 2002 was primarily a result of approximately \$3,643,537 in proceeds from the issuance of new shares of our subsidiary, Fu Cheong, upon its successful completion of an underwritten public offering in Hong Kong, net proceeds of \$100,353 from the issuance of shares of our newly created Series A Preferred Stock, and offset by \$716,647 in net repayments on short-term bank borrowings. Net cash flows from financing activities for the six months ended June 30, 2001 was \$510,846 representing net advances under short-term bank borrowings.

On May 2, 2002, the Company created a new class of 500,000 shares of Non-Voting Series A Convertible Preferred Stock which are convertible into Common Stock after one year on a one-for-one basis (the "Series A Stock"). During the three months ended June 30, 2002, the Company issued 138,181 shares of Series A Stock at a purchase price of approximately \$16.80 per share in a private offering pursuant to Regulation S under the Securities Act of 1933, as amended. The Company incurred costs in connection with the issuance in the aggregate amount of \$2,075,615. Net proceeds to the Company were \$100,353. The Company paid 12.5% in brokerage fees for such placement. The balance of fees paid that were directly or indirectly related to the fund raising activities representing introduction, corporate finance, due diligence, public and investor relations, legal, accounting and other consultancy fees. Proceeds from the sale of these shares will be used for working capital. Management believes that the level of financial resources is a significant competitive factor in the PCB industry and accordingly may choose at any time to raise additional capital through debt or equity financing to strengthen its financial position, facilitate growth and provide the Company with additional flexibility to take advantage of business opportunities. At this time the Company has sufficient resources to meet its commitments.

Commitments

On May 6, 2002, the Company entered into a loan agreement with the Hong Kong Shanghai Banking Corporation Limited ("HSBC") pursuant to which, the Company may borrow up to HK\$10,000,000, subject to certain conditions, to purchase various manufacturing machinery to be used in the PRC (the "HSBC Banking Facility"). The HSBC Banking Facility bears interest at a rate of 1.25% below HSBC's best lending rate, which is currently 5.125% per annum, subject to fluctuation at HSBC's discretion. The HSBC Banking Facility has a term of three years and has a minimum draw down amount of HK\$2,000,000. The loan may be drawn down no later than September 30, 2002 and repayment, to be made in 36 equal monthly installments, commences one month after draw down. As of June 30, 2002,

Edgar Filing: SCORE ONE INC - Form 10QSB/A

the Company had available approximately HK\$30,000,000 in banking line of credit.

Related Party Transactions

Revenues from sales of printed circuit boards to a substantial stockholder, Yue Fung Development Limited (YFD) were \$274,467 (HK\$2,140,843) and \$117,005 (HK\$912,642) representing 2.1% and 1.7% of total sales for the six months and three months then ended, respectively.

10

Purchases from Jiangyin, a wholly foreign-owned enterprise established in China whose principal activities are the manufacture and sale of copper clad laminated sheets were \$1,149,155 (HK\$8,963,408) and \$862,442 (HK\$6,727,050), representing 12.3% and 16.8% of total purchases for the six months and three months then ended, respectively.

Item 5. Other Information

Item 5. Other Information is amended to delete the first paragraph thereof and to read in its entirety as follows:

In connection with the preparation of this Report, as required by Section 906 of the Sarbanes-Oxley Act of 2002, each of Wing Cheong Ho, the Company's Chief Executive Officer, and Wing Kui ("Albert") Chan, the Company's Chief Financial Officer have certified that this Quarterly report on Form 10-QSB fully complies with the reporting requirements of the Securities Exchange Act of 1934 and that the information contained in this report fairly presents, in all material respects, the financial condition and results of operation of the Company.

11

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this amendment to be signed on its behalf by the undersigned thereunto duly authorized.

SCORE ONE, INC.

Date: August 22, 2002

By: /s/ Wing Cheong Ho

Name: Wing Cheong Ho
Title: President and Chief Executive Officer

Edgar Filing: SCORE ONE INC - Form 10QSB/A

Date: August 22, 2002

By: /s/ Wing Kui Chan

Name: Wing Kui ("Albert") Chan
Title: Chief Financial Officer